

**Information Memorandum on the Acquisition of Assets and Connected Transaction
in relation to the Acceptance of the Entire Business Transfer of
C.P. Retail Holding Company Limited by Siam Makro Public Company Limited**

Pursuant to Annex (2)

1 Annex (1)

The meeting of the Board of Directors No. 6/2021 of CP All Public Company Limited (the “**Company**”), which was held on 31 August 2021, by the disinterested directors, resolved to approve the acceptance of the entire business transfer under the entire business transfer plan between Siam Makro Public Company Limited (“**Makro**”), as the transferee and C.P. Retail Holding Company Limited (“**CPRH**”), as the transferor, pursuant to which Makro will accept the transfer of the entire business of CPRH, including all assets, debts, rights, obligations and liabilities of CPRH existing at present and in the future as at the entire business transfer date (the “**EBT Date**”) with the total value of THB 217,949,072,250 through the entire business transfer method to reinforce the business of Makro and support Makro’s long-term strategies to become the leader in the retail and wholesale business and to expand the coverage of its business operations to be at a regional level (the “**EBT Transaction**”), and resolved to approve that the matter be proposed to the Extraordinary General Meeting of Shareholders for further consideration and approval. The Board of Directors also resolved to approve the entering into the entire business transfer agreement (the “**EBT Agreement**”), contracts and other documents in relation to the acceptance of the entire business transfer from CPRH. Details of the transaction are as follows:

1.1 Overview of the Transaction

CPRH have 3 shareholders, namely (a) the Company; (b) Charoen Pokphand Holding Company Limited (“**CPH**”); and (c) C.P. Merchandising Company Limited (“**CPM**”) (the Company, CPH and CPM are collectively referred to as the “**CPRH Shareholders**”)

CPRH is an investment holding company with its main assets being shares in C.P. Retail Development Company Limited (“**CPRD**”) in the proportion of 99.99 percent of the registered capital of CPRD and other assets such as cash and cash equivalents. CPRD holds (a) 99.99 percent shares in Lotus’s Stores (Thailand) Company Limited which holds 99.99 percent shares in Ek-Chai Distribution System Company Limited, an operator of a retail business under the name Lotus’s in Thailand; and (b) 100.00 percent shares in Lotuss Stores (Malaysia) Sdn. Bhd. which operates a retail business under the name Lotus’s in Malaysia (collectively referred to as the “**Lotus’s Group**”). The business operation of the Lotus’s Group is divided into two main groups which are the retail business and the business of leasing space in shopping malls. The Lotus’s Group is a leading operator in the retail business of groceries and consumer products with multi-store formats comprising hypermarkets, supermarkets and mini-supermarkets, and operates the business of leasing space in shopping malls in Thailand and Malaysia. For the year ended 31 December 2020, CPRD’s total pro forma revenue was THB 208,648 million and the total pro forma assets was THB 406,640 million.

The EBT Transaction and the Share Allocation Transaction as EBT Consideration

Under the EBT Transaction, Makro will issue and allocate up to 5,010,323,500 new ordinary shares in Makro with a par value of THB 0.50 each at the offering price of THB 43.50 per share, totalling THB 217,949,072,250, to CPRH as consideration for the entire business transfer from CPRH as payment in kind, instead of in cash, representing 104.38 percent of

the total issued and paid-up shares in Makro prior to the allocation of shares as consideration for the entire business transfer (the “**Share Allocation Transaction as EBT Consideration**”). The Share Allocation Transaction as EBT Consideration has taken into consideration the appropriateness of the capital structure of Makro.

The process of the entire business transfer will occur after the meetings of shareholders of the Company and Makro resolve to approve the EBT Transaction and the Share Allocation Transaction as EBT Consideration as well as other matters necessary for and/or in connection with the foregoing transactions in compliance with the relevant regulations, including regulations relating to the acquisition or disposal of assets and connected transactions, and the satisfaction of the conditions precedent under the EBT Agreement. Initially, it is expected that the EBT Transaction and the Share Allocation Transaction as EBT Consideration will be completed within 1 to 3 weeks from the date of the meeting of shareholders of the Company and Makro resolve to approve the EBT Transaction and the Share Allocation Transaction as EBT Consideration or on any other date as mutually agreed between Makro and CPRH.

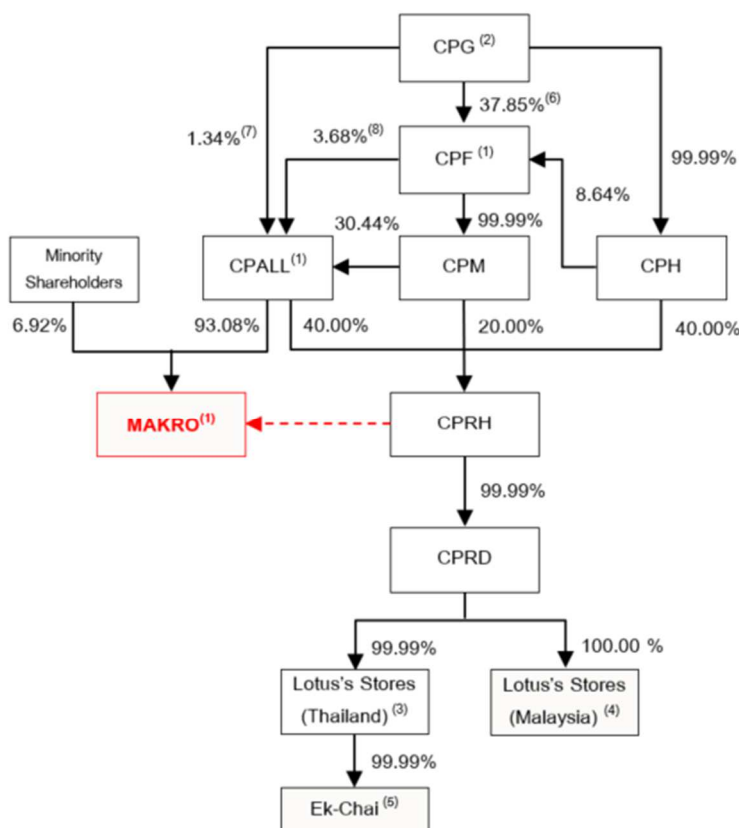
In this regard, the EBT Transaction will be carried out in compliance with the conditions under the Revenue Code in relation to the entire business transfer, pursuant to which CPRH will proceed to register its dissolution within the year 2021, which is within the same fiscal year in which the entire business transfer of CPRH takes place. Following the registration of dissolution, all remaining assets of CPRH, including shares in Makro which CPRH will receive as consideration for the entire business transfer, will be delivered to the CPRH Shareholders in proportion to their respective shareholding as part of the liquidation process of CPRH (the “**Return of Investment to the CPRH Shareholders**”). The Company, CPH and CPM will receive 2,004,129,400 shares, 2,004,129,400 shares and 1,002,064,700 shares in Makro, representing 20.43 percent, 20.43 percent and 10.21 percent of the total outstanding shares in Makro after the Share Allocation Transaction as EBT Consideration, respectively. In this regard, the Company, CPH, and CPM will be required to comply with the relevant regulations of the Stock Exchange of Thailand (the “**SET**”).

The offering of newly issued ordinary shares to the public (Public Offering)

After the completion of the EBT Transaction and the Share Allocation Transaction as EBT Consideration, Makro will issue and offer newly issued ordinary shares to the public (Public Offering). The Company, CPH and CPM will jointly sell a portion of the ordinary shares in Makro which are held by them at the same time as the public offering in compliance with the relevant regulations in order to increase the shares distribution of minority shareholders of Makro to be in the total proportion of not less than 15.00 percent of the paid-up capital of Makro which will result in Makro being able to successfully maintain the qualification relating to shares distribution (“**Free Float**”) in accordance with the Regulation of the SET Re: Listing of Ordinary Shares or Preferred Shares as Listed Securities B.E. 2558 (2015) dated 11 May 2015 (as amended) (the “**SET Regulation Re: Listing of Shares as Listed Securities**”). The public offering has taken into consideration the various relevant factors including the appropriateness of the capital structure and proceeds utilisation plan of each company.

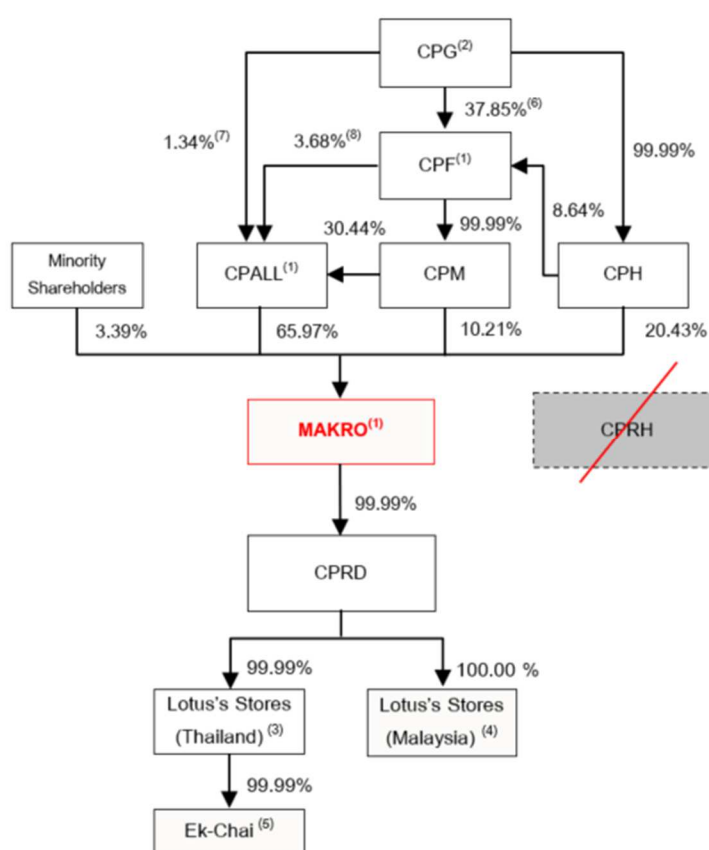
Shareholding structure before and after the EBT Transaction and the obligation of CPH and CPM to make a tender offer for all securities in Makro

The shareholding structure of Makro and CPRH before the EBT Transaction is summarised below.



- Notes:
- (1) Information on the shareholding in (a) Makro; (b) CPALL; and (c) CPF (before deducting the repurchased shares for financial management) is based on the Record Date on 25 August 2021, 6 May 2021 and 31 August 2021, respectively.
 - (2) CPG means Charoen Pokphand Group Company Limited
 - (3) Lotus's Stores (Thailand) means Lotus's Stores (Thailand) Company Limited
 - (4) Lotus's Stores (Malaysia) means Lotuss Stores (Malaysia) Sdn. Bhd.
 - (5) Ek-Chai means Ek-Chai Distribution System Company Limited
 - (6) CPG's shareholding in CPF includes the shareholding of CPG's subsidiaries (other than CPH) in CPF
 - (7) CPG's shareholding in CPALL includes the shareholding of CPG's subsidiaries in CPALL
 - (8) CPF's shareholding in CPALL includes the shareholding of CPF's subsidiaries (other than CPM) in CPALL

The shareholding structure of Makro after the completion of the EBT Transaction, the Share Allocation Transaction as EBT Consideration, including after the registration of dissolution of CPRH, and the Return of Investment to the CPRH Shareholders is summarised below.



- Notes:
- (1) Information on the shareholding in (a) Makro; (b) CPALL; and (c) CPF (before deducting the repurchased shares for financial management) is based on the Record Date on 25 August 2021, 6 May 2021 and 31 August 2021, respectively.
 - (2) CPG means Charoen Pokphand Group Company Limited
 - (3) Lotus's Stores (Thailand) means Lotus's Stores (Thailand) Company Limited
 - (4) Lotus's Stores (Malaysia) means Lotuss Stores (Malaysia) Sdn. Bhd.
 - (5) Ek-Chai means Ek-Chai Distribution System Company Limited
 - (6) CPG's shareholding in CPF includes the shareholding of CPG's subsidiaries (other than CPH) in CPF
 - (7) CPG's shareholding in CPALL includes the shareholding of CPG's subsidiaries in CPALL
 - (8) CPF's shareholding in CPALL includes the shareholding of CPF's subsidiaries (other than CPM) in CPALL

- (1) The Company's direct and indirect shareholding in Makro will decrease from approximately 93.08 percent to 65.97 percent of the total voting rights in Makro, and when combined with the 10.21 percent shareholding of the person under Section 258 of the Securities and Exchange Act B.E. 2535 (1992), as amended (the "**SEC Act**") of the Company, namely CPM, the total direct and indirect shareholding of the Company will be 76.19 percent. This does not constitute an acquisition of shares of a business that exceeds the trigger point that requires a tender offer to be made for all securities of that business as prescribed under the Notification of the Capital Market Supervisory Board No. ThorJor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers dated 13 May 2011, as amended (The "**Notification No. ThorJor. 12/2554**"). Therefore, the Company is not required to make a mandatory tender offer for all securities in Makro.

In this regard, the Company will not sell shares in Makro in respect of the tender offer for all securities in Makro to be made by CPH and CPM, as further clarified in paragraphs (2) and (3) below.

- (2) CPH's direct shareholding in Makro will increase from 0.00 percent to 20.43 percent of the total voting rights in Makro, and when combined with the 65.97 percent and 10.21 percent shareholding of the persons under Section 258 of the SEC Act of CPH, namely the Company and CPM, respectively, the total direct and indirect shareholding of CPH will be 96.61 percent. This constitutes an acquisition of shares of a business that exceeds the trigger point that requires a tender offer to be made for all securities of that business as prescribed under the Notification No. ThorJor. 12/2554. Therefore, CPH is required to make a mandatory tender offer for all securities in Makro.
- (3) CPM's direct shareholding in Makro will increase from 0.00 percent to 10.21 percent of the total voting rights in Makro, and when combined with the 65.97 percent shareholding of the person under Section 258 of the SEC Act of CPM, namely the Company, the total direct and indirect shareholding of CPM will be 76.19 percent. This constitutes an acquisition of shares of a business that exceeds the trigger point that requires a tender offer to be made for all securities of that business as prescribed under the Notification No. ThorJor. 12/2554. Therefore, CPM is required to make a mandatory tender offer for all securities in Makro.

As CPH and CPM are required to make a mandatory tender offer for all securities in Makro, both CPH and CPM will jointly make a mandatory tender offer for all securities in Makro at the price of THB 43.50 per share which is the price that Makro issues and allocates newly issued ordinary shares to CPRH as consideration for the entire business transfer. CPM will purchase ordinary shares in Makro in the proportion of one-third and CPH will purchase ordinary shares in the proportion of two-thirds of the shares accepted in such mandatory tender offer for all securities in Makro. The maximum number of shares that CPM and CPH will have to purchase in this tender offer will not be more than 332,098,500 shares, representing up to 3.39 percent of the total outstanding shares in Makro after the Share Allocation Transaction as EBT Consideration. Such maximum number of shares is calculated by deducting (a) the number of shares in Makro which CPM and CPH will hold following the Return of Investment to the CPRH Shareholders; and (b) the number of shares in Makro which the Company currently holds and will acquire following the Return of Investment to the CPRH Shareholders (as the Company will not sell shares in respect of the tender offer by CPH and CPM). It is expected that such tender offer for securities will occur within 3 business days after CPM, CPH and the Company have fully received newly issued shares in Makro from the Return of Investment to the CPRH Shareholders.

The Company, therefore, would like to inform the details of the acquisition of assets and the connected transaction in relation to the entering into the EBT Transaction as follows:

1.2 Date, Month and Year of the Transaction

Around one to three weeks from the date of the Extraordinary General Meeting of Shareholders of the Company.

1.3 Parties Involved and Relationship with the Company and Connected Person of the Company

Transferee:	Makro
Transferor:	CPRH
Relationship with the Company:	CPRH is a connected person of the Company because (a) CPRH's major shareholder, CPM, is a major shareholder of the Company as well as a subsidiary of Charoen Pokphand Foods Public Company Limited ("CPF"), whereby CPM holds 398,959,149 shares in CPRH (representing 20.00 percent of the total voting rights in CPRH); and (b) CPRH's indirect major shareholder, Charoen Pokphand Group Company Limited ("CPG"), who indirectly holds 797,918,298 shares in CPRH through CPH (representing 40.00 percent of the total voting rights in CPRH) is an indirect major shareholder of the Company. As a result, the Company is required to comply with the Notification of the Capital Market Supervisory Board No. TorJor 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 (2003) dated 19 November 2003 (as amended) (the "Notifications on Connected Transactions")

1.4 General Description of the Transaction and Transaction Size

1.4.1 General Description of the Transaction

Makro, a subsidiary of the Company, will accept the transfer of the entire business of CPRH through the method of entire business transfer. CPRH is an investment holding company with its main assets being shares in CPRD in the proportion of 99.99 percent of the registered capital of CPRD and other assets such as cash and cash equivalents. CPRD holds (a) 99.99 percent shares in Lotus's Stores (Thailand) Company Limited which holds 99.99 percent shares in Ek-Chai Distribution System Company Limited, an operator of a retail business under the name Lotus's in Thailand; and (b) 100.00 percent shares in Lotuss Stores (Malaysia) Sdn. Bhd. which operates a retail business under the name Lotus's in Malaysia. under the terms and conditions of the EBT Agreement, whereby Makro will acquire approximately 99.99 percent shares in CPRD, including all assets, debts, rights, obligations and liabilities of CPRH existing at present and in the future as at the EBT Date. In consideration thereof, Makro will allocate to CPRH up to 5,010,323,500 newly issued ordinary shares in Makro with a par value of THB 0.50 each at the offering price of THB 43.50 per share, with the total value of THB 217,949,072,250, as payment in kind, instead of in cash. The entry into such transaction is:

- (1) considered as a Class 4 acquisition of assets transaction or an indirect listing on the SET (Backdoor Listing) under the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the

Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 (2004) dated 29 October 2004 (as amended) (the “**Notifications on Acquisition or Disposal of Assets**”). In this regard, the EBT Transaction that is being carried out by Makro is not the case that requires the submission of a new listing application to the SET under the SET Regulation Re: Listing of Shares as Listed Securities as it meets all the 4 criteria under Clause 24 of the Notifications on Acquisition or Disposal of Assets, namely (a) the acquired business is in a similar line of business or a mutually supporting business to Makro’s business; (b) Makro has no policy to make a significant change to its main business; (c) Makro’s group of companies has suitable qualifications for listing on the SET; and (d) there will be no material change in the composition of the board of directors of Makro and the controlling power in Makro or controlling shareholders of Makro. However, the EBT Transaction is a transaction that is being carried out by Makro and not by the Company. Therefore, the 4 criteria for the exemptions of the submission of a new listing application under Clause 24 of the Notifications on Acquisition or Disposal of Assets as aforementioned are directly related to Makro, which is the listed company that is entering into the transaction, and are not related to the Company as the Company is not the entity entering into the transaction. Hence, the 4 criteria under Clause 24 of the Notifications on Acquisition or Disposal of Assets need not be reconsidered in respect of the Company.

- (2) considered as a connected transaction of a listed company under the Notifications on Connected Transactions as CPRH is a connected person of the Company because (a) CPRH’s major shareholder, CPM, is a major shareholder of the Company as well as a subsidiary of CPF, whereby CPM holds 398,959,149 shares in CPRH (representing 20.00 percent of the total voting rights in CPRH); and (b) CPRH’s indirect major shareholder, CPG, who indirectly holds 797,918,298 shares in CPRH through CPH (representing 40.00 percent of the total voting rights in CPRH) is an indirect major shareholder of the Company.

1.4.2 Transaction Size and Calculation of the Transaction Size of the Acquisition of Assets Transaction

The EBT Transaction is considered as a Class 4 acquisition of assets transaction or an indirect listing on the SET (Backdoor Listing) under the Notifications on Acquisition or Disposal of Assets with the transaction value of approximately THB 217,949,072,250. Details of the calculation of the transaction size are as follows:

Financial Information used in the Calculation of the Transaction Size**Unit: THB Million**

	The Company	CPRH	CPRD
Financial Information	Consolidated Financial Statements ended 30 June 2021	Separate Financial Statements ended 31 December 2020	Pro Forma Consolidated Financial Information ended 31 December 2020
Net Tangible Assets ⁽¹⁾ (NTA)	85,826	199,479	
Total assets	513,087		
Net profit (loss)	12,359 ⁽²⁾		1,778

Note: (1) Net Tangible Assets are calculated as the total assets less related intangible assets, total liabilities and non-controlling interests.

(2) Net profit (loss) attributable to equity holders of the Company of the past 12 months.

Basis of the Calculation of the Size of the Acquisition of Assets Transaction**Unit: THB Million (unless specified otherwise)**

Basis of Calculation	Calculation Basis	Acceptance of the Entire Business Transfer of CPRH	Total Transaction Size (percent)
1. Value of Net Tangible Assets (NTA) basis	$\frac{((\text{NTA of company to be purchased} \times \text{Proportion to be acquired}) \times 100)}{(\text{NTA of listed company})}$	$\frac{((199,479 \times 100\%) \times 100)}{85,826}$	232.42
2. Net Operating Profits basis	$\frac{((\text{Net operating profits of company to be purchased} \times \text{Proportion acquired}) \times 100)}{\text{Net operating profits of listed company}}$	$\frac{((1,778 \times 100\%) \times 100)}{12,359}$	14.39
3. Total Value of Consideration basis	$\frac{(\text{Value of transaction to be acquired} \times 100)}{\text{Total assets of listed company}}$	$\frac{((217,949 \times 100\%) \times 100)}{513,087}$	42.48
4. Value of Shares Issued for the Payment of Assets basis	-	-	-

Based on the calculation basis above, the highest value from the calculation of the transaction size is equal to 232.42 percent on the basis of the net tangible assets (NTA). Upon combining with the assets acquisition transactions of the Company and/or its subsidiaries during the past six months, the highest value of the transaction under the net tangible assets (NTA) basis is equal to 232.45 percent, which is equal to 100 percent or higher and, therefore, is considered as entering into a Class 4 transaction or a backdoor listing under the Notifications on Acquisition or Disposal of Assets. In this regard, the EBT Transaction that is being carried out by Makro is not the case that requires the submission of a new listing application to the SET under

the SET Regulation Re: Listing of Shares as Listed Securities as it meets all the 4 criteria under Clause 24 of the Notifications on Acquisition or Disposal of Assets, namely (a) the acquired business is in a similar line of business or a mutually supporting business to Makro's business; (b) Makro has no policy to make a significant change to its main business; (c) Makro's group of companies has suitable qualifications for listing on the SET; and (d) there will be no material change in the composition of the board of directors of Makro and the controlling power in Makro or controlling shareholders of Makro. However, the entering into the EBT Transaction in this case is a transaction that is being carried out by Makro and not by the Company. Therefore, the 4 criteria for the exemptions of the submission of a new listing application under Clause 24 of the Notifications on Acquisition or Disposal of Assets as aforementioned are directly related to Makro, which is the listed company that is entering into the transaction in this case, and are not related to the Company as the Company is not the entity entering into the transaction. Hence, the 4 criteria under Clause 24 of the Notifications on Acquisition or Disposal of Assets need not be reconsidered in respect of the Company.

Therefore, the Company is required to disclose the information memorandum in relation to such transaction to the SET, to appoint an independent financial advisor to render opinions on the entering into such transaction to the shareholders and to convene a meeting of shareholders for an approval of the entering into the transaction by the votes of not less than three-fourths of all votes of the shareholders attending the meeting and having the right to vote, excluding votes of interested shareholders. The name and number of shares of the shareholders not having the right to vote must be specified in the notice of the meeting of shareholders.

1.4.3 General Description of Connected Transactions

The EBT Transaction and the Share Allocation Transaction as EBT Consideration are considered as connected transactions of the Company under the Notifications on Connected Transactions as CPRH is a connected person of the Company because (a) CPRH's major shareholder, CPM, is a major shareholder of the Company as well as a subsidiary of CPF, whereby CPM holds 398,959,149 shares in CPRH (representing 20.00 percent of the total voting rights in CPRH); and (b) CPRH's indirect major shareholder, CPG, who indirectly holds 797,918,298 shares in CPRH through CPH (representing 40.00 percent of the total voting rights in CPRH) is an indirect major shareholder of the Company. Therefore, such transactions are considered as connected transactions under the type of transactions relating to assets or service pursuant to the Notifications on Connected Transactions, with the transaction value of approximately THB 217,949,072,250.

The value of the transactions is calculated based on the consolidated financial statements of the Company which have been reviewed by the auditor for the six-month period ended 30 June 2021 and is equal to 253.94 percent of the value of the net tangible assets of the Company. Upon combining with the acquisition of assets transactions of the Company and/or its subsidiaries during the past six months, the highest value of the transaction under the net tangible assets (NTA) basis is equal to 254.22 percent. Thus, such transactions are considered as connected transactions under the type of transactions relating to assets or service of which the transaction value is higher than 3.00 percent of the net tangible assets of the Company. Therefore, the Company is required to disclose the information memorandum in

relation to such transaction to the SET, to appoint an independent financial advisor to render opinions on the entering into such transactions to the shareholders and to convene a meeting of shareholders for an approval of the entering into the transactions by the votes of not less than three-fourths of all votes of the shareholders attending the meeting and having the right to vote, excluding votes of interested shareholders. The name and number of shares of the shareholders not having the right to vote must be specified in the notice of the meeting of shareholders.

1.5 Details of the Acquired Assets

On the EBT Date, Makro will accept the entire business of CPRH, comprising all assets and liabilities with details as follows:

(1) Assets

(1.1) All shares in CPRD held by CPRH in the amount of 1,994,745,742 shares with a par value of THB 100 each or approximately 99.99 percent of the total issued and paid-up shares in CPRD.

(1.2) Other assets existing as at the EBT Date.

(2) Liabilities

All liabilities existing as at the EBT Date.

1.5.1 General Information of CPRH

(1) General description of the business

Company name	C.P. Retail Holding Company Limited
Type of business	Investment business by holding shares in other companies
Office address	313 C.P. Tower, 14th Floor, Silom Road, Silom Sub-district, Bang Rak District, Bangkok
Juristic person registration number	0105563041629
Registration date	6 March 2020
Registered capital as at 31 July 2021	THB 199,479,574,500
Issued and paid-up capital as at 31 July 2021	THB 199,479,574,500

(2) Business operations of CPRH

CPRH operates the business of holding shares in other companies (investment holding company) and holds shares in its subsidiary, namely, CPRD.

(3) List of shareholders of CPRH as at 31 July 2021

No.	Shareholders	Shares	Voting Rights
1	The Company	797,918,298	40.00 percent

No.	Shareholders	Shares	Voting Rights
2	CPH	797,918,298	40.00 percent
3	CPM	398,959,149	20.00 percent
	Total	1,994,795,745	100.00 percent

- (4) List of directors of CPRH as at 31 July 2021

No.	Directors	Position
1	Mr. Soopakij Chearavanont	Director
2	Mr. Narong Chearavanont	Director
3	Mr. Suphachai Chearavanont	Director
4	Mr. Adirek Sripratak	Director
5	Mr. Umroong Sanphasitvong	Director

- (5) Connected persons of the Company which hold shares in CPRH

- (5.1) CPM

CPM is a major shareholder of the Company and a subsidiary of CPF. CPM holds 398,959,149 shares in CPRH, representing 20.00 percent of the total voting rights in CPRH.

- (5.2) CPG

CPG is an indirect major shareholder of the Company. CPG indirectly holds 797,918,298 shares in CPRH through CPH, representing 40.00 percent of the total voting rights in CPRH.

- (6) Summary of financial position and operating results

The key financial information of CPRH for the accounting period from 6 March 2020 (the date of incorporation) and ending on 31 December 2020 based on the audited separate financial statements can be summarised below.

Unit: THB million	The period from 6 March 2020 (the date of incorporation) to 31 December 2020
Statement of Comprehensive Income	
Total revenue	0.11
Total expenses	0.68
Net profit	(0.58)
Statement of Financial Position	
Total assets	199,479.62
Total liabilities	0.62
Total shareholders' equity	199,479.00

1.5.2 General information of subsidiary of CPRH

(a) CPRD

(1) General description of the business

Company name	C.P. Retail Development Company Limited
Type of business	Investment business by holding shares in other companies
Office address	629/1 Nawamin Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok
Juristic person registration number	0105563042102
Registration date	6 March 2020
Registered capital as at 31 July 2021	THB 199,474,574,500
Issued and paid-up capital as at 31 July 2021	THB 199,474,574,500

(2) Business operations of CPRD

CPRD operates the business of holding shares in other companies (investment holding company) and holds shares in its subsidiaries, namely, (a) Lotus's Stores (Thailand) Company Limited ("**Lotus TH**"); (b) Ek-Chai Distribution System Company Limited ("**Ek-Chai**") which is CPRD's subsidiary through Lotus TH's shareholding; and (c) Lotuss Stores (Malaysia) Sdn. Bhd ("**Lotus MY**").

Please consider the details of the business operations of CPRD and other companies within the Lotus's Group in the attachment to this Information Memorandum.

(3) List of shareholders of CPRD as at 31 July 2021

No.	Shareholders	Shares	Voting Rights
1	CPRH	1,994,745,742	99.99 percent
2	Mr. Soopakij Chearavanont	1	<0.01 percent
3	Mr. Adirek Sripratak	1	<0.01 percent
4	Mr. Umroong Sanphasitvong	1	<0.01 percent
	Total	1,994,745,745	100.00 percent

(4) List of directors of CPRD as at 31 July 2021

No.	Directors	Position
1	Mr. Suphachai Chearavanont	Director
2	Mr. Narong Chearavanont	Director

No.	Directors	Position
3	Mr. Adirek Sripratak	Director
4	Mr. Piyawat Titasattavorakul	Director
5	Mr. Pittaya Jearavisitkul	Director
6	Mr. Suparat Kawatkul	Director
7	Mr. Umroong Sanphasitvong	Director
8	Mr. Boonchai Opas-iam-likit	Director
9	Mr. Kriengchai Boonpoapichart	Director
10	Mr. Naris Thamkuekool	Director
11	Mr. Sompong Rungnirattisai	Director
12	Mr. Noppadol Dej-Udom	Director
13	Mr. Thirapol Thanomsakyuth	Director
14	Mr. Prasit Boondoungprasert	Director
15	Mr. Nattawat Chunhawuttiyanon	Director

(5) Summary of financial position and operating results

The key financial information of CPRD for the accounting period from 6 March 2020 (the date of incorporation) and ending on 31 December 2020 based on the audited consolidated financial statements can be summarised below.

Unit: THB million	The period from 6 March 2020 (the date of incorporation) to 31 December 2020
Statement of Comprehensive Income⁽¹⁾	
Total revenue ⁽²⁾	9,570.17
Total expenses ⁽³⁾	(9,083.80)
Gross profit	1,346.86
Net profit	(157.97)
Statement of Financial Position	
Total assets	400,957.81
Total liabilities	201,657.59
Total shareholders' equity	199,300.22

Notes: (1) CPRD purchased the shares in Lotus TH and Lotus MY on 18 December 2020. Therefore, CPRD has consolidated the Lotus's Group operating results as from 18 December 2020 onwards.

- (2) The total revenue consists of revenue from sale of goods, rental income and revenue from rendering services and other income.
- (3) The total expenses consist of the cost of sales, cost of rental and cost of rendering of services, distribution costs and administrative expenses.

The key pro forma consolidated financial information of CPRD for the years ended 31 December 2019 and 2020 which has been provided assurance by the auditor can be summarised below.

Unit: THB million	The year ended 31 December 2019	The year ended 31 December 2020
Consolidated Statements of Profit and Loss		
Revenue from sale of goods	205,227	197,460
Rental income and revenue from rendering services	14,805	11,188
Cost of sales	(166,237)	(160,670)
Cost of rental and cost of rendering of services	(5,354)	(5,526)
Gross Profit	48,441	42,452
Gains (loss) on foreign exchange rate	(2)	87
Other income	3,093	2,370
Net derivative gain	1	2
Distribution costs	(28,557)	(28,716)
Administrative expenses	(5,595)	(6,434)
Profit (Loss) from Operating Activities	17,381	9,761
Finance costs	(6,736)	(6,772)
Share of profit from investment in joint ventures and an associate	815	782
Profit (Loss) before Income Tax Expense	11,460	3,771
Income tax expense	(3,127)	(1,993)
Profit for the year	8,333	1,778
Consolidated Statements of Financial Position		
Assets		
Cash and cash equivalents	21,724	20,357
Trade and other current receivables	3,419	2,725

Unit: THB million	The year ended 31 December 2019	The year ended 31 December 2020
Inventories	12,386	11,930
Investment properties	29,695	29,186
Property, plant and equipment	72,986	71,113
Right-of-use Assets	25,422	26,894
Goodwill	226,228	226,228
Other assets	16,514	18,207
Total Assets	408,374	406,640
Liabilities		
Short-term borrowings from financial institutions	120,823	120,823
Trade and other current payables	37,127	38,361
Lease liabilities (including current portion)	30,241	34,059
Other liabilities	16,849	15,808
Total Liabilities	205,040	209,051
Issued and paid-up share capital	199,475	199,475
Retained earnings (Deficits)	8,333	10,112
Difference arising from pro forma adjustment	(4,561)	(12,066)
Other components of shareholders' equity	80	61
Total Shareholders' Equity Attributable to Owners of the Parent	203,327	197,582
Non-controlling interests	7	7
Total Shareholders' Equity	203,334	197,589
Total Liabilities and Shareholders' Equity	408,374	406,640

- Notes: The unaudited pro forma consolidated financial information of CPRD has been compiled based on:
- (1) The separate financial statements of CPRD for the period from 6 March 2020 (the date of incorporation) to 31 December 2020 prepared in accordance with Thai Financial Reporting Standards and audited by auditor in accordance with Thai Standards on Auditing, expressing the unmodified opinion dated 28 May 2021. The auditor's report has not been published.
 - (2) The special purpose consolidated financial statements of Lotus TH and its subsidiaries for the years ended 28 February 2021 and 29 February 2020 prepared in accordance with

Thai Financial Reporting Standards and audited by auditor in accordance with Thai Standards on Auditing, expressing the unmodified opinion dated 31 August 2021. The auditor's report has not been published.

- (3) The special purpose financial statements of Lotus MY for the years ended 28 February 2021 and 29 February 2020 prepared in accordance with Malaysian Financial Reporting Standards and audited by auditor in accordance with International Standards on Auditing, expressing the unmodified opinion dated 30 August 2021. The auditor's report has not been published.

(b) Lotus's Stores (Thailand) Company Limited which is a subsidiary of CPRD

- (1) General description of the business

Company name	Lotus's Stores (Thailand) Company Limited ("Lotus TH")
Type of business	Investment business by holding shares in other companies
Office address	629/1 Nawamin Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok
Juristic person registration number	0105541029677
Registration date	15 May 1998
Registered capital as at 31 July 2021	THB 12,301,000
Issued and paid-up capital as at 31 July 2021	THB 12,301,000

- (2) Business operations of Lotus TH

Lotus TH operates the business of holding shares in other companies (investment holding company) and holds shares in its subsidiary, namely, Ek-Chai Distribution System Company Limited.

Please consider the details of the business operations of Lotus TH and other companies within the Lotus's Group in the attachment to this Information Memorandum.

- (3) List of shareholders of Lotus TH as at 31 July 2021

No.	Shareholders	Shares	Voting Rights
1	C.P. Retail Development Company Limited	1,230,098	99.99 percent
2	Mr. Narong Chearavanont	1	<0.01 percent
3	Mr. Suphachai Chearavanont	1	<0.01 percent
	Total	1,230,100	100.00 percent

- (4) List of directors of Lotus TH as at 31 July 2021

No.	Directors	Position
1	Mr. Adirek Sripratak	Director
2	Mr. Umroong Sanphasitvong	Director
3	Mr. Suphachai Chearavanont	Director

(c) **Ek-Chai Distribution System Company Limited which is a subsidiary of CPRD through shareholding by Lotus TH**

- (1) General description of the business

Company name	Ek-Chai Distribution System Company Limited (“ Ek-Chai ”)
Type of business	Retail trading of groceries and consumer products
Office address	629/1 Nawamin Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok
Juristic person registration number	0105536092641
Registration date	13 August 1993
Registered capital as at 31 July 2021	THB 5,137,500,050
Issued and paid-up capital as at 31 July 2021	THB 5,137,500,050

- (2) Business operations of Ek-Chai

Please consider the details of the business operations of Ek-Chai and other companies within the Lotus’s Group in the attachment to this Information Memorandum.

- (3) List of shareholders of Ek-Chai as at 31 July 2021

No.	Shareholders	Shares	Voting Rights
1	Lotus’s Stores (Thailand) Company Limited	513,750,003	99.99 percent
2	Mr. Narong Chearavanont	1	<0.01 percent
3	Mr. Suphachai Chearavanont	1	<0.01 percent
	Total	513,750,005	100.00 percent

- (4) List of directors of Ek-Chai as at 31 July 2021

No.	Directors	Position
1	Mr. Sompong Rungnirattisai	Director

No.	Directors	Position
2	Mr. Naris Thamkuekool	Director
3	Mr. Nattawat Chunhawuttiyanon	Director
4	Ms. Salinla Seehaphan	Director
5	Mrs. Aurakanda Attavipach	Director

(d) Lotuss Stores (Malaysia) Sdn. Bhd. which is a subsidiary of CPRD

(1) General description of the business

Company name	Lotuss Stores (Malaysia) Sdn. Bhd. (“ Lotus MY ”)
Type of business	Retail store business
Office address	12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia
Juristic person registration number	200001018812 (521419-K)
Registration date	24 July 2000
Registered capital	-
Issued and paid-up capital	MYR 856,000,000, comprising: 1) Class A ordinary shares – 39,200,000 shares; 2) Class B ordinary shares – 16,800,000 shares; and 3) Preference shares (non-convertible non-cumulative irredeemable preference shares) – 60,000,000 shares

(2) Business operations of Lotus MY

Please consider the details of the business operations of Lotus MY and other companies within the Lotus’s Group in the attachment to this Information Memorandum.

(3) List of shareholders of Lotus MY as at 31 July 2021

No.	Shareholders	Shares	Voting Rights
1	C.P. Retail Development Company Limited	1) Class A ordinary shares – 39,200,000 shares; 2) Class B ordinary shares – 16,800,000 shares; and 1) Preference shares (non-convertible non-cumulative	100.00 percent

No.	Shareholders	Shares	Voting Rights
		irredeemable preference shares) – 60,000,000 shares	

(4) List of directors of Lotus MY as at 31 July 2021

No.	Directors	Position
1	Mr. Narong Chearavanont	Director
2	Mr. Naris Thamkuekool	Director
3	Mr. Piyawat Titasattavorakul	Director
4	Mr. Nattawat Chunhawuttiyanon	Director
5	Mr. Kenneth Chuah Jin Kiat	Director
6	Mr. Yong Yvonne	Director
7	Mr. Sushmita Jeni Paul	Director
8	Mr. Azliza Baizura Binti Azmel	Director

1.6 Key Pro Forma Consolidated Financial Information of Makro

The key unaudited pro forma consolidated financial information of Makro for the year ended 31 December 2020 which has been provided assurance by the auditor can be summarised below.

Unit: THB million	The year ended 31 December 2020
Consolidated Statement of Profit and Loss	
Revenue from sale of goods	411,594
Revenue from rendering services	4,081
Revenue from rental and rendering retail services	11,548
Other income	2,565
Total Revenue	429,788
Cost of sale of goods	(352,679)
Cost of rental and rendering of services	(5,526)
Distribution costs	(41,474)
Administrative expenses	(11,624)
Total Expenses	(411,303)
Profit (Loss) from Operating Activities	18,485
Finance costs	7,391
Share of profit from investment in joint ventures and associates	782

Unit: THB million	The year ended 31 December 2020
Profit (Loss) before Income Tax Expenses	11,876
Income tax expenses	(3,806)
Profit for the year	8,070
Consolidated Statement of Financial Position	
Assets	
Cash and cash equivalents	36,388
Inventories	28,648
Property, plant and equipment	101,063
Right-of-use assets	31,815
Investment properties	27,713
Goodwill	247,071
Other assets	20,949
Total Assets	493,647
Liabilities	
Short-term borrowings from financial institutions	120,046
Trade payables	55,190
Lease liabilities (including current portion)	39,047
Other liabilities	38,697
Total Liabilities	252,980
Issued and paid-up share capital	4,906
Premium on ordinary shares	218,734
Deficit from changes in ownership interests in subsidiary	(20)
Deficit from business combination under common control	(1,627)
Retained earnings (Deficits)	18,378
Other components of equity	(182)
Equity Attributable to Equity Holders of the Company	240,189
Non-controlling interests	478
Total Equity	240,667
Total Liabilities and Equity	493,647

Notes: The historical columns of unaudited pro forma consolidated financial information are derived from the following:

- (1) The audited consolidated financial statements of Makro and its subsidiaries for the year ended 31 December 2020, included in financial statements with an unmodified audit opinion dated 19 February 2021, which have been publicly disclosed.
- (2) The audited consolidated financial statements of CPRD and its subsidiaries for the period from 6 March 2020 (date of incorporation) to 31 December 2020, included in financial statements with an unmodified audit opinion dated 28 May 2021, which have not been publicly disclosed.
- (3) The financial information of the Lotus TH and Lotus MY are derived from the unaudited consolidated pro forma financial information of CPRD and its subsidiaries for the year ended 31 December 2020, which have not been publicly disclosed.

1.7 Total Value of Consideration and Criteria for Determination of Total Value of Transaction and Consideration

The total value of consideration in respect of the EBT Transaction is approximately THB 217,949,072,250.

Upon the full satisfaction of the conditions of the EBT Transaction, Makro will issue 5,010,323,500 new ordinary shares at the offering price of THB 43.50 per share to CPRH as consideration for the entire business transfer as payment in kind, instead of in cash, totalling THB 217,949,072,250. Consideration has been given to the appropriateness of the capital structure of Makro and the value is based on the negotiations between the parties on the basis of valuation in accordance with the discounted cash flow approach which has taken into consideration the operating results and other relevant factors and the market comparable (with companies operating similar businesses) approach.

After Makro has sold the newly issued ordinary shares to CPRH under the private placement and after the CPRH Shareholders have accepted the transfer of shares in Makro as part of the liquidation process of CPRH, the CPRH Shareholders, namely, the Company, CPH and CPM will, directly and indirectly, hold 65.97 percent, 20.43 percent and 10.21 percent of the total issued and paid-up shares in Makro, respectively.

1.8 Value of Acquired Assets

The value of the assets acquired by the Company from the EBT Transaction is approximately THB 217,949,072,250.

1.9 Expected Benefits of the Company

The transaction will:

- (a) reinforce the business of Makro and support the Company's long-term strategies to become the largest grocer in Asia (excluding Japan) in the retail and wholesale industry⁽¹⁾;
- (b) allow the Company to realise greater benefits which are expected to be derived from the consolidation of Makro and CPRD, including from combining the strengths in various aspects of Makro with those of the Lotus's Group, such as the coverage of store formats and the expansion of the coverage of the business operations at a regional level;
- (c) increase the liquidity of the Company's investment by converting from the investment in the shares in CPRD (through shareholding in CPRH) which has no liquidity and the shares are not listed on the SET to investment in shares of Makro which are securities listed on the SET, which has trading liquidity;

- (d) enhance the retail and wholesale industry to become more modernized, strengthen the competitive advantage against international e-commerce companies or technology companies that compete in Thailand by allowing quick response to rapid changes in consumer behaviour (particularly consumers' spending behaviour which has changed during the Covid-19 pandemic) at both national and regional levels and will be beneficial to stakeholders in all sectors through the internal restructuring and business restructuring for the purpose of achieving such objectives.

Following the completion of the EBT Transaction and the Share Allocation Transaction as EBT Consideration, the Company's direct and indirect shareholding in Makro will be approximately 65.97 percent of the total voting rights in Makro, which holds 99.99 percent of the total voting rights in CPRD.

Note ⁽¹⁾ With reference to the Euromonitor Report in respect of sales in the year 2020 in the Asia (excluding Japan)

1.10 Conditions of the Transactions

The EBT Transaction and the Share Allocation Transaction as EBT Consideration will only occur after the full satisfaction of the conditions precedent as specified in the EBT Agreement and other documents in relation to such transactions. Material conditions precedent are summarised below:

- (a) The meeting of shareholders of Makro has resolved to approve the EBT Transaction and the Share Allocation Transaction as EBT Consideration, including other matters necessary for and/or in connection with such transactions in compliance with the relevant regulations.
- (b) The meeting of shareholders of the Company has resolved to approve the EBT Transaction, the Share Allocation Transaction as EBT Consideration and the transfer of the entire business of CPRH, including the execution of the EBT Agreement, and other matters necessary for and/or in connection with such transactions in compliance with the relevant regulations.
- (c) The meetings of the board of directors of CPF, CPM and CPH have resolved to approve the transfer of the entire business of CPRH, including the execution of the EBT Agreement, and other matters necessary for and/or in connection with such transactions in compliance with the relevant regulations.
- (d) The meeting of the board of directors and meeting of shareholders of CPRH have resolved to approve the transfer of the entire business to Makro, including the execution of the EBT Agreement and other relevant documents, as well as any other actions to ensure the successful completion of the transfer of the entire business to Makro.
- (e) As at the EBT Date, no events or actions have occurred which may result in material adverse effects on the entire business of CPRH, the businesses of CPRD, companies within the Lotus's Group and the subsidiaries in which CPRH (directly and indirectly) holds more than 50.00 percent shares and/or the business of Makro and no events have occurred which obstruct the EBT Transaction and the Share Allocation Transaction as EBT Consideration.
- (f) The SEC Office has approved the offering of the newly issued ordinary shares to CPRH which is an offering to a specific person (Private Placement).

- (g) Makro, companies within the Makro's group, CPRH, CPRD, companies within the Lotus's Group and the subsidiaries in which CPRH (directly and indirectly) holds more than 50.00 percent shares have obtained the necessary consents, permissions, agreements or waivers from customers, suppliers, creditors or contract parties who are third parties of Makro, companies within the Makro's group, CPRH, CPRD companies within the Lotus's Group, and the subsidiaries in which CPRH (directly and indirectly) holds more than 50.00 percent shares in connection with the EBT Transaction and the Share Allocation Transaction as EBT Consideration.
- (h) In order to enable CPRH to transfer shares in CPRD (which are a part of the assets of CPRH) to Makro pursuant to the EBT Agreement, Makro will execute a guarantee to provide security in respect of a portion of the loan of CRPD in the form to be agreed between creditors of CPRD and Makro. Such guarantee will come into effect when Makro has accepted the transfer of shares in CPRD from CPRH.

1.11 Nature and Scope of Interests of Connected Persons

CPRH is a connected person of the Company because (a) CPRH's major shareholder, CPM, is a major shareholder of the Company as well as a subsidiary of CPF, whereby CPM holds 398,959,149 shares in CPRH (representing 20.00 percent of the total voting rights in CPRH); and (b) CPRH's indirect major shareholder, CPG, who indirectly holds 797,918,298 shares in CPRH through CPH (representing 40.00 percent of the total voting rights in CPRH) is an indirect major shareholder of the Company. As a result, the EBT Transaction and the Share Allocation Transaction as EBT Consideration are considered as connected transactions under the type of transactions relating to assets or service pursuant to the Notifications on Connected Transactions.

The value of the transactions is calculated based on the latest consolidated financial statements of the Company which have been reviewed by the auditor as at 30 June 2021 and is equal to 253.94 percent of the value of the net tangible assets of the Company. Upon combining with the acquisition of assets transactions of the Company and/or its subsidiaries during the past six months, the highest value of the transaction under the net tangible assets (NTA) basis is equal to 254.22 percent. Thus, such transactions are considered as connected transactions under the type of transactions relating to assets or service of which the transaction value is higher than 3.00 percent of the net tangible assets of the Company.

1.12 Source of Funds and Method of Payment of Consideration

Makro will issue 5,010,323,500 new ordinary shares with a par value of THB 0.50 each at the offering price of THB 43.50 per share to CPRH as consideration for the entire business transfer of CPRH as payment in kind, instead of in cash, totalling THB 217,949,072,250.

1.13 Opinion of the Board of Directors on the Transaction

The meeting of the Board of Directors No. 6/2021 which was held on 31 August 2021, excluding directors who are interested persons, who did not attend and were not entitled to vote in the meeting on this agenda, is of the view that the entering into the EBT Transaction is reasonable and is for the best interest of the Company and the shareholders of the Company as the entering into such transaction reinforces the business of Makro and CPRD in becoming the leaders in the retail and wholesale business of groceries and consumer products and to expand the coverage of the business operations to be at a regional level, as well as to reinforce the business as a result of the expected benefits of combining the strengths in various aspects of Makro with those of the Lotus's Group, such as the coverage

of store formats. In addition, the combined benefits from the joint operations will improve the efficiency, and it is expected that this will be beneficial to the Company and the shareholders of the Company in the future through the internal restructuring and business restructuring for the purpose of achieving such objectives. In addition, the Share Allocation Transaction as EBT Consideration as payment in kind, instead of in cash, which is considered as a connected transaction under the Notifications on Connected Transactions, is appropriate for the capital structure of the Makro.

The consideration for the entire business transfer of CPRH is reasonable as it was derived from negotiations between the parties with the fair value of the business determined in accordance with the discounted cash flow approach taking into account operating results and other relevant factors and the market comparable (with companies operating similar businesses) approach. The consideration for the transaction of CPRH falls within the range determined on the basis of such approaches. Therefore, it is reasonable when compared with transactions executed on an arm's length basis.

Therefore, the meeting of the Board of Directors has resolved to approve the EBT Transaction and to propose to the meeting of shareholders of the Company to consider and approve the acceptance of the transfer of the entire business of CPRH by Makro.

1.14 Opinion of the Audit Committee and/or the Directors of the Company which is different from the Board of Directors' Opinion as specified in Paragraph 1.13

The Audit Committee and the directors of the Company do not have different opinion from the Board of Directors' opinion as specified in Paragraph 1.13. In addition, the Audit Committee is of the view that the transaction is reasonable as it will reinforce the Company's group to be ready for future business expansion, and it complies with the relevant regulations of Capital Market Supervisory Board. After taking into consideration the opinion of the executives in charge of this matter, the Audit Committee is of the view that the management has proceeded with transparent process and measure and for the best interest of the Company.

2 Liabilities of the Board of Directors in respect of the Information Contained in the Information Memorandum Distributed to Shareholders

The Directors have taken reasonable care in reviewing the information contained in this Information Memorandum, and hereby certify that such information is accurate and complete and that it is not false or misleading or omit any material information that should have been disclosed.

3 Opinion of the Independent Expert on the Acquisition and Disposition Transaction

-None-

4 Liabilities of the Company

4.1 Total amount of debt instruments having been sold by the Company as at 30 June 2021

Types of Debt Instruments	Amount (THB million)	Collateral
Debentures	229,566	1,237 million shares of Makro pledged under the terms and conditions of the Issuance of Debenture Agreement
Perpetual subordinated debentures	19,909	-

In addition, as at 30 June 2021 the Company held a total of THB 45,434 million of unsold debentures (as resolved in the Annual General Meeting of Shareholders of 2021 relating to the issuance and offering of the Company's debentures in the amount of no more than THB 295,000 million).

4.2 Total amount of term loans of the Company as at 30 June 2021 and the liability to provide assets as collateral

Types of Loans	Amount (THB million)	Collateral
Short-term borrowings from financial institutions	10,601	-
Long-term borrowings from financial institutions	8,692	-

4.3 Total amount of debts in other categories, including overdrafts of the Company, as at 30 June 2021 and the liability to provide assets as collateral

Types of debts	Amount (THB million)	Collateral
Trade accounts payables	65,885	-
Other payables	13,334	-
Contract liabilities	996	-
Lease liabilities (including current portion)	49,690	-
Income tax payable	831	-
Derivatives liabilities	72	-
Other current liabilities	890	-
Provisions of employee benefit	5,262	-
Accrued guarantee deposits	3,622	-
Deferred tax liabilities	14,931	-
Other non-current liabilities	29	-
Total liabilities	155,541	

4.4 Contingent liabilities as at 30 June 2021

Details	Amount (THB million)
Capital commitments	
Contracted but not provided for (construction costs of new plants and installation costs of machinery, and computer system development costs)	2,183
Total	2,183

Details	Amount (THB million)
Other commitments	
Short-term lease commitments	212
Unused letters of credit for purchase of goods and supplies	732
Other commitments	4
Total	948

Bank Guarantees

As at 30 June 2021, the Group had commitments under bank guarantees, comprised mainly of those issued to assure payments for public utilities, rental agreements, and other types of expenses, in the total amount of THB 1,917 million and USD 0.3 million.

(Please refer to the Company’s financial statement for the year ended 31 December 2020 and financial statement for the six-month period ended 30 June 2021 for further details.)

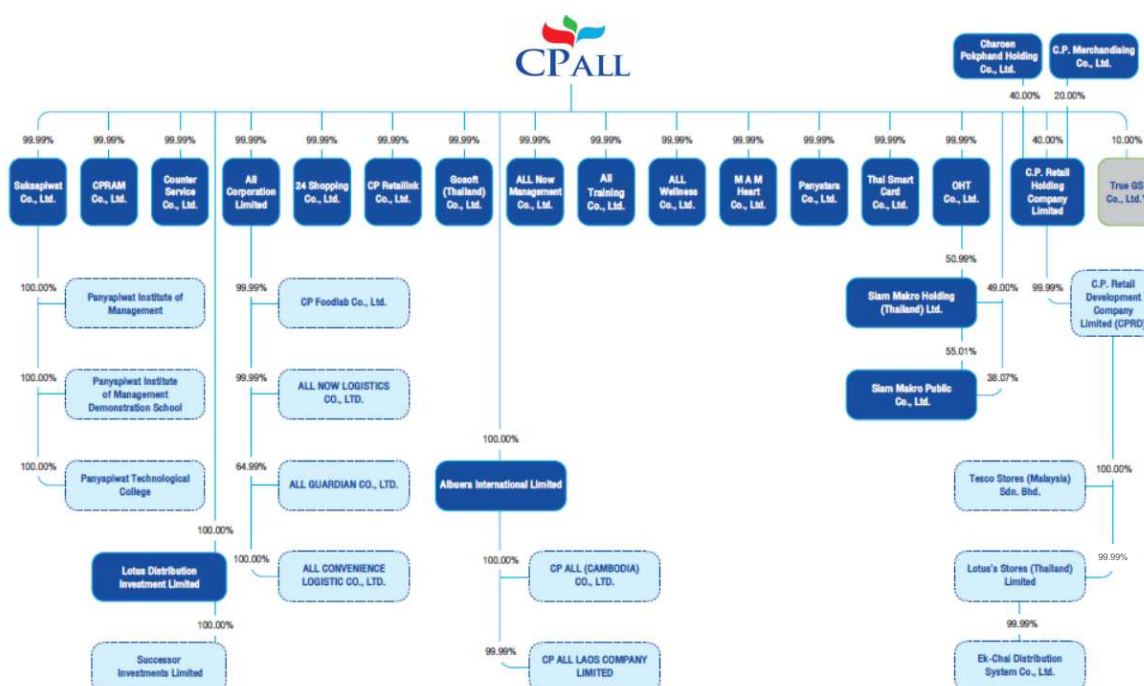
5 Information regarding the Company

5.1 Information regarding the Nature and Trend of Business Operations of the Company, the Company’s Subsidiaries, and the Company’s Associates

The Company operates convenience stores as the main business under the “7-Eleven” trademark in Thailand. Later, the Company expanded its business by operating various businesses to support the convenience store business which is the main business, as well as investing in retail and wholesale businesses to promote the Company to have a variety of retail formats and to extend its sustainable long-term growth.

5.1.1 Shareholding Structure of the Group

The shareholding structure of the Group as at 30 June 2021 is presented in the diagram below.



5.1.2 Revenue Structure

The majority of the Company's revenue is derived from net sales and services, which can be categorized (before elimination) into three groups as follows:

Business Unit	2018		2019		2020		six-month period of 2020		six-month period of 2021	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Convenience store (7-Eleven)	335,187	59	361,034	59	328,530	55	167,673	56	161,120	54
Cash and Carry (Makro)	192,932	34	210,629	34	218,762	37	107,539	36	111,053	38
Others ⁽¹⁾	40,480	7	45,403	7	46,350	8	22,374	8	24,894	8
Total Revenue	568,599	100	617,066	100	593,642	100	297,586	100	297,067	100

Notes: (1) The category comprises the business of CPRAM Company Limited in respect of production and distribution of ready-to-eat food and bakery, the business of Counter Service Company Limited in respect of bill payment agent services, the business of CP Retailink Company Limited in respect of distribution and maintenance services for retailing equipment, as well as revenue from other subsidiaries

5.1.3 Convenience Store Business

Nature of Products and Services

The Company is the operator of 7-Eleven convenience stores in Thailand, being granted exclusive rights from 7-Eleven, Inc. to conduct business under the Area License Agreement.

Over the past decades, the Company has managed its convenience stores through its network located in different areas, namely, residential areas, offices, academic zones, tourist spots and gas stations, covering every province across the country. In this regard, at the end of the year 2020 and as at 30 June 2021, the Company has a total of 12,432 stores and 12,743 stores, respectively.

Types of 7-Eleven Stores

7-Eleven stores can be categorized into three types based on ownership as follows:

(Unit : stores)	2018	2019	2020	As at 30 June 2021	The number of stores increased during the 6 months in 2021
Corporate Stores	4,894	5,215	5,685	5,934	249
Store Business Partner Stores	5,336	5,687	5,919	5,978	59
Sub-Area License Stores	758	810	828	831	3
Total	10,988	11,712	12,432	12,743	311

- (a) **Corporate Stores:** The stores are wholly owned and managed by the Company. The Company invests in retailing equipment, store decoration and inventory as well as manages the stores.

- (b) **Store Business Partner (SBP) Stores:** The Company offers an opportunity for any person including employees to operate their own 7-Eleven stores under a modern system. The Company will provide close support in operating the business, knowledge and understanding of management, principles of product assortment, as well as a financial system. Other supports are regular nationwide sales promotion and advertising plans. In addition, the Company regularly sends a team to advise new management techniques. SBP can either choose a new location or an existing store. In case a SBP has his own location, the Company will help with the feasibility study without any charges. The term of the SBP agreement and the benefits depend on the type of SBP.
- (c) **Sub Area License Stores:** The Company engages in sub-area license agreements with local entrepreneurs to operate 7-Eleven stores in the territory as specified. Currently, 4 sub-area license agreements operate their business in Phuket, Yala, Chiang Mai and Ubon Ratchathani province. The Company will provide assistance and support under the agreed conditions.

Product Mix in 7-Eleven Stores

The Company's major products are categorized into two groups. The distribution of daily-life grocery products comprises foods and beverages, accounting for approximately 71 percent, mainly including drinks, ready-to-eat foods and fruits, bakery products, desserts and All Café coffee, etc., and non-food products excluding phone card, accounting for approximately 29 percent, mainly including personal care products and household products, etc.

The rapid expansion of technology and outbreak of COVID-19 has transformed consumer behaviour. With increasingly fast-paced lifestyles, people are demanding ever more convenience and speed from their products and services. In order to satisfy the needs of customers with different lifestyles across the country, the Company's strategic direction is to shift from being a "convenience food store" to an "all-convenience store."

Moreover, the Company is continuously adapting its strategic plans to reflect the ever-changing market. This means developing its products and services to meet changing consumer needs, especially with regards to making payments and orders more convenient. By expanding its channels of access, the Company is able to not only maintain its existing customer base but expand to new groups of customers. Under the concept of a one-stop convenient store for consumers, 7-Eleven products can now be accessed through vending machines located in its stores as well as through online platforms such as ALL Online, available via the 7-Eleven.TH Application ShopAt24. On-demand delivery is also available via Line or the 7-delivery application, where customers can choose to receive their products at their chosen destination or at a 7-Eleven store. At the same time, with today's increasingly cashless society, the Company has provided more payment options for customers, including via mobile phone, electronic wallets in applications such as True Money Wallet, and credit card. Digital marketing and promotional activities are easily accessible via mobile applications. In addition, the Company also implemented the Loyalty Program through ALL member in connection with the transaction at 7-Eleven stores and companies in CPALL Group.

The Company also recognises consumer concerns and needs with regards to health and hygiene products and services. For customers who do not want to wait in line, the Company has provided self-checkout machines for touchless and convenient payment. The Company also offers an *Eat Well Corner* to sell fresh fruits, vegetables, herbs and a range of selected

health products, and expands the beauty and healthy products through ALL Guardian Company Limited.

Business trends - Market and Competition of the Convenience Store Business

The Thai economy has been showing signs of stagnation since 2019, growing at only 2.4 percent, lower than the expected rate. Due to the outbreak of Coronavirus 2019 (COVID-19), the economy grew at minus 6 percent in 2020. The impacts of COVID-19 are widespread and continuous throughout 2020. The service sector, especially the travel and tourism sector, is slowing down significantly. Due to last year's trade wars, exports, a key driver of Thailand's economy, have already declined. At the same time, factors such as the water and weather crisis are affecting incomes both in and outside the agricultural sector, which in turn affects business and employment. In this year, the unemployment rate is expected to be at 2 percent, higher than the normal rate of 1 percent. All in all, these aforementioned factors are expected to impact people's income, purchasing power, and spending confidence, even whilst households retain a high level of debt, both at present and into the future. Therefore, economic stimulus measures, especially those related to travel and shopping, will be used to help increase people's purchasing power, stimulate spending, and decrease people's cost of living. To support small entrepreneurs and other affected businesses, the government has come up with economic stimulus programs such as the "State Welfare Card" project and the "We Will Not Leave One Another" project. In the latter project, laborers, temporary laborers, and the self-employed who are not covered by the social security system are given subsidies of THB 5,000 for a period of three months. In the "Half-half Project," the public have the right to pay half the cost when spending at participating vendors while the government subsidises the other half. The "Great Shopping, Great Returns" project helps to reduce income tax for people. Other economic stimulus measures include measures that help small farmers and the agricultural sector suffering from drought, measures that reduce costs of living with regards to water and electricity bills, and measures that support domestic tourism ("We Travel Together" project). All of these measures were designed to help sustain the economy and maintain employment levels within the manufacturing and service sectors.

The year 2020 was a most challenging one for Thai retailers. Economic slowdown decreased purchasing power, and COVID-19 has ushered in rapid changes in consumer behaviour. To be clear, consumers did not completely change their lifestyles, instead adding other behaviours into their way of life. In the midst of these changes, retailers needed to adapt how they do business. With less customers coming to shop in-store and other shopping behaviours under the new normal standard, speed, convenience, information accessibility, practical equipment, and more options for transactions at any time, any place became ever more important. Thus, the Company has been proactive in transforming its online platform into a sales platform that can continue to satisfy customer needs. Not only retailers, but manufacturers and the whole business sector will also need to adapt their services to the market at this crucial time, connecting offline and online channels to deliver products directly to consumers, faster and more efficiently. It is expected that the overall retailing sector in Thailand is going to register a drop of 6.0 percent, or a total of THB 3.3 trillion, and that e-commerce retailing is going to expand at around 37.5 percent, eventually constituting 6.0 percent of the total value of the retailing sector (Kasikorn Research Center and Euromonitor).

In any case, the physical store remains the Company's main business retail channel. In 2020, there were a total of 19,353 convenience stores in the "Chain Store" category, an increase of 1,113 stores. The majority of these new stores were a result of store expansions and the addition of new 7-Eleven concept stores. Store expansions by retailers primarily focused on expanding into secondary cities and on improving and modernizing existing stores to respond

to the changing behaviours of consumers, including by integrating technologies to develop new models and channels for accessing goods and services, payment methods, and for delivering products faster and more efficiently using a mixture of both offline and online stores.

Moreover, in 2020, the Company continued to retain around a 64 percent market share in the number of convenience stores. This was followed by Lotus Express and Mini Big C, which had a 9 percent and 6 percent market share, respectively. In this regard, the details of convenience stores in Thailand can be summarised below

(Unit : stores)	2018	2019	2020	As at 30 June 2021
Stand-alone convenience stores	14,237	15,066	16,082	16,508
7-Eleven stores	9,414	9,998	10,608	10,877
Others	4,823	5,068	5,474	5,631
Convenience stores in gas stations	2,968	3,174	3,271	3,308
7-Eleven stores	1,574	1,714	1,824	1,866
Others	1,394	1,460	1,447	1,442
Total Convenience stores	17,205	18,240	19,353	19,816

Remark: Major convenience stores in chain store format

Source: Compilation and estimates by the Company

In any case, in 2021 the retail business will be facing significant challenges despite passing the peak of severe economic slowdown. With consumers more familiar with technological transactions and more emphasis on quality and safety of products and services, the retail businesses will need to keep up to speed. Specifically, the retail businesses need to become technology experts to deliver convenient, value-added shopping experiences for consumers, whether during purchase, payment, or when receiving orders. Furthermore, technology can help convenience transactions in new sales channels, providing consumers with a variety of transaction options. Important challenges to the retail business include the presence of more diverse purchasing options for consumers, from Direct to Consumer (D2C) sales to international online sales, and Consumer to Consumer (C2C) sales. Retailers must therefore adapt and devise strategies to secure their "Share of Wallet" through both offline and online channels in response to the increasingly popular channels of e-commerce and social commerce. Furthermore, the retailers should move to accelerate development of their supporting industries, such as logistics as well as areas that are directly linked to consumers. Last mile delivery is especially crucial, for instance, for parcels such as food and supplies. A competitive retail ecosystem equipped with strong partnerships with various businesses will help retail businesses assimilate into their customers' daily lives.

Cash and Carry Business

Makro is the operator of membership-based Cash and Carry Trade Centres, registered under the name of "Makro", distributing consumer products to customers nationwide. Its target groups are small and medium-sized enterprises, namely, retailers, HoReCa, institutions and service providers. Additionally, Makro operates import-export business and distributes frozen and chilled food along with services in storage and delivery in Thailand, Vietnam, Singapore, Hong Kong Special Administrative Region, United Arab Emirates and Cambodia. It also

operates other related businesses and support Makro's core business through its subsidiaries' business operation.

(Please refer to the Group's Structure and Operations in the Company's 56-1 One Report for further details.)

5.2 Table summary of financial statements, audited and/or reviewed, by KPMG Phoomchai Audit Limited for the year ended 31 December 2018, 2019, and 2020, and for the six-month period ended 30 June 2020 and 2021, together with the Company's management's discussion and analysis of financial position and operating results and risk factors that may affect the Company's profit

5.2.1 Company's financial conditions and operating results for the years ended 2018-2020 and for the six-month period ended 30 June 2020 and 2021

Unit: THB million

Statement of income	For the year ended 31 December			For the six-month period ended 30 June	
	2018	2019	2020	2020	2021
Revenue from sale of goods and rendering of services	508,212	550,901	525,884	264,072	260,694
Other income	18,962	20,209	20,706	9,809	10,412
Total revenues	527,174	571,110	546,590	273,881	271,106
Cost of sale of goods and rendering of services	(394,632)	(426,063)	(410,880)	(206,448)	(205,352)
Gross Profit	113,581	124,838	115,004	57,624	55,342
Distribution costs and administrative expenses	(100,195)	(111,562)	(107,858)	(53,320)	(53,655)
Profit from operating activities	32,347	33,485	27,852	14,113	12,099
Finance costs	(7,196)	(6,721)	(8,526)	(3,857)	(6,430)
Profit before income tax expense	25,152	26,764	19,326	10,256	5,669
Income tax expense	(3,969)	(4,070)	(2,823)	(1,566)	(698)
Profit for the period	21,183	22,694	16,503	8,690	4,971
Profit sharing					
Equity attributable to equity holders of the Company	20,930	22,343	16,102	8,532	4,789
Non-controlling interests	253	351	400	158	182
Profit for the period	21,183	22,694	16,503	8,690	4,971
Basic earning per share (THB)	2.22	2.38	2.38	0.89	0.48

Unit: THB million

Statement of financial position	As at 31 December			As at 30 June
	2018	2019	2020	2021
Assets				
Current assets				
Cash and cash equivalents	34,023	29,861	40,589	31,036
Current investments	1,467	659	37	2
Trade accounts receivable	2,040	1,718	1,650	1,607
Other current receivables	7,406	7,729	7,178	7,377
Inventories	29,570	31,538	31,749	30,355
Other current assets	487	419	223	204
Total current assets	74,994	71,923	81,404	70,587
Total non-current assets				
Investment in associate	-	-	85,552	85,485
Property, plant and equipment	111,287	116,082	120,199	121,014
Right-of-use assets	-	-	52,899	51,735
Leasehold rights	4,107	3,917	-	-
Goodwill	128,096	128,096	128,096	128,096
Intangible assets other than goodwill	51,436	51,384	51,706	51,931
Deferred tax assets	1,002	1,291	1,786	2,327
Other non-current assets	2,820	2,924	1,712	1,913
Total non-current assets	298,748	303,694	441,950	442,500
Total assets	373,742	375,617	523,354	513,087
Liabilities				
Current Liabilities				
Short-term borrowings from financial institutions	3,583	3,327	1,050	10,601
Trade accounts payable	78,790	78,550	72,778	65,885
Other payables	15,414	15,170	14,800	13,334
Current portion of debentures	22,994	12,290	14,501	11,234
Current portion of long-term borrowings from financial institutions	95	239	5,325	2,349

Statement of financial position	As at 31 December			As at 30 June
	2018	2019	2020	2021
Current portions of liabilities under lease agreements (2019: current portions of liabilities under finance lease agreements)	106	92	7,401	7,504
Accrued corporate income tax	1,395	1,533	1,210	831
Derivatives liabilities	-	-	4,387	72
Other current liabilities	1,375	1,717	1,932	1,886
Total current liabilities	123,752	112,917	123,383	113,697
Total non-current liabilities				
Debentures	117,884	120,594	138,495	218,331
Long-term borrowings from financial institutions	9,010	8,599	83,008	6,343
Liabilities under lease agreements (2019: Liabilities under finance lease agreements)	592	549	43,183	42,185
Estimates of employee benefit liabilities	3,368	4,843	5,085	5,262
Accrued deposit	3,716	3,926	3,634	3,622
Deferred tax liabilities	15,088	15,004	14,947	14,931
Other non-current liabilities	513	817	25	29
Total non-current liabilities	150,171	154,333	288,377	290,703
Total Liabilities	273,923	267,250	411,759	404,400
Total equity				
Issued and paid-up share capital	8,983	8,983	8,983	8,983
Premium on ordinary shares	1,684	1,684	1,684	1,684
Deficit from changes in ownership interests in subsidiary	(1,061)	(1,443)	(1,463)	(1,529)
Retained earnings:				
Appropriated – legal reserve	900	900	900	900
Unappropriated	55,731	65,853	68,358	64,562
Perpetual subordinated debentures	19,909	19,909	19,909	19,909
Other components of shareholders' equity	(1,316)	(2,148)	(1,613)	(666)

Statement of financial position	As at 31 December			As at 30 June
	2018	2019	2020	2021
Equity attributable to equity holders of the Company	84,831	93,739	96,759	93,844
Non-controlling interests	14,988	14,629	14,836	14,843
Total Equity attributable to equity holders	99,819	108,368	111,595	108,687
Total liabilities and equity attributable to equity holders	373,742	375,617	523,354	513,087

Unit: THB million

Statement of cash flows	For the year ended 31 December			For the six-month period ended 30 June	
	2018	2019	2020	2020	2021
Net cash flow from operating activities	41,227	40,477	39,148	9,351	14,152
Net cash flow used in investing activities	(15,354)	(16,584)	(97,405)	(8,828)	(6,955)
Net cash flow from financing activities	(20,714)	(27,938)	68,959	(904)	(16,813)
Net increase (decrease) in cash and cash equivalents	5,159	(4,045)	10,703	(337)	(9,553)
Cash balance at the beginning of the period	28,879	34,023	29,861	29,861	40,589
Profit (loss) on foreign exchange rate	(14)	(117)	25	43	62
Cash balance at the end of the period	34,023	29,861	40,589	29,523	31,036

5.2.2 Discussion and Analysis of Financial Conditions and Operating Results

(i) Overview of the Operating Results

Analysis of Operating Results for the Year Ended 31 December 2020 compared to the Operating Results for the Year Ended 31 December 2019

Total Revenues

The Company and its subsidiaries had total revenues of THB 546,590million, decreasing by 4.3 percent compared to 2019. In this regard, revenue from sales of goods and rendering of services were THB 525,884million, decreasing by 4.5 percent. The convenience store business was significantly affected by economic negative factors and lower consumer

purchasing power, as well as the impact of COVID-19 pandemic control measures resulting in a decrease in the number of customer footfall to stores. While the cash and carry business (Makro's business) can maintain a certain growth in revenue from sales and services which driven from the sales growth of the Makro Thailand and stores in India and Cambodia.

Other income consisting of interest income, foreign exchange gain and other income were at THB 20,706 million, increasing by 2.5 percent. This increase primarily attributable to an increase of sale promotion income from convenience store business and Makro. Meantime, net foreign exchange gain increased by THB 122 million compared to the previous year. The increase was primarily attributable to the difference in net exchange rates of foreign currency denominated assets and liabilities as at 31 December 2020.

Total revenues before elimination, contributed from three businesses were, (Group 1) the revenue from convenience store business accounted for 55 percent, (Group 2) the revenue from membership-based Cash and Carry trade centres accounted for 37 percent, and (Group 3) other businesses in Thailand accounted for 8 percent. However, as the convenience store business was significantly affected by economic negative factors, the income proportion of (Group 2) and (Group 3) increased from the previous year due to the higher income while income proportion of (Group 1) decreased from the previous year.

Gross Profit

In 2020, the Company had a gross profit from sales and services of THB 115, 004million, decreasing by 7.9 percent compared to the previous year. The decrease was primarily attributable to the drop in sales revenue of the convenience store business, especially products with a higher gross margin. However, Makro business can sustain gross profit growth. From a decrease in gross profit of the convenience store business, the gross profit margin of the Company decreased to 21.9 percent from 22.7 percent in 2019.

Distribution Costs and Administrative Expenses

In 2020, The Company had the distribution costs and administrative expenses of THB 107, 858 million, decreasing by 3.3 percent compared to the previous year. The main reasons can be summarised below:

Distribution costs – were recorded at THB 91, 136million, decreasing by 2.4 percent compared to the previous year. Amidst the economic slowdown and challenging revenue from sales including striving to achieve its long-term plan regarding store expansion, and to overcome these challenges, the Company managed and implemented a stringent and efficient cost control. The lower expenses mainly came from employee benefits expense, store management fees, and others supply used. In addition, from 1 January 2020 the Company initially applied financial instruments standards - Thai Financial Reporting Standards for Non-Publicly Accountable Entities Announcement No. 16 Re: Leases (TFRS 16) and recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Company recognised depreciation of right-of-use assets and interest expense on lease liabilities instead of rent expense as previous.

Administrative expenses – were recorded at THB 16, 723million, decreasing by 8.0 percent compared to the previous year. The lower expenses mainly came from employee benefits expense including a pause on the Employee Joint Investment Program (EJIP) in order to alleviate impacts and troubles for employees and their families from the pandemic of COVID-19.

Profit before Tax and Net Profit

In 2020, the Company had a profit before tax of THB 19,362 million, decreasing by 27.8 percent compared to the previous year, and had a net profit attributable to equity holders of the Company of THB 16,102 million, decreased by 27.9 percent compared to last year. This was mainly due to an effect of weak economic factor resulted from COVID-19 pandemic as mentioned above, including an increase of finance cost resulted from an adoption of TFRS 16. The Company's earnings per share in the consolidated financial statement in 2020 was THB 1.68.

Profit before tax before elimination be contributed from three businesses in 2020 were (Group 1) convenience store business accounted for 54 percent (Group 2) membership-based Cash and Carry trade centres accounted for 30 percent, and (Group 3) other businesses in Thailand accounted for 17 percent. Profit contribution of (Group 2) and (Group 3) increased from the last year due to the higher profit growth while the profit contribution of (Group 1) decreased from the last year. This is because the convenience store business is significantly impacted by negative economic factors.

Analysis of Operating Results for the Six-Month Period Ended 30 June 2021 compared to the Operating Results for the Six-Month Period Ended 30 June 2020

Total Revenues

For the six-month period ended 30 June 2021, the Company and its subsidiaries had total revenues of THB 271,106 million, decreasing by 1.0 percent compared to the six-month period ended 30 June 2020. In this regard, the revenue from sales of goods and rendering of services were THB 206,694 million, decreasing by 1.3 percent. This decrease was primarily attributable to the decrease in sales revenue and services income of convenience store business in the first quarter of 2021 due to the effect from the new wave of COVID-19 pandemic which resulted in negative economic factors especially in January 2021 and in turns, lower domestic consumption, consumer purchasing power, as well as slower recovery of travel industry. However, in the second quarter of 2021, the sales revenue and services income increased by 7.5 percent from the second quarter of 2020. This increase was primarily attributable to the adjustment of merchandising and service strategies, including the O2O strategy of each business unit to cope with the COVID-19 current situation, the advantage from low base from the same period of last year. However, at the end of the second quarter, when the pandemic situation worsened, the government imposed various control measures including less mobility and travel along with night curfew in high infected provinces which such factors had a negative impact on the retail business.

Total revenues before elimination for the six-month period ended 30 June 2021 contributed from three businesses were, (Group 1) convenience store business and other businesses accounted for 63 percent (Group 2) Cash and Carry business accounted for 37 percent. However, the proportion of revenue contribution from (Group 1) convenience store business and other businesses decreased from the same period of previous year due to lower revenue growth than (Group 2) Cash and Carry business.

Gross Profit

For the six-month period ended 30 June 2021, the Company had gross profit from sales and services at THB 55,342 million, decreasing by 4.0 percent compared to that for the same period in the previous year. This decreased was primarily attributable to the drop in revenue from sale of goods and rendering of services. The gross profit margin from sales and services was 21.2 percent in this period, decreasing by 21.8 percent compared to the six-month period

of the previous year. The decrease was primarily attributable to the decrease in proportion of high margin products for convenience store business which was a consequence of the pandemic. In addition, the proportion of gross profit from the cash and carry business also increased.

Distribution Costs and Administrative Expenses

For the six-month period ended 30 June 2021, the Company had distribution costs and administrative expenses of THB 53,655 million, increasing by 0.6 percent compared to that for the same period in the previous year. Distribution costs were THB 45,451 million along with administrative expenses at THB 8,204 million. The Company also managed and implemented a stringent and efficient cost control.

Profit before Interest and Tax Expense, and Net Profit

For the six-month period ended 30 June 2021, the Company had profit before interest and tax expense at THB 12,099 million, decreasing by 14.3 percent compared to that for the same period in the previous year. This was primarily attributable to an effect of COVID-19 pandemic at the end of second quarter of 2021, along with the government-mandated restriction.

However, the Company had higher finance cost from the increase of borrowing together with repayment of borrowing from financial institutions before maturity by issuing Thai Baht debentures with fixed interest rates during the quarter. Therefore, the Company had net profit for the six-month period ended 30 June 2021 at amount of THB 4,789 million, decreasing by 43.9 percent compared to that for the same period in the previous year. According to the consolidated financial statements for the six-month period ended 30 June 2021, earnings per share was THB 0.48.

Profit before tax before elimination for the six-month period ended 30 June 2021 contributed from major businesses were, (Group 1) convenience store business and other businesses accounted for 65 percent and (Group 2) Cash and Carry business accounted for 35 percent. Proportion of profit before tax contribution from (Group 1) convenience store business and other businesses decreased from the same period of the previous year due to a lower profit before tax growth than (Group 2) Cash and Carry business.

(ii) Analysis of the Company's Financial Conditions

Total Assets

As at 31 December 2020, the Company and its subsidiaries had the total assets of THB 523,354 million, increasing by THB 147,737 million or 39.3 percent compared to that for the same period in the previous year. In this regard, the assets with significant changes are as follows:

Cash and cash equivalents were THB 40,589 million, or 7.8 percent of total assets, increasing by THB 10,729 million or 35.9 percent compared to the previous year. This increase was primarily attributable to the proceed of bond issuance by the end of the third quarter to repay the maturing bond in the next twelve months.

Current investments were THB 37 million, or 0.0 percent of the total assets, decreasing by THB 622 million or 94.4 percent compared to the previous year. This decrease was primarily attributable to the drop in fixed deposits with financial institutions and net sales of promissory notes.

Trade accounts receivable was THB 1,650 million, or 0.3 percent of total assets, decreasing by THB 68 million or 3.9 percent compared to the previous year. In this regard, majority of trade account receivable came from Makro. However, The Company's main business revenues received in cash, consequently average collection period was 1.15 days.

Other current receivable was THB 7,178 million, or 1.4 percent of total assets, decreasing by THB 551 million or 7.1 percent compared to the previous year. This decrease was primarily attributable to the drop in sales revenue. Majority of receivable were from accrued income, sales promotion income, royalty income, service income, and advance payment.

Inventories were THB 31,749 million, or 6.1 percent of total assets, increasing by THB 211 million or 0.7 percent compared to the previous year. In 2020, the inventory turnover ratio was at 12.98 times, decreasing from 2019 at 13.94 times. This was because the sales revenue did not meet the target.

Investment in associates was THB 85,552 million, or 16.3 percent of the total assets, increasing by THB 85,552 million compared to the previous year. This increase mainly attributed to the indirect investment in the proportion of not over 40.00 percent of the total number of shares sold through the special purpose vehicle (namely CPRH) for investment in (a) Lotus TH and (b) Lotus MY.

Property, plant and equipment amounted to THB 120,199 million, or 23.0 percent of total assets, increasing by THB 4,116 million or 3.5 percent compared to the previous year. This increase was primarily attributable to the store expansion of both 7-Eleven convenience stores and Makro stores in Thailand and overseas. The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Goodwill was THB 128,096 million, or 24.5 percent of total assets, at similar level of the previous year. Most of the goodwill arose from the Company's purchase of Makro's shares both directly and indirectly and arose from Makro's purchase of shares at 80 percent shareholding each of four companies, namely Indoguna (Singapore) Pte Ltd, Indoguna Dubai L.L.C, Just Meat Company Limited, and Indoguna Lordly Company Limited.

Other intangible assets were THB 51,706 million, or 9.9 percent of total assets, a majority of which was an intellectual property amount THB 46,521 million arose from business combination of Makro. Other intangible assets were divided into two categories: 1) asset with finite useful lives i.e. computer software and customer database with useful life of 2-15 years are measured at cost less accumulated amortisation and accumulated impairment losses and 2) other intangible assets that have indefinite useful lives i.e. intellectual property, business license, etc. are measured at cost less accumulated impairment losses. The amortisation cost is calculated from the cost price less the residual value estimated from the expected useful life.

As at 30 June 2021, the Company and its subsidiaries reported total assets of THB 513,087 million, decreasing by THB 10,267 million or 2.0 percent compared to 31 December 2020. Assets with significant changes are as follows:

Cash and cash equivalents were THB 31,036 million, or 6.0 percent of total assets, decreasing by THB 9,553 million or 23.5 percent compared to the end of 2020. This decrease was attributable to the dividend payments to shareholders and acquisition of property, plant and equipment.

Current investments amounted to THB 2 million, or 0.0 percent of the total assets, decreasing by THB 35 million or 94.5 percent compared to the end of 2020. This decrease was

attributable to the drop in fixed deposits with financial institutions and net sales of promissory notes.

Trade accounts receivable was THB 1,607 million, or 0.3 percent of total assets, decreasing by THB 43 million or 2.6 percent compared to the end of 2020. This decrease was attributable to a decrease in revenue during Covid-19 pandemic. Consequently, average collection period was 1.02 days.

Other current receivable was THB 7,377 million, or 1.4 percent of total assets, decreasing by THB 199 million or 2.8 percent compared to the end of 2020. This decrease was attributable to the economic slowdown.

Inventories were THB 30,355 million, or 5.9 percent of total assets, decreasing by THB 1,393 million or 4.4 percent compared to the end of 2020. In this regard, as at 30 June 2021, the inventory turnover ratio was 13.87 times, increasing from the end of the year 2020 at 12.98 times. This increase was attributable to the increase in sales contribution from fresh food and ready-to-eat food which have higher inventory turnover ratio than others.

Property, plant and equipment amounted to THB 121,014 million, or 23.6 percent of total assets, increasing by THB 815 million or 0.7 percent compared to the end of 2020. This increase was attributable to the store expansion during the year. Building and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Total Liabilities

As at 31 December 2020, the Company and its subsidiaries had total liabilities of THB 411,759 million, increasing by THB 144,510 million compared to the previous year. Liabilities with significant changes are as follows:

Trade accounts payable were THB 72,778 million, or 17.7 percent of total liabilities, decreasing by THB 5,772 million compared to the previous year. This decrease was attributable to a lower purchase of goods due to sales fall through.

Interest-bearing liabilities were THB 292,968 million, or 71.2 percent of total liabilities, increasing by THB 147,263 million or 101.1 percent compared to the previous year. This increase was attributable to the increase of short-term and long-term borrowing from financial institutions secured predominantly for investment in CPRH, including a record of lease liabilities, arising from the first adoption of TFRS 16 in 2020.

Deferred tax liabilities were THB 14,947 million, or 3.6 percent of total liabilities, decreasing by THB 57 million compared to the previous year. This decrease was attributable to the fair value adjustment of asset acquired from the business combination of Makro. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

As at 30 June 2021, the Company and its subsidiaries had total liabilities of THB 404,400 million, decreasing by THB 7,359 million compared to 31 December 2020.

Short-term borrowing from financial institutions were THB 10,601 million, or 2.6 percent of the total liabilities, increasing by THB 9,551 million compared to the end of 2020. This increase was attributable to an increase in promissory notes to finance working capital under the new wave of COVID-19 pandemic.

Trade accounts payable were THB 65,885 million, or 16.3 percent of total liabilities, decreasing by THB 6,893 million or 9.5 percent compared to the end of 2020. This decrease was attributable to a decrease in revenue from sales.

Interest-bearing liabilities were THB 298,549 million, or 73.8 percent of total liabilities, increasing by THB 5,581 million or 1.9 percent compared to the end of 2020. This increase was attributable to the issuance of debentures during the second quarter to repay debenture matured in third quarter of 2021.

Lease liabilities, including current portions, were THB 49,690 million, or 12.3 percent of the total liabilities, decreasing by THB 894 million or 1.8 percent compared to the end of 2020. During this period, the Company entered into various types of property lease agreements, mainly land and building lease agreements in order to secure premises for 7-Eleven stores.

Deferred tax liabilities were THB 14,931 million, or 3.7 percent of total liabilities, decreasing by THB 16 million. This decrease was attributable to the fair value adjustment of asset.

Total Shareholders' Equity

As at 31 December 2020, the Company had total shareholders' equity of THB 111,595 million, increasing by THB 3,227 million or 3.0 percent compared to last year. This was primarily attributable to an increase in profit from business operation during year 2020 and dividend payments to shareholders for the fiscal year of 2019.

As at 30 June 2021, the Company had total shareholders' equity of THB 108,687 million, decreasing by THB 2,908 million or 2.6 percent compared to 31 December 2020. This was primarily attributable to the dividend payments to shareholders for the fiscal year of 2020.

(iii) Analysis of Statements of Cash Flow, Liquidity and Sources of Funds

For the Year Ended 31 December 2020 Compared to the Year Ended 31 December 2019

Liquidity

As at 31 December 2020, the Company and its subsidiaries had the cash and cash equivalents of THB 40,589 million, or 7.8 percent of the Company's total assets. Nevertheless, the liquidity of the Company and its subsidiaries remained healthy from efficient working capital management, having negative cash cycle of 37 days in 2020 which resulted from inventory period of 28 days, payable period of 66 days, and receivable period of 1 day.

Cash Flow from Operating Activities

In 2020, the Company had the net cash flow from operating activities of THB 39,148 million, decreasing by 3.3 percent compared to that for the same period in the previous year. This was attributable to the decrease of profit affected from the impacts as mentioned above.

Cash Flow from Investing Activities

In 2020, the Company had the net cash flow used in investing activities of THB 97,405 million. The main activity was cash outflow on investment in associate, by indirect investment up to 40 percent of total issued shares made through special purpose vehicle which set up to invest in Lotus TH and Lotus MY in the amount of THB 80,936 million, as well as the cash outflow for the acquisition of property, plant, and equipment in the amount of THB 15,387 million which THB 11,769 million cash outflow was for convenience store business.

Cash Flow from Financing Activities

In 2020, the Company had the net cash flow used in financing activities of the Company and its subsidiaries of THB 68,959 million. Net cash from financing activities were mainly from proceeds from long-term borrowings from financial institutions and proceeds from issue of debentures. Meantime, net cash used in financing activities were mainly from interest payment, dividend payment, as well as repayment of matured issuing debentures and so on.

For the Six-Month Period Ended 30 June 2021 compared to the Six-Month Ended 30 June 2020Liquidity

As at 30 June 2021, the Company and its subsidiaries had the cash and cash equivalents of THB 31,036 million, or 6.0 percent of the Company's total assets. Nevertheless, the liquidity of the Company and its subsidiaries remained healthy from efficient working capital management. As at 30 June 2021, the Company and its subsidiaries have negative cash cycle of 30 days which resulted from inventory period of 26 days, payable period of 57 days, and receivable period of 1 day.

Cash Flow from Operating Activities

For the six-month period ended 30 June 2021, the Company had the net cash flow from operating activities of THB 14,152 million, increasing by 51.3 percent compared to that for the same period in the previous year. This increase was attributable to a decrease in trade accounts payable.

Cash Flow from Investing Activities

For the six-month period ended 30 June 2021, the Company had the net cash flow used in investing activities of THB 6,955 million. The main activity was cash outflow for the acquisition of land, buildings, and equipment at THB 5,987 million, mainly for convenience store business expansion.

Cash Flow from Financing Activities

For the six-month period ended 30 June 2021, the Company and its subsidiaries had the net cash flow used in financing activities of THB 16,813 million. Net cash used in financing activities were mainly from repayment of long-term borrowings from financial institutions, repayment of matured issuing debentures, dividend payment, as well as interest payment. While net cash from financing activities were mainly from proceeds from issue of debentures and short-term borrowings from financial institutions

(iv) Key Financial Ratio AnalysisNet debt to equity

As at 31 December 2020, the Company had a net debt to equity ratio in accordance with the definition of debenture covenants of 1.62 times, increasing from 0.94 times in the previous year, since the Company has added long-term financial institutions loan in order to invest in associates.

As at 30 June 2021, the Company had a net debt to equity ratio in accordance with the definition of debenture covenants of 1.80 times, increasing from 1.62 times in 2020. This

increase was attributable to an increase in interest bearing debts (excluding lease agreements) from the issuance of debentures.

Debt-Service Coverage Ratio

As at 31 December 2020, the Company had a debt-service coverage ratio of 2.32 times, decreasing from 2.82 times in 2019. This was attributable to the decrease in operating profit from the previous year.

For the first six-month period of the year 2021, the Company had a debt-service coverage ratio of 1.95 times, decreasing from 2.32 times in 2020. This was attributable to the decrease in operating profit compared to that for the same period in the previous year and increase in interest bearing debt matured in 1 year.

Interest Coverage Ratio

As at 31 December 2020, the Company had an interest coverage ratio of 5.69 times, decreasing from 6.65 times in 2019. This was attributable to a decrease of operating profit due to COVID-19 impact as well as an increase of finance cost of lease liabilities under an adoption of TFRS 16.

For the first six-month period of the year 2021, the Company had an interest coverage ratio of 3.57 times, decreasing from 5.69 times in 2020. This was attributable to a decrease of operating profit due to COVID-19 impact.

Liquidity ratio and quick ratio

As at 31 December 2020, the Company had a liquidity ratio of 0.66 time, similar level of the previous year. Meantime, quick ratio was at 0.34 time slightly higher from the previous year.

As at 30 June 2021, the Company had a liquidity ratio of 0.62 time, similar level of the previous year. Meantime, quick ratio was at 0.29 time slightly lower from 2020.

5.2.3 Risk Factors which May Affect the Company's Profit (a) Operational risk of the Company or its subsidiaries

(i) 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 7 November 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 20 August 2003, 7-Eleven, Inc. entered into the Consent Agreement, which is an agreement among the Company, 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 SET. 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.

On May 5, 2020, CP ALL (Cambodia) Co., Ltd., an indirect subsidiary of the Company incorporated in Cambodia (with 100 percent of shares held by Albuera International Limited, a 100 percent-owned subsidiary of the Company), entered into a master franchise agreement with 7-Eleven, Inc. to operate 7-Eleven stores in Cambodia. Under this agreement, CP ALL (Cambodia) Co., Ltd. was granted franchise rights to establish and operate 7-Eleven stores

in Cambodia for a period of 30 years, whereby the relevant parties may agree to renew the agreement for a maximum of 2 times, 20 years each time.

In addition, on August 28, 2020, CP All Laos Co., Ltd., an indirect subsidiary incorporated in the Lao People's Democratic Republic ("Laos") (with 99.99 percent of shares held by Albuera International Limited, a 100 percent-owned subsidiary of the Company) entered into a master franchise agreement with 7-Eleven, Inc. to operate 7-Eleven stores in Laos. Under this agreement, CP All Laos Co., Ltd. was granted franchise rights to establish and operate 7-Eleven stores in Laos for a period of 30 years, whereby the relevant parties may agree to renew the agreement for a maximum of 2 times, 20 years each time.

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 a 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

For over the past 31 years of the good business relationship, the Company has never had any major dispute with 7-Eleven, Inc. Furthermore, the Company has strictly complied with the terms of the agreement, that is, at the end of 2020, the Company operated 12,432 7-Eleven stores nationwide, which is higher than the minimum number of stores to be maintained under the agreement, the royalty fee is timely paid at the period of time stipulated in the agreement, and the Company continuously maintained a reputation of the trademark. 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. In addition, during this year, the Company is also entrusted with the master franchise agreement to establish and operate 7-Eleven stores in Cambodia and Laos. The chance that such a 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.

(ii) Risk of Error or Failure of Distribution Centre and Logistic

The Company recognises the importance of its distribution centre management system and technological tools to support its new services and channels, such as online shopping, online to offline (O2O) services, and parcel delivery services. Notably, the Company's parcel delivery services have met with increased consumer demand. More people are perceiving 7-Eleven as a one-stop service store, where they can pick up their products or order to have them delivered to their homes. Most of the products sold in more than 12,432 7-Eleven stores nationwide are delivered from the Company's many distribution centres, located in Bangkok and other provinces across the country. This network of distribution centres helps small and large manufacturers to safely and timely deliver their products to 7-Eleven stores and customers, 24 hours a day, 7 days a week. Therefore, the distribution centres play a vital role in 7-Eleven's business in distributing products to stores across the country in correct, complete, and timely manner. Errors or problems at the distribution centre and disruption of transport route due to floods, fire, communication system and information technology failure, severe accidents, or any force majeure event in the supply chain system from the manufacturer to distribution centres and then delivery at the stores will have an adverse impact on the sales of all 7-Eleven stores and business opportunity and may negatively affect the Company's operating results.

The Company's Risk Management

The Company regularly reviews corporate risks and strategies for both short- and long-term plans in order to accommodate sales growth from its existing stores and expansion of new stores as well as new forms of business. Presently, the Company's distribution strategy is to ensure that its distribution centres have sufficient space to support sales growth from its stores as well as increased new stores and online business. The Company has also issued internationally recognized policies and practices for its trade partners, communicated through trainings and risk assessments. Results from risk assessments and audits are used for future developments and to find new opportunities for growing sustainably together with trade partners.

In addition, the Company also regularly monitors the preparedness of its equipment, personnel, and transportation routes to deal with disruptions in distribution. In the case that a new distribution centre needs to be set up, the Company will select locations that are both safe and efficient for delivering products to its stores. This includes locations within stores' perimeters, spread throughout various provinces nationwide. With this strategy, the Company is confident that it can reduce risk factors related to distribution centres as it supports the growth of new stores and businesses in the future.

The Company has prepared and practiced the incident action plans, and conducted drill regularly planned to be ready to deal with various crises through 24 hours a day, 7 days a week such as flooding, riots, fire, power failure and pandemic, etc. The Company also set up a Crisis Assessment Team (CAT) working around the clock to assess and provide warnings about the crisis to various departments in the risk areas so that they can prepare to deal with the crisis in a timely and appropriate manner. Business Continuity Management (BCM) includes using nearby distribution centres to deliver products, transporting products using large trucks, using alternative routes, finding alternative products, and establishing temporary distribution centres.

The Company has prepared the Business Continuity Plan (BCP) by collaborating with strategic partners to ensure that products can be delivered during the crisis to minimise the negative impact on the sales revenue. In addition, the Company has appropriately bought insurance to compensate for loss and to alleviate the cost burden that may occur in the future, covering distribution centres, stores, and subsidiary companies.

By doing so, the Company believes that the distribution centres are sufficient to support store expansion plans in the future. On the other hand, the distribution centres can function as a secondary distribution network with each other across the country. In case if any place where a disruption or major transportation routes were not passable. The network can back up to replace at the most effective.

(iii) Risk of Error or Failure of Information Technology System to Support O2O

The Company's information technology systems supporting O2O functions as the brain of the convenience store business to enable a one-stop shopping experience to customers. These systems communicate and instruct all operating units in the whole supply chain, ranging from manufacturer, logistic system and distribution centre through store level and customers. This helps generating sales, and delivering quality products and services to more than 11 million customers per day, significantly create customers' satisfactory and impression. Therefore, any error or problem occurred to any key information technology systems such as sales and service system, store operation system, product ordering and logistic system, and etc, would

affect the business operations and ability to serve customers at 7-Eleven stores and may negatively affect the Company's operating results.

The Company's Risk Management

The Company recognises the importance of the information technology system supports the Company's O2O service through a whole supply chain system operating effectively with the continuity of business operations and in line with the Company's business strategy. Information Technology Supervision and Information Security Committee has conducted regular reviews to improve the stability of the management of information technology, monitoring, development, and maintenance of a standard system to effectively prevent, detect and respond to cyber-attacks in accordance with the Cyber Threat Action Framework referenced by the National Institute of Standards and Technology (NIST) which consisting of 5 sections i.e. identification, protection, detection, retaliation, and recovery.

The Company focuses on developing processes and assets in relation to technology with reference to international standards such as ITIL, CMMI, and ISO / IEC 27001: 2013, which aimed at developing technology to improve processes and assets in the long term. Business development unit can collaborate with global partners to update technology system to accommodate the changing trend of the market.

In regard to managing the hardware, the Company establishes two IT centres in different areas to mitigate risk – Chaengwattana IT Centre in Nonthaburi and True IDC Bangna in Samut Prakan, which is the first IT centre to obtain a high information security standard and ISO from Uptime Institute. These two IT centres support each other in case of any interruption happening to one of the IT centres and ensure that the IT system will resume its normal operation.

In addition, the Company has a full range of security systems for its two IT centres, from the design of their safety in every section to maintenance of system and equipment under international standard. The system safety includes UPS backup generator system, smoke and fire detection system, intrusion prevention and motion detection system, backup air conditioning, and dual power feeding system. In addition, the Company set up an expert team on system stability and security working 24 hours a day, 7 days a week. In addition, the Company regularly provides training and drills to the team with different crisis scenarios to ensure that the team and systems for the business continuity management (BCM) plan will perform efficiently and timely. Furthermore, apart from regular audit by the internal team, an external audit firm conducts an annual audit of the relevant systems to ensure that our IT system and infrastructure optimally perform under all situations.

(b) Emerging Risks

(i) Risk associated to Consumer Behavioral Changes (New Normal)

Retail businesses have been under major economic pressure due to various factors, including rapid consumer behavioural changes. Attributed to the COVID-19 pandemic, people are adopting a "new normal" way of life, being more concerned about health and safety and social distancing. In addition, the increasingly digitalised and cashless society has made more consumers demand for fast and convenient retail services. As the consumers prefer more communication channels as well as purchase and payment options which are accessible anywhere, any time, on any device, the number of consumers visiting stores therefore might be decreased.

The Company's Risk Management

The Company is diligently studying and monitoring behavioural changes, and lifestyles of all target consumer groups, by taking their behavioural trends and customer insights in different store locations into consideration. The offline to online (O2O) platform offers customers convenient options to *a wide variety of products and services*, whether in-store or online shopping. Thus, the Company is able to provide lifestyle services and build long-term relationships with its customers.

(ii) Increasingly Common Outbreaks of Disease

Although the coronavirus pandemic has been ongoing for almost a year, its devastating effects are still prevalent in people's lives and the economy. Scientists expect that people will still have to continue living with COVID-19 pandemic for some time and believe that this pandemic will not be the last the world has to face. Rather, global disease outbreaks will occur even more frequently in the future. Since the beginning of this century, there are outbreaks of SARS, the Swine Flu, MERS, Ebola, and COVID-19. Additionally, mid-2020 saw the emergence of a new G4 EA H1N1 variant of influenza virus in China, whose development scientists are monitoring closely. Even though there is not yet enough information to indicate whether this new disease might threaten humans, a mutation could cause a major, disastrous disease outbreak. This is because the increasing world population is pushing humans to encroach on more natural territories, where wild animals live, making pathogens transmit to humans more easily. Rising temperatures due to climate change have also increased the likelihood that diseases are transmitted to carrier animals, such as mosquitos. Currently, there are more than 1.7 million viral infections with animal carriers, which pose a major risk to humans. There needs to be more research on these diseases to find effective prevention and treatment measures.

Increasingly frequent pandemics in the future may lead to significant business disruptions and catalyse further changes in consumer behaviour in the future. Despite the development of more effective medicine and response plans, it is still difficult to predict the severity of the overall impact of the next outbreak. However, the Company believes that the duration of the impact will be shortened as it gathers learnings from previous disease outbreaks.

The Company's Risk Management

The Company recognises the importance of monitoring rapid changes in consumer need and expectation due to the advancement of technology, the adaptation to new normal life which will become normal in the future, the increase of cashless society which will become a vital role in daily life, and the decision of consumers. In addition, since the importance of consumer behaviour has been recognised, the Company is therefore developing more convenient and speedy options to enable customer access to its products and services from anywhere, any time. Furthermore, as an avid researcher of customer insights, the Company realises that consumer behaviour and lifestyles vary based on different times of the day and occasions (e.g., workdays, holidays, festivals, or events in the area). These customer insights are used to develop a viable strategic plan that fits with the ever-changing market context. Furthermore, the Company continually develops its products and services in the face of such change, delivering new experiences to customers via new channels of access to goods and services, including stores, vending machines, and even online channels. Customers can easily pay for their products or services through the Mobile Application Counter Service Pay, as well as, Alipay, Union Pay, credit card, or True Money wallet application, accessible via mobile phone. Customers can also use pick-up service at stores or purchase parcel delivery

services at SPEED-D, available at selected 7-Eleven stores 24 hours a day. Additionally, on-demand delivery from stores is available. With these new experiences, the Company is confident that it will not only be able to retain its existing customers, but also expand to new customer groups.

(c) Financial Risk

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties.

As at 30 June 2021, the Company and its subsidiaries had interest-bearing debt, excluding lease liabilities, amounting to THB 248,859 million, comprising debenture with fixed interest rate of THB 229,566 million or 77 percent of the total amount of interest-bearing debt. The debt to equity ratio was 3.72 times and the net debt to equity under the terms and conditions of debenture was 1.80 times, which was lower than the limit set out under the 2020 terms and conditions of debentures.

The Company's Risk Management

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

The Company's had fixed interest rate Thai Baht debentures amount of THB 229,566 million, which the Company plans to continuously reduce leverage ratio by using internal cash flow from operation to repay loans. In addition, the Company has been committed to maintaining the net debt to equity ratio as required under the Company's debenture terms and conditions. In addition, the Company also has issued the quasi-equity subordinated debentures of THB 20,000 million to cushion the net debt to equity ratios.

In respect of long-term borrowings from financial institutions denominated in US Dollar, the Company executes the forward exchange contract to hedge against currency risk. In addition, the Company has planned to issue long-term Thai Baht debentures to convert the debt denominated in US Dollar to Thai THB.

(d) Risk from the Recognition of Goodwill and Intangible Assets

The goodwill that arises upon the acquisition of subsidiaries is recognised in intangible assets. The measurement of goodwill at initial recognition is described in a note to the financial statements. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Company's group and have finite useful lives i.e. computer program, customer database, and others, at which 2-15 years useful lives. Other intangible assets recognised at cost, net of accumulated amortization, and accumulated impairment losses. Amortization is calculated using the cost less the residual value associate with its remaining useful lives. On the other hand, other intangible assets that are acquired by the Group and have indefinite useful lives i.e. intellectual property, business license, etc. are appraised at cost less accumulated impairment losses.

The Company's Risk Management

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the

assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

(e) Risks from the Impact of the COVID-19 Pandemic

Due to possible adverse impacts of the ongoing COVID-19 pandemic on its business operations, the Company has directed the utmost attention to ensuring safety and good hygiene of its staff and customers by continually taking measures to stay abreast of the situation and monitor and curb the spread of the disease to build confidence in 7-Eleven stores nationwide.

The Company's Risk Management

In response to the COVID-19 pandemic, the Company has adapted its operations and strategies to mitigate risks and restore trust in its businesses. For 7-Eleven stores, the Company has devised guidelines to ensure good hygiene and safety of its staff and customers as follows.

1. Sanitise the venue with a disinfectant every 3 hours, taking extra care to maintain the sterility of high-touch areas and surfaces, such as cash registers, POS machines, beverage-and food-heating areas, including appliances.
2. Disinfect food preparation areas and food handling utensils, such as tongs, knives, chopping boards, and beverage mixing equipment every time after use.
3. Disinfect all other spaces, such as entrance to the staff area, freezer lids/doors, stock cupboards, staircase rail, restroom door, and restroom, every time after use.

In terms of operations, convenience stores and cash and carry stores are allowed to continue their business, except those in designated areas required by government agencies to suspend their service during certain hours. However, the enforcement of the Emergency Decree on Public Administration in Emergency Situations and the pandemic have triggered a drastic change in consumer behaviour. For instance, consumers have stayed at home more and commuted less to be in line with lockdown measures, leading in turn to lower customer foot traffic in stores and a drop in sales revenue generated by the Company compared to that of a normal period prior to the breakout of COVID-19. To weather this storm, the Company has strived to maintain its profitability ratio at an appropriate level by managing effectively and controlling operating costs carefully. Consequently, it has been able to achieve healthy liquidity, financial stability, and solvency despite the formidable impacts of the COVID-19 pandemic.

(Please refer to Risk Management and Discussion and Analysis of the Management in the Company's 56-1 One Report for further details.)

5.3 Financial projection for the current year (if any) indicating trade, economic, and industrial assumptions which has been reviewed by a certified public accountant and opinion rendered by an independent financial advisor that the projection is carefully prepared

-None-

5.4 List of Management Members and the Top 11 Shareholders as at the Record Date

5.4.1 List of the Board of Directors of the Company as at 31 July 2021

No.	Names	Position(s)
1.	Mr. Soopakij Chearavanont	Chairman
2.	Mr. Korsak Chairasmisak	Vice Chairman
3.	Mr. Suphachai Chearavanont	Vice Chairman
4.	Mr. Adirek Sripratak	Director
5.	Mr. Umroong Sanphasitvong	Director
6.	Mr. Narong Chearavanont	Director
7.	Mr. Prasert Jarupanich	Director
8.	Mr. Pittaya Jearavisitkul	Director
9.	Mr. Piyawat Titasattavorakul	Director
10.	Mr. Tanin Buranamanit	Director and Chief Executive Officer
11.	Mr. Padoong Techasarintr	Independent Director Chairman of the Audit Committee
12.	Mr. Pridi Boonyoung	Independent Director Audit Committee Member
13.	Mrs. Nampung Wongsmith	Independent Director Audit Committee Member
14.	Adjunct Professor Prasobsook Boondech	Independent Director
15.	Police General Phatcharavat Wongsuwan	Independent Director

5.4.2 List of Executive Committee Members as at 31 July 2021

No.	Names	Position
1.	Mr. Korsak Chairasmisak	Chairman of the Executive Committee
2.	Mr. Pittaya Jearavisitkul	Vice Chairman of the Executive Committee
3.	Mr. Piyawat Titasattavorakul	Vice Chairman of the Executive Committee
4.	Mr. Umroong Sanphasitvong	Executive Committee Member
5.	Mr. Tanin Buranamanit	Executive Committee Member
6.	Mr. Wisade Wisidwinyoo	Executive Committee Member
7.	Mr. Taweesak Kaewrathtanapattama	Executive Committee Member

No.	Names	Position
8.	Ms. Lawan Tienghongsakul	Executive Committee Member
9.	Mr. Vichien Chuengviroj	Executive Committee Member

5.4.3 List of Executive Officers as at 31 July 2021

No.	Names	Position(s)
1.	Mr. Tanin Buranamanit	Chief Executive Officer
2.	Mr. Yuthasak Poomsurakul	Managing Director (Co)
3.	Mr. Vichai Janjariyakun	Managing Director (Co)
4.	Mr. Taweesak Kaewrathtanapattama	Senior Vice President
5.	Ms. Lawan Tienghongsakul	Senior Vice President – Human Resources
6.	Mr. Vichien Chuengviroj	Senior Vice President – Corporate Asset and Facilities Management
7.	Mr. Kriengchai Boonpoapichart	Chief Financial Officer
8.	Mr. Ampa Yongpisanpop	Senior Vice President – Distribution Center Function
9.	Mrs. Nipaporn Ackarapolpanich	Senior Vice President – Marketing
10.	Mr. Ronnakitt Pojamarnpornchai	Deputy Chief Financial Officer
11.	Mrs. Phaphatsorn Thanasorn	Vice President – Purchasing
12.	Mr. Wiwat Pongritsakda	Vice President – Information Technology
13.	Mr. Tapthep Jiraadiwong	Vice President – Operations

5.4.4 List of Top 11 Shareholders as at the Record Date on 6 May 2021

No.	Shareholders	No. of Shares Held	Voting Right Proportions
1.	CP Merchandising Company Limited	2,734,748,100	30.44
2.	Thai NVDR Company Limited	846,779,685	9.43
3.	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	600,877,536	6.69
4.	STATE STREET EUROPE LIMITED	316,454,106	3.52
5.	GIC PRIVATE LIMITED	241,095,555	2.68
6.	The Social Security Office	238,282,500	2.65
7.	UNS Agro Chemical Company Limited	180,000,000	2.00

No.	Shareholders	No. of Shares Held	Voting Right Proportions
8.	BNY MELLON NOMINEES LIMITED	152,520,435	1.70
9.	THE BANK OF NEW YORK MELLON	125,658,319	1.40
10.	Mr. Prinya Tieworn	100,000,000	1.11
11.	Bangkok Produce Merchandising Public Company Limited	100,000,000	1.11

5.5 Other Information that May Have a Material Impact on Investors' Decision-Making (If Any)

-None-

6 Opinion of the Company's Board of Directors on the Sufficiency of Cash Flow

The Company's Board of Directors is of the opinion that the Company has sufficient cash flow to enter into this transaction since for the EBT transaction, Makro will issue 5,010,323,500 new ordinary shares with a par value of THB 0.50 each at the offering price of THB 43.50 per share to CPRH as consideration for the entire business transfer of CPRH as payment in kind, instead of in cash, totalling THB 217,940,072,250.

7 Pending Material Lawsuits or Claims

-None-

8 Interests or related party transactions of the Company, the Board of Directors, the Management, and shareholders with either direct or indirect holding of 10% of shares or higher in the previous year

In 2020, the Company and its subsidiaries entered into transactions with related parties at an arm's length basis or under the agreed terms (details as provided in Clause 6 to the financial statements for the year ended 31 December 2020). The Audit Committee has reviewed that all transactions were reasonable and disclosure was duly made in compliance with the Notification of the SET and the Notification of the Capital Market Supervisory Board.

For the six-month period ended 30 June 2021, the Company and its subsidiaries entered into transactions at an arm's length basis or under the agreed terms (details as provided in Clause 3 to the financial statements for the three-month and six-month period ended 30 June 2021)

For the year 2020 and the six-month period ended 30 June 2021, the Company entered into transactions with persons having potential conflicts of interests. However, the connected transactions are deemed by the Audit Committee to be reasonable. Details are provided as follows.

Unit: THB Million

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
C.P. TOWER GROWTH LEASEHOLD PROPERTY FUND	Charoen Pokphand Group Company Limited is a major shareholder.	Other expenses	192		95	
		Other accounts payable		1		2
KASETPHAND INDUSTRY COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods	1		1	
		Acquisition of assets and other expenses	10		14	
CHAROEN POKPHAND GROUP COMPANY LIMITED	Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, and Mr. Dhanin Chearavanont who is their father, are the major shareholders, and the two common directors are 1) Mr. Soopakij Chearavanont and 2) Mr. Suphachai Chearavanont.	Revenue from sales of goods	1			
		Other expenses	19		9	
CHAROEN POKPHAND PRODUCE COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods	3		2	
CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and the four common directors are 1) Mr. Soopakij Chearavanont, 2) Mr. Suphachai Chearavanont, 3) Mr. Adirek Sripratak, 4) Police General Phatcharavat Wongsuwan.	Revenue from sales of goods and rendering of services and other income	48		24	
		Cost of sales of goods	361		174	
		Trade and other accounts receivable		7		8
		Trade and other accounts payable		35		25
CHAROEN POKPHAND	Charoen Pokphand Group Company	Revenue from sales of goods	9			

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
ENTERPRISE COMPANY LIMITED	Limited is a major shareholder.	and rendering of services and other income				
CHIA TAI PRODUCE COMPANY LIMITED	Mr. Dhanin Chearavanont who is Mr. Soopakij Chearavanont (Chairman of CPALL)'s father is a major shareholder.	Revenue from sales of goods and rendering of services and other income	2		1	
		Cost of sales of goods	12		4	
		Trade accounts payable		2		2
CHEF CARES PROJECT COMPANY LIMITED	Mr. Soopakij Chearavanont (Chairman of CPALL)'s wife is a director and a major shareholder.	Trade accounts payable				37
		Cost of sales of goods			61	
CHESTER FOOD COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	11		5	
		Trade and other accounts receivable		2		3
		Trade accounts payable		6		3
C. P. CONSUMER PRODUCTS COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and a common director is Mr. Prasert Jarupanich.	Revenue from sales of goods and rendering of services and other income	102		59	
		Cost of sales of goods and other expenses	813		336	
		Trade and other accounts receivable		9		11
		Trade accounts payable		167		116

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
C.P. FACILITY MANAGEMENT COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Other expenses	34		14	
		Other accounts payable		5		2
C. P. FOOD STORE COMPANY LIMITED	Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, and Mr. Dhanin Chearavanont who is their father, are the major shareholders.	Revenue from sales of goods and rendering of services and other income	130		90	
		Cost of sales of goods	1,649		748	
		Trade and other accounts receivable		15		15
		Trade accounts payable		266		259
C.P. MERCHANDISING COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder and a common director is Mr. Adirek Sripratak. Mrs. Arunee Watcharananan who is Mr. Adirek Sripratak (Director of CPALL)'s younger sister	Revenue from sales of goods and rendering of services and other income	161		28	
		Cost of sales of goods and other expenses	570		604	
		Trade accounts receivable		3		3
		Trade accounts payable		85		125
C.P. LAND PUBLIC COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder and a common director is Mr. Soopakij Chearavanont.	Revenue from sales of goods and rendering of services and other income	23		12	
		Cost of sales of goods and cost of services and other expenses	5		1	
		Trade and other accounts receivable		6		4

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
C.P. INTERTRADE CO., LTD.	Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont and Mr. Dhanin Chearavanont who is their father are the major shareholders.	Revenue from sales of goods and rendering of services and other income	1			
		Other expenses	3		1	
		Other accounts payable		1		
C.P. PACKAGING INDUSTRY COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	22		29	
		Cost of sales of goods and other expenses	739		413	
		Trade and other accounts receivable		12		14
		Trade accounts payable		188		198
CP NATURE COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder by indirectly holding shares through associated companies.	Revenue from sales of goods and rendering of services and other income			1	
		Cost of sales of goods			8	
		Trade and other accounts receivable				1
		Trade accounts payable				8
CP B&F (THAILAND) COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder	Revenue from sales of goods and rendering of services and other income	41		65	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
		Cost of sales of goods and other expenses	2,024		737	
		Trade and other accounts receivable		12		47
		Trade and other accounts payable		271		249
CP B&F TRADING COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income			15	
		Trade and other accounts receivable				16
CP MATCH COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont, and his close relatives are the major shareholders.	Other expenses	27		8	
		Other accounts payable		19		
CP HILAI HARBOUR COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	7		2	
		Trade and other accounts receivable		1		1
CPPC PUBLIC COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and the three common directors are 1) Mr. Soopakij Chearavanont, 2) Mr. Umroong	Revenue from sale of goods and rendering of services and other income			3	
		Trade and other accounts receivable				3

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
	Sanphasitvong, and 3) Mr. Narong Chearavanont.					
CP-MEIJ I COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder and a common director is Mr. Adirek Sripratak.	Revenue from sales of goods and rendering of services and other income	103		71	
		Cost of sales of goods and rendering of services and other income	3,607		1,861	
		Trade and other accounts receivable		15		35
		Trade and other accounts payable		608		670
CPF (THAILAND) PUBLIC COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder and a common director is Mr. Adirek Sripratak.	Revenue from sales of goods and rendering of services and other income	254		176	
		Cost of sales of goods and other expense	20		18	
		Trade and other accounts receivable		30		55
		Trade and other accounts payable		117		45
CPF TRADING COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	413		245	
		Cost of sales of goods and other expenses	23,454		12,069	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
		Trade and other accounts receivable		42		97
		Trade and other accounts payable		3,858		3,660
CPF FOOD AND BEVERAGE COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	24		15	
		Trade and other accounts receivable		2		5
CPF RESTAURANT AND FOOD CHAIN COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	56		23	
		Cost of sales of goods and rendering of services and other expenses	65		27	
		Trade and other accounts receivable		5		7
		Trade and other accounts payable		21		8
CPF IT CENTER COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and a common director is Mr. Adirek Sripratak.	Revenue from sales of goods and rendering of services	32		4	
		Trade accounts receivable		29		
SENDIT (THAILAND) COMPANY LIMITED	Charoen Pokphand Group Company Limited, by indirect holding shares through related company, Mr. Soopakij Chearavanont,	Other expenses	10			

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
	Mr. Suphachai Chearavanont, Mr. Narong Chearavanont, and his close relatives are the major shareholders					
DEES SUPREME COMPANY LIMITED	Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont, and his close relatives are the major shareholders.	Revenue from sales of goods and other income	1			
		Cost of sales of goods and Other expenses	401		121	
		Trade accounts payable		66		27
DAINAMIC TRANSPORT COMPANY LIMITED	Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, and Mr. Dhanin Chearavanont are the major shareholders	Revenue from sales of goods and rendering of services and other income	2			
		Cost of sales of goods	155		103	
		Trade accounts payable		54		58
TRUE GS COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	2		1	
		Cost of sales of goods	25		14	
		Trade and other accounts receivable				1
		Trade accounts payable		21		21
TRUE DIGITAL GROUP COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	170		39	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
		Cost of rendering of services and other expenses	1			
		Trade and other accounts receivable		26		16
		Trade and other accounts payable		1		
TRUE DISTRIBUTION & SALES COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	263		93	
		Acquisition of assets and cost of sales of goods and other expenses	664		156	
		Trade and other accounts receivable		74		33
		Trade and other accounts payable		95		64
TRUE PROPERTIES COMPANY LIMITED	Charoen Pokphand Group Company Limited., Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholder, and a common director is Mr. Suphachai Chearavanont.	Revenue from sales of goods and rendering of services and other income	7		4	
		Other expenses	1			
		Trade and other accounts receivable		4		2
TRUE MONEY COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Soopakij Chearavanont, Mr. Suphachai	Revenue from sales of goods and rendering of services and other income	515		299	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021	
	Chearavanont, Mr. Narong Chearavanont, and his close relatives are the major shareholders	Cost of sales of goods and other expenses	30,001		10,461		
		Trade and other accounts receivable		67		450	
		Trade and other accounts payable			243		19
TRUE MOVE COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from rendering of services	(13)				
		Trade and other accounts receivable		1		1	
TRUE MOVE H UNIVERSAL COMMUNICATION COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and a common director is Mr. Suphachai Chearavanont.	Revenue from sales of goods and rendering of services and other income	821		215		
		Cost of sales of goods and rendering of services and other expenses	183		138		
		Trade and other accounts receivable			198		212
		Trade and other accounts payable			69		35
TRUE UNITED FOOTBALL CLUB COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Trade accounts payable		4		4	
TRUE LEASING COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij	Cost of sales of goods and rendering of services and Other expenses	79		39		

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
	Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholder	Trade and other accounts payable		25		30
TRUE LIFESTYLE RETAIL COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr.Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont, and his close relatives are the major shareholders.	Revenue from sales of goods and rendering of services and other income	7		2	
		Trade and other accounts receivable		1		
TRUE VISIONS GROUP COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder and the three common directors are 1) Mr. Soopakij Chearavanont, 2) Mr. Suphachai Chearavanont, and 3) Mr. Narong Chearavanont	Revenue from sales of goods and rendering of services and other income	1			
		Other expenses	2		4	
		Trade accounts payable		1		5
TRUE INTERNET CORPORATION COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	10		2	
		Acquisition of assets, Cost of rendering of services and other expenses	403		221	
		Trade and other accounts receivable				2
		Trade and other accounts payable		27		62

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
TRUE INTERNET DATA CENTER COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders	Revenue from rendering of services	27		15	
		Cost of rendering of services and other expenses	27		16	
		Other accounts payable		5		11
TRUE E-LOGISTICS COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Cost of rendering of services and other expenses	63		36	
		Other accounts payable		22		23
TRUE ICONSIAM COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders	Other expenses	2			
THAI KODAMA COMPANY LIMITED	Mr. Soopakij Chearavanont, Mr. Suphachai Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders	Revenue from sales of goods and other income	2		1	
		Cost of sales of goods	30		12	
		Trade accounts payable		5		3
BFX COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder by indirectly holding shares through related companies.	Revenue from sales of goods			12	
		Trade accounts receivable				2
	Charoen Pokphand Group Company	Revenue from sales of goods	17		11	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
B&F COFFEE COMPANY LIMITED	Limited is a major shareholder.	and rendering of services and other income				
		Trade and other accounts receivable		2		4
LEADERSHIP DEVELOPMENT CHAROEN POKPHAND GROUP COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and the two common directors are 1) Mr. Narong Chearavanont and 2) Mr. Prasert Jarupanich	Revenue from sales of goods and rendering of services and other income	4		1	
		Other expenses	108		51	
		Trade and other accounts receivable		2		
		Other accounts payable		18		
PANTAVANIJ COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders, and the two common directors are 1) Mr. Suphachai Chearavanont and 2) Mr. Umroong Sanphasitvong	Revenue from sales of goods and other income	13		4	
		Acquisition of assets, cost of rendering of services and other expenses	13		6	
		Trade and other accounts receivable		1		1
		Other accounts payable		3		2
PERFECT COMPANION GROUP COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and a common director is Mr. Prasert Jarupanich	Revenue from sales of goods and rendering of services and other income	78		34	
		Cost of sales of goods and other expenses	1,221		632	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
		Trade and other accounts receivable		7		14
		Trade accounts payable		265		296
PANTHER ENTERTAINMENT COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and the three common directors are 1) Mr. Soopakij Chearavanont, 2) Mr. Narong Chearavanont and 3) Mr. Suphachai Chearavanont	Revenue from sales of goods and rendering of services and other income	1			
		Other expenses	16			
FREEWILL SOLUTIONS COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders, and the two common directors are 1) Mr. Suphachai Chearavanont and 2) Mr. Prasert Jarupanich.	Acquisition of assets and other expenses	24		9	
		Other accounts payable		2		5
POKPHAND ENTERPRISE COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder and a common director is Mr. Prasert Jarupanich.	Other expenses	7		3	
MAGNOLIA QUALITY DEVELOPMENT CORPORATION COMPANY LIMITED	Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders	Revenue from sales of goods and rendering of services	14		6	
		Trade accounts receivable		2		3

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
WHIZDOM LANDMARK CORPORATION COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders, and a common director is Mr. Narong Chearavanont.	Other expenses	4			
ARBER ACERS THAILAND COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder, and the three common directors are 1) Mr. Suphachai Chearavanont, 2) Mr. Soopakij Chearavanont and 3) Mr. Adirek Sripratak	Revenue from sales of goods	3		2	
		Trade accounts receivable				1
INTERNATIONAL PET FOOD COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	9		3	
		Cost of sales of goods	127		66	
		Trade and other accounts receivable		1		1
		Trade accounts payable		31		33
EGG DIGITAL COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong	Acquisition of assets and cost of sales of goods and other expenses	48		12	
		Other accounts receivable		1		

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
	Chearavanont and his close relatives are the major shareholder	Other accounts payable		10		5
ADVANCE PHARMA COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and other income	1		1	
		Cost of sales of goods	8		4	
		Trade accounts receivable				1
		Trade accounts payable		1		1
ASCEND COMMERCE COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Soopakij Chearavanont, Mr. Soopakij Chearavanontm, Mr. Narong Chearavanont and his close relatives are the major shareholders.	Other expenses			7	
		Other accounts payable				7
ASCEND FOOD COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods	85		6	
ICONSIAM COMPANY LIMITED	Charoen Pokphand Group Company Limited, Mr. Suphachai Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont and his close relatives are the major shareholders, and the three common directors are 1) Mr. Umroong Sanphasitvong, 2) Mr. Piyawat Titasattavorakul and	Other expenses	9		5	

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
	3) Mr. Narong Chearavanont.					
C.P. CAMBODIA COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services	7		3	
		Cost of sales of goods	77		19	
		Trade and other accounts payable		5		4
C.P. VIETNAM CORPORATION	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services	16		9	
		Cost of sales of goods	48		39	
		Trade accounts receivable		1		2
		Trade and other accounts payable		1		4
CHAROEN POKPHAND FOODS CANADA INC.	Charoen Pokphand Group Company Limited is a major shareholder.	Cost of sales of goods	20			
CP AVANT PRIVATE LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Cost of sales of goods and other expenses	3		1	
		Other accounts payable		1		1
CP B&F (CAMBODIA) COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Revenue from sales of goods and rendering of services and other income	(2)		1	
		Trade and other accounts receivable		9		12

Connected Party	Characteristics of Connected Transactions	Type of Connected Transactions	Total Transaction Value 2020	Outstanding Value as at 31 Dec 2020	Total transaction value for the six-month period in 2021	Outstanding value as at 30 Jun 2021
CP COFFEE BUSINESS HONGKONG COMPANY LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Other accounts receivable		14		14
CP FOODS (UK) LIMITED	Charoen Pokphand Group Company Limited is a major shareholder.	Cost of sales of goods	2			
OTHERS		Revenue from sales of goods and rendering of services and other income	29		12	
		Acquisition of assets, cost of sales of goods and other expenses	15		10	
		Trade and other accounts receivable		114		82
		Trade and other accounts payable		28		49

Connected transactions which were normal business transactions or supporting normal business transactions were engaged on an arm's length basis and complied with Rules on Connected Transactions by virtue of Section 89/12(1) of the Securities and Exchange Act (No.4) B.E. 2551. The transactions had been approved by the Board of Directors at the Board of Directors Meeting No.1/2010 held on 18 February 2010.

The Company's policy on pricing of the connected parties are as follows:

Revenue from sales of goods: The prices are determined on an arm's length basis, that is, on terms no less favorable than the terms on which the transaction would be carried out with unrelated persons.

Revenue from rendering of services and other income: The contractual prices are determined on an arm's length basis.

Cost of rendering of services and other expenses: The contractual prices are determined on an arm's length basis.

Acquisition of assets: The prices are determined on an arm's length basis, that is, on terms no less favorable than the terms on which the transaction would be carried out with unrelated persons.

Procedures for the Approval of Connected Transactions

In the case of transactions for the purchase and sales 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 transaction with relevant internal units to ensure that the transaction is entered at the prevailing market rates. The Internal Audit Unit provides a monthly review report of connected transactions to the Audit Committee which will further present its reports to the Board of Directors every quarter.

With respect to the transactions with possible conflicts of interests or related-party transactions, the Audit Committee will review the transactions and ensure that they comply with the Notification of the Board of Governors of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 and the Notification of the Capital Market Supervisory Board No. TorJor 21/2551 Re: Rules on Connected Transactions, as well as the law governing securities and exchange, regulations, announcements, orders or requirements of the SET in relation to the rules on connected transaction. The policy on conflicts of interests is clearly provided in the Company's Code of Business Ethics to ensure due compliance and practice of directors and employees. In addition, a working group is established to oversee the entry of connected transactions to ensure compliance with the notifications of the Capital Market Supervisory Board.

In case of the acquisition or disposition of key assets by a listed company and its subsidiaries, which occurs from time to time, the Company has the policy to engage external independent experts, such as, professional appraisers and independent financial advisors to provide opinions to the Audit Committee for further proposal to the Board of Directors.

Policy and trend on future connected transactions

The Board of Directors has a clear policy that connected transactions may be entered in the future under an ordinary course of business, provided that they are necessary and are entered at the fair price as comparable to prevailing market rates for the best interests of the Company. And there shall be no transfer of benefits between the Company and related companies or persons. As the Company and its subsidiaries operate a retail business which includes purchases and sales of goods and services with other companies including related companies, in the future, the Company expects to continue to enter into connected transactions in respect of purchases and sales of goods and services in line with the business growth of the Company and its subsidiaries. Other types of transactions will depend on business necessity.

(Please refer to the Company's 56-1 One Report for further details on connected transactions.)

9 Summary of Material Agreements for the Past 2 Years

9.1 A summary of the Area License Agreement between the Company and 7-Eleven, Inc. (the "Area License Agreement") and the Consent Agreement related to the Initial Public Offering (IPO) Consent Agreement and its third amendment between the Company, CPG, and 7-Eleven, Inc. (the "Consent Agreement")

With respect to the Area License Agreement between the Company and 7-Eleven, Inc. (formerly known as "The Southland Corporation") on 7 November 1988 (including its

amendment), the Company has the rights to operate a convenience store in the retail business under the trademark "7-Eleven" in Thailand. The Area License Agreement also stipulates that 7-Eleven, Inc. has given exclusive rights to the Company to operate in Thailand using the 7-Eleven system, trademark, and trade secrets and/or is to grant individual sublicenses on a case-by-case basis. Additionally, the Company has non-exclusive rights to use 7-Eleven ancillary trademarks and to receive services in relation to training and technical supports under the terms and conditions thereof. The Company agrees to pay compensation to 7-Eleven, Inc. in a form of the license royalty on monthly basis prorated to a percentage of total monthly sales according to details stipulated in the Area License Agreement.

In addition to the abovementioned, the Company shall comply with the material terms and conditions summarised as follows:

1. The Company shall operate the minimum number of stores according to the percentage or number of stores specified in the Area License Agreement throughout the term thereof. If the Company fails to do so, 7-Eleven, Inc. has the right to assume or the right to other person to operate the stores which shall not constitute a breach of the Area License Agreement with the Company. (As of the end of 2020, of the Company operates 12,432 7-Eleven stores which is higher than the minimum number of stores required thereunder).
2. The Company shall not assign its rights under the Agreement, whether in whole or in part, without prior written consent from 7-Eleven, Inc.
3. The Company shall neither issue any additional shares or other securities that can be converted into shares nor transfer any shares or any share-related benefits without prior written consent from 7-Eleven, Inc.
4. The Company shall indemnify and hold harmless 7-Eleven, Inc. from damages, fines, liabilities (including liabilities under labour laws) litigations and other expenses incurred by the terms stipulated in the Area License Agreement.
5. The Company shall take all necessary steps to protect the goodwill and trademark reputation. If the Company fails to do so, it agrees to pay 7-Eleven, Inc. for the damages incurred, calculated on a basis of monthly gross sales as specified in the Area License Agreement during the period which the Company was in breach of the Area License Agreement or during the legal proceeding of the court or arbitration process.
6. In the case that the Company's securities are not listed on the stock exchange and it receives an offer to acquire its business or assets and the Company accepts such offer, 7-Eleven Inc. shall have the first right of refusal in respect of such offer which shall be exercised by 7-Eleven within 60 days from the notice date by the Company. If 7-Eleven does not exercise its right, the Company shall have the right to sell the business or assets to the offeror in which the Company shall (a) assign its portion of rights under the Agreement to the offeror and indemnify 7-Eleven, Inc. for any damages incurred; (b) pay any outstanding amounts to 7-Eleven, Inc. in full, and (c) arrange for the offeror perform the conditions set out under the Area License Agreement.

The Area License Agreement does not have a definite expiry date but may be terminated under a breach by either party including under one of the following events:

- (1) The Company fails to make any payments due and does not rectify such failure within 30 days from the date on which 7-Eleven, Inc. has notified the Company of such failure. In such case, 7-Eleven, Inc. may terminate this Area License Agreement immediately without any written notice.
- (2) 7-Eleven, Inc. shall have the right to terminate Agreement in the following cases: (a) the Company files for bankruptcy, receivership or business rehabilitation or similar proceedings; (b) a bankruptcy action is filed against the Company and such action is not dismissed within a period specified in the Area License Agreement; (c) 7-Eleven determines that the Company is unable to service its debts as scheduled; (d) the Company makes any assignment in favour of its creditors or is unable to pay its license royalty for over 180 days due to event of force majeure; (e) government agencies in Thailand does not approve any outward fund transfer to 7-Eleven, Inc. or government agencies do not approve the use of trademarks of 7-Eleven, Inc.. In the case that 7-Eleven, Inc. trademarks are unable to be used in Thailand, the parties agree to use the new trademarks or 7-Eleven may choose to terminate this Area License Agreement.
- (3) The Company shall have the right to terminate the Area License Agreement in the event of a material breach committed by 7-Eleven, Inc. for 30 consecutive days after the Company has notified 7-Eleven, Inc. of such breach. In such case, the Company is required to notify its intention to terminate the Area License Agreement with 7-Eleven, Inc. as well as fulfil certain conditions as specified in the Area License Agreement.

If the Area License Agreement is terminated on any grounds except for a termination by the Company due to material breach by 7-Eleven, Inc., 7-Eleven, Inc. has the right to purchase the goods, equipment, land, buildings, or other assets from the Company. Furthermore, the Company shall transfer all related permits to 7-Eleven, Inc. The Company shall also be responsible for paying any tax and property transfer fees and shall stop using all 7-Eleven trademarks, trade secrets, and the 7-Eleven system and shall return or destroy all 7-Eleven trade secrets, including all manuals and copies of documents as instructed by 7-Eleven, Inc.

If the Area License Agreement is terminated on any grounds except for a termination by the Company due to material breach by 7-Eleven, the Company and the parties directly or indirectly related to the Company, including shareholder representatives, shall not operate in the convenience store business for a period of 7 years after the termination of the Agreement in the United States of America or any country in the world in which 7-Eleven, Inc. operates or grants franchises, or rights to other parties, except where 7-Eleven, Inc. or its designated person exercise the right to acquire the business from the Company.

Under the Area License Agreement, 7-Eleven, Inc. has given its consent to the Company's public offering, which includes the listing of Company's shares in the stock exchange (IPO) by executing the Consent Agreement with the Company and CPG on August 20, 2003. In addition to the consent, 7-Eleven, Inc. also agreed that the Company and 7-Eleven, Inc. make material amendments to certain terms and conditions of the Area License Agreement. CPG also agrees to be bound by the terms of the Consent Agreement. Its main details are as follows:

Under the Consent Agreement, the Company and CPG have made warranties and representations to 7-Eleven in various matters, including: (a) no shares of the Company's and CPG shall be pledged or secured for debt under pledge or under any encumbrance without

prior written consent from 7-Eleven, Inc.; (b) the Company and CPG shall not enter into any contract which will cause the breach of this Consent Agreement, or vice versa, will cause a breach of other contracts due to the performance of the Consent Agreement; (c) throughout the term of the Area License Agreement, CPG shall retain its power to appoint and control to the number of majority director of the Company. If CPG fails to do so, it agrees to purchase the Company's shares to the extent it holds more than 50 percent of total number of outstanding shares of the Company.

In addition to the warranties and representations, the parties agree to amend certain terms and conditions of the Area License Agreement, the material amendments of which are as follows:

- (a) The Company and CPG acknowledge and understand that under the Area License Agreement, 7-Eleven, Inc. has granted the Company the right to use 7-Eleven trademarks and other related rights due to 7-Eleven Inc.'s confidence in the business and financial expertise and reputation of the Company, CPG and the Company's shareholders. Therefore, CPG and other related parties, including associated companies of CPG (as detailed in the Area License Agreement), shall not transfer, sell, pledge, create encumbrances, or otherwise dispose, whether directly or indirectly, of any share or share interests, or assets in whole or substantial part, without written consent of 7-Eleven, Inc., excluding any transfer, sale, pledge, creation of encumbrances or otherwise disposition of the Company's shares by CPG or its associated companies where CPG remains holding, directly or indirectly, more than 157,500,000 shares in the Company (at a par value at 10 THB), and maintains its control over the appointment of the majority number of the Company's directors provided that CPG or its associated companies shall notify 7-Eleven, Inc. of the same at least 30 days in advance.
- (b) After each IPO, CPG shall hold at least 157,500,000 shares in the Company, either directly or indirectly (at a par value at 10 THB).
- (c) As long as the Company's securities are listed on the Stock Exchange, in the event that CPG receives an offer from a third party to purchase shares held by it in the Company and agrees to such offer, and 7-Eleven, Inc. determines that CPG and its associated companies (as detailed in the Agreement) will no longer have the control over the Company as result of such share sales, then CPG shall offer to sell such shares to 7-Eleven, Inc. under the same terms and conditions offered to CPG by such third party under the procedures set out in the Area License Agreement.
- (d) The Company shall not sell, transfer, mortgage, pledge, incur obligation, or otherwise dispose of its assets, whether in whole or in substantial part, as well as any direct and indirect interests therein without written consent of 7-Eleven, Inc., except for the sales of goods or services under an ordinary course of business.
- (e) The material amendment to the obligations of the Company in the event of termination of the Area License Agreement are as follows:
 - (1) In case the Area License Agreement is terminated on whatever grounds, and 7-Eleven, Inc. does not exercise its right to purchase the products, equipment, land, buildings, and assets used in the Company's business operation, the Company shall stop, and arrange for its related persons (as detailed in the Agreement) to stop using all 7-Eleven trademarks, trade secrets, and the 7-Eleven system, including relevant copyrighted documents

and shall return or destroy all trade secrets, including manuals and copies of documents as instructed by 7-Eleven, at the Company own costs and expenses, as well as other actions as specified in the Area License Agreement.

- (2) In case the Area License Agreement is terminated due to the Company's breach under the events set out above or due to event of termination under the Consent Agreement described below, the Company shall be liable to pay liquidated damages to 7-Eleven, Inc. at the following rates: (a) If 7-Eleven does not exercise its rights to purchase all of the Company's assets, the Company shall pay the liquidated damages at 10 times the amount of average annual license royalty for the previous 12 months; (b) if 7-Eleven exercises its rights to purchase all of the Company's assets, the Company shall pay the liquidated damages at 3 times the amount of average annual license royalty for the previous 12 months. The aforementioned payment of liquidated damages shall not prejudice to the right of 7-Eleven, Inc. to claim for damages as required by law or the Area License Agreement.

In addition to the grounds for termination of the Area License Agreement, the Consent Agreement also provides that the following event constitutes a material breach thereof: (a) The Company or CPG make material misrepresentations in the Consent Agreement or in relation to the Company's public offering, the listing of Company's shares in the stock exchange (IPO); (b) the Company or CPG make a material breach of the Consent Agreement's terms or conditions, including a failure to maintain shareholding of at least 157,500,000 shares (at a par value of 10 THB), directly or indirectly, after the initial public offering and CPG failure to maintain its control over the appointment of the majority number of the Company's directors, and failure by CPG to purchase additional shares to maintain its shareholding of more than 50 percent of the Company's total number of outstanding shares. In such cases, 7-Eleven, Inc. shall send a notice of the breach to the Company and CPG. If the breach is remediable, the Company shall remedy to the satisfaction of 7-Eleven, Inc. within 30 days (whereas 7-Eleven reserves the right to stipulate a shorter remedial period). If the Company fails to remedy within the specified period, 7-Eleven, Inc. shall reserve the right to: (a) terminate the Area License Agreement; or (b) increase the monthly royalty fees for authorized stores to use the 7-Eleven trademark to the rate applicable for new licensees; or (c) require the Company and CPG (if CPG is still the Controlling Principal as defined in the Consent Agreement) to enter into a new license agreement with different terms and conditions, including higher royalty fees and advertising costs; and (d) appoint a representative of 7-Eleven, Inc. to represent in of the Company's board of directors.

The Consent Agreement shall be governed and construed under the law of State of Texas, the United States of America.

9.2 Summary of the Master Franchise Agreement between CP ALL (Cambodia) Co., Ltd. and CP ALL Laos Co., Ltd., and 7-Eleven, Inc. (collectively referred to as the "Franchise Agreement")

CP ALL (Cambodia) Co., Ltd., an indirect subsidiary of the Company, incorporated in Cambodia, and CP ALL Laos Co., Ltd., an indirect subsidiary of the Company, incorporated in the Lao People's Democratic Republic (collectively referred to as "**Subsidiaries**") entered into a Franchise Agreement with 7-Eleven, Inc. ("**SEI**") on May 5, 2020 (for Cambodia) and August 28, 2020 (for the Lao People's Democratic Republic). The Subsidiaries have been granted the right to operate a convenience store retail business under the "7-Eleven"

trademark in Lao People's Democratic Republic and Cambodia. Under the Franchise Agreement, SEI grants the Company the exclusive right to use the 7-Eleven system and trademark as well as trade secrets for business operations or grants sub-licenses on a case-by-case basis in the Lao People's Democratic Republic and Cambodia. The Subsidiaries must comply with the key terms and conditions outlined in the Franchise Agreement as below:

1. The Subsidiaries shall pay the Master Franchise Fee on the date of entering into the Franchise Agreement, including to a monthly royalty fee, calculated from total monthly sales of the Subsidiaries' convenience stores under the trademark "7-Eleven" (the "**Stores**").
2. In the event that the Subsidiaries are unable to operate the minimum number of the Stores as specified in the Development Schedule due to willful misconduct or serious negligence, the Subsidiaries will have to pay a fine to SEI. This fine is equivalent to the number of stores that are unable to be opened to meet the minimum requirements. If the Subsidiaries are unable to operate the minimum number of stores as specified in the Development Schedule for a period of 3 consecutive years, SEI has the right to: (a) cancel the Subsidiaries' exclusive rights, or (b) terminate the Franchise Agreement.
3. The Controlling Principals of the Subsidiaries (i.e., CP ALL and Albuera International Limited) are required to guarantee the performance of their duties under the Subsidiaries' Franchise Agreement.
4. The Subsidiaries shall indemnify and defend SEI and its directors, shareholders, executives, managers, and employees for any damages and expenses incurred as a result of its operations (whether carried out by the Subsidiaries, the Controlling Principals of the Subsidiaries, or any company within the group, directors, executives, manager, employees, representatives, contractors, or any other person acting on behalf of the Subsidiaries), as specified in the terms of the Franchise Agreement. In addition, if the Franchise Agreement expires due to SEI exercising the right to terminate the agreement (unless in the case of termination of the contract due to event of force majeure), the Subsidiaries are liable for liquidated damages to SEI as specified in the Franchise Agreement.

The Franchise Agreement initially covers a period of 30 years. The said period starts from the day the first store opens. Relevant parties may agree to renew the Franchise Agreement for two additional times, 20 years per renewal.

Below are cases in which the Franchise Agreement may be terminated:

1. The Subsidiaries have the right to terminate the Franchise Agreement in the event that it suffers consecutive losses when operating the franchise business, as specified in the Franchise Agreement.
2. In general cases, SEI has the right to terminate the Franchise Agreement if the Subsidiaries breach it and fails to take remedial actions within 60 days (or any other period as agreed by the parties) from the date that SEI notifies the Subsidiaries of the breach.
3. SEI has the right to terminate the Franchise Agreement without providing for remedial periods in some cases, for example: (a) in the event that the Subsidiaries engages in willful or material breach of the Franchise Agreement, deliberately disclosing confidential information to employees or third parties without requiring such persons

to agree to maintain confidentiality, (b) in the case of deliberate misuse of SEI's intellectual property, information, or systems, (c) in the case that the Subsidiaries or its Controlling Principals enters bankruptcy or business reorganization, or (d) in the case of that the Subsidiaries willfully breaks anti-terrorism laws.

Upon termination of the Franchise Agreement, SEI or SEI-appointed persons will have the right to acquire franchise businesses from the Subsidiaries at fair market value, which is jointly determined by an appraiser appointed by the Subsidiaries and SEI. If SEI or SEI-appointed persons choose not to exercise the rights to purchase the said businesses or do not exercise the right to buy the businesses at the price determined by the appraiser, the Subsidiaries reserves the right to sell the businesses to third parties.

The Franchise Agreement is governed by and under the interpretation of the law of Texas, the United States of America.

9.3 Summary of Other Contracts

(1) 7-Eleven Store Management Contract (SBP Type A)

- Counterparty : CP ALL Public Company Limited ("the Company") and operators
- Contract period : Type A is currently only renewed from original contracts. The Company allows for operators to renew their contracts every 5 years unless the contract is terminated for other reasons as specified in the Contract.
- Fees for entering into the contract : The fees are a fixed amount, stipulated by the criteria set by the Company.
- Management compensation : Operators will receive compensation for their management according to the Company's compensation formula for Type A.
- Other key conditions :
 - (1) Operators agree to be the Company's store manager and will manage stores using the 7-Eleven system only.
 - (2) Operators will not transfer the rights under this Contract to any person without prior written consent from the Company.
 - (3) In the case that the operator breaches the conditions of the contract, the Company reserves the right to terminate the Contract.

(2) 7-Eleven Store Management Contract (SBP Type B)

- Counterparty : CP ALL Public Company Limited ("the Company") and operators
- Contract period : 6 years from the beginning of store management unless the contract is terminated for other reasons as specified in the Contract.

Fees for entering into the contract : The fees are a fixed amount, stipulated by the criteria set by the Company.

Management compensation : Operators will receive compensation for their management according to the Company's compensation formula for Type B.

Other key conditions : Same as SBP Type A

(3) 7-Eleven Store Management Contract (SBP Type C)

Counterparty : CP ALL Public Company Limited ("the Company") and operators

Contract period : 10 years from the beginning of store management unless the contract is terminated for other reasons as specified in the Contract.

Fees for entering into the contract : The fees are a fixed amount, stipulated by the criteria set by the Company.

Management compensation : Operators will receive compensation for their management according to the Company's compensation formula for Type C.

Other key conditions : Same as SBP Type A

(4) 7-Eleven Store Management Contract (SBP Type D)

Counterparty : CP ALL Public Company Limited ("the Company") and operators (a project operator, manager, or other persons as agreed)

Contract period : 10 years from the beginning of store management unless the contract is terminated for other reasons as specified in the Contract.

Fees for entering into the contract : The fees are a fixed amount, stipulated by the criteria set by the Company.

Management compensation : Operators will receive compensation for their management according to the Company's compensation formula for Type D.

Other key conditions : Same as SBP Type A

(5) 7-Eleven Store Management Contract (SBP Type E)

Counterparty	:	CP ALL Public Company Limited ("the Company") and operators (approved employees may enter into a contract with the Company by resigning and forming a juristic person to enter into a Contract with the Company)
Contract period	:	6 years from the beginning of store management unless the contract is terminated for other reasons as specified in the Contract.
Fees for entering into the contract	:	The fees are a fixed amount, stipulated by the criteria set by the Company. The fees may be paid in installments.
Management compensation	:	Operators will receive compensation for their management according to the Company's compensation formula for Type B.
Other key conditions	:	Same as SBP Type A

(6) 7-Eleven Store Management Contract (SBP Type V)

Counterparty	:	CP ALL Public Company Limited ("the Company") and operators (retired and approved employees may form a juristic person to enter into a Contract with the Company)
Contract period	:	6 or 10 years from the beginning of store management (depending on whether the management is categorized as Type B or Type C) unless the contract is terminated for other reasons as specified in the Contract.
Fees for entering into the contract	:	The fees are a fixed amount, stipulated by the criteria set by the Company. The fees may be paid in installments.
Management compensation	:	Operators will receive compensation for their management according to the Company's compensation formula for Type B or Type C, depending on the case.
Other key conditions	:	Same as SBP Type A

(7) 7-Eleven Store Management Contract (SBP OR 1)

Counterparty	:	CP ALL Public Company Limited ("the Company") and PTT Oil and Retail Business Public Company Limited ("OR")
Contract period	:	10 years from the beginning of store management unless the contract is terminated for other reasons as specified in the Contract.
Management compensation	:	"OR" will receive compensation for their management according to the Company's compensation formula for OR 1.

Other key conditions : Same as SBP Type A

(8) 7-Eleven Store Management Contract (SBP OR 2)

Counterparty : CP ALL Public Company Limited ("the Company") and distributors of PTT oil and Retail Business Public Company Limited or parties that have been authorized by distributors ("Operators")

Contract period : 10 years from the beginning of store management unless the contract is terminated for other reasons as specified in the Contract.

Management compensation : Distributors or parties that have been authorized by distributors will receive compensation for their management according to the Company's compensation formula for OR 2.

Other key conditions : Same as SBP Type A

(9) Territorial License Contract (Sub-Area)

Counterparty : CP ALL Public Company Limited ("the Company") and sub-licensees

Contract period : The contract terminates when the Area License Agreement between the Company and 7-Eleven, Inc. ends or there are grounds for termination as specified in the Contract.

Other key conditions : (1) A fixed entry fee
(2) A monthly fee equal to a fixed percentage of the total monthly sales

Other Important Conditions:

- (1) The Company allows the sub-licensees to operate convenience stores using the 7-Eleven system within the territory. It also grants sub-licensees the right to use the 7-Eleven trademark, trade name, and trade secrets on goods or services provided at authorized 7-Eleven stores in the designated territory.
- (2) The Company will provide technical assistance and lend operation manuals to sub-licensees.
- (3) The sub-licensee must sell products only in cash or in accordance with the method specified by the Company. They must also report the total daily sales of each 7-Eleven store to the Company the following day.
- (4) The sub-licensee will let the Company send officers to visit their stores to make inventories and check equipment at any given time.

- (5) The sub-licensee will not transfer the rights in any part of this Contract to any other party without the Company's prior written consent.
- (6) In the event that the sub-licensee receives a tender offer for their convenience store business under this Contract from a third party and wishes to accept the offer, they must immediately notify the Company. The Company reserves the right to first choose whether or not they would like to purchase the sub-licensee's convenience store business in accordance with the terms and conditions specified.
- (7) The Company reserves the right to terminate the Contract in the event that the sub-licensee is unable to generate the average monthly gross sales as specified by the Company or lets the number of their operating 7-Eleven stores fall below the specified limit for more than 180 days.
- (8) If the sub-licensee continues to operate 7-Eleven stores after the termination of the Contract, this is considered a breach of contract and damaging to the Company. The sub-licensee will pay for the damages incurred in an amount equal to a proportion of a fixed percentage of total monthly sales to the Company for the period in which the sub-licensee operated 7-Eleven or convenience stores without permission.

10 Names of Related Parties and/or Interested Shareholders Having No Right to Vote

(10.1) CPM

CPM is a major shareholder of the Company and a subsidiary of CPF, CPM holds 398,959,149 shares in CRPH, representing 20.00 percent of the total voting rights in CRPH.

(10.2) CPG Group as set out in the table below ("**CPG Group**")

CPG is a major shareholder of the Company, indirectly holding through CPH 797,918,298 shares in CRPH, representing 40.00 percent of the total voting rights in CRPH.

Both CPM and CPG Group are interested shareholders in the consideration of the EBT transaction as they may, directly or indirectly, incur a profit or loss from the Company's entry into such EBT transaction. Therefore, neither CPM nor CPG Group have the right to vote in the meeting on this agenda. As at 6 May 2021, the number of shares held by and the shareholding proportion of each of the companies are as follows.

Interested Shareholders Having No Right to Vote	No. of Shares Held in the Company	Shareholding Proportions (%)
1) CPM	2,734,748,100	30.44
2) Bangkok Produce Merchandising Public Company Limited	100,000,000	1.11
3) CPF	87,000,000	0.97
4) C.P. Foods International Limited	83,000,000	0.92
5) C.P. Foods Holding	60,497,656	0.67

Interested Shareholders Having No Right to Vote	No. of Shares Held in the Company	Shareholding Proportions (%)
6) Orient Success International	60,470,000	0.67
7) Jumbo Kingdom Limited	22,316,200	0.25
8) Worth Access Trading Limited	18,874,000	0.21
9) Creative Light Investments Limited	14,860,000	0.17
10) CPG	4,000,000	0.04
Total	3,185,765,956	35.46

11 Opinion of the Board of Directors on the Transaction

The Board of Directors is of the view that the entering into the EBT Transaction is reasonable and is for the best interest of the Company and the shareholders of the Company as the entering into such transaction reinforces the business of Makro and CPRD in becoming the leaders in the retail and wholesale business of groceries and consumer products and to expand the coverage of the business operations to be at a regional level, as well as to reinforce the business as a result of the expected benefits of combining the strengths in various aspects of Makro with those of the Lotus's Group, such as the coverage of store formats. In addition, the combined benefits from the joint operations will improve the efficiency, and it is expected that this will be beneficial to the Company and the shareholders of the Company in the future through the internal restructuring and business restructuring for the purpose of achieving such objectives. In addition, the Share Allocation Transaction as EBT Consideration as payment in kind, instead of in cash, which is considered as a connected transaction under the Notifications on Connected Transactions, is appropriate for the capital structure of the Makro.

The consideration for the entire business transfer of CPRH is reasonable as it was derived from negotiations between the parties with the fair value of the business determined in accordance with the discounted cash flow approach taking into account operating results and other relevant factors and the market comparable (with companies operating similar businesses) approach. The consideration for the transaction of CPRH falls within the range determined on the basis of such approaches. Therefore, it is reasonable when compared with transactions executed on an arm's length basis.

Therefore, the meeting of the Board of Directors has resolved to approve the EBT Transaction and to propose to the meeting of shareholders of the Company to consider and approve the acceptance of the transfer of the entire business of CPRH by Makro.

12 Opinion of the Audit Committee and/or the Directors of the Company which is different from that of the Board of Directors

The Audit Committee and the directors of the Company do not have different opinion from the Board of Directors' opinion as specified in Paragraph 11. In addition, the Audit Committee is of the view that the transaction is reasonable as it will reinforce the Company's group to be

ready for future business expansion, and it complies with the relevant regulations of Capital Market Supervisory Board. After taking into consideration the opinion of the executives in charge of this matter, the Audit Committee is of the view that the management has proceeded with transparent process and measure and for the best interest of the Company.

13 Power of Attorney Form and the Independent Director Proposed by the Company to Serve as the Shareholders' Proxy

Details of the Power of Attorney Form and information of the Independent Director proposed by the Company to serve as the shareholders' proxy are as provided in the notice of the Extraordinary General Meeting of Shareholders No. 1/2021.

BUSINESS DESCRIPTION¹

Overview

CPRD is a leading retailer of groceries and consumer goods which has a variety of store formats as well as a leading mall operator in Thailand and Malaysia. In Thailand, through its subsidiary Ek-Chai, CPRD is a leading multichannel retailer in terms of both physical store space and market share. As of 28 February 2021, it had 2,094 stores across the country, including 219 hypermarkets, 196 supermarkets and 1,679 mini-supermarkets. CPRD's retail business in Thailand is supported by strong local supply chains and efficient distribution and logistics networks. In addition, CPRD also has strong brand equity and investment plans in the various strategic initiatives.

In addition, through its subsidiary Ek-Chai, CPRD is a leading operator of malls in Thailand in terms of number of malls. As of 28 February 2021, in Thailand it had:

- 196 malls (excluding the 23 LPF listed property fund malls described below) representing permanent net lettable area ("NLA") of approximately 715,000 m² in aggregate, occupied by CPRD's hypermarkets. 61 of these malls were owned by CPRD under freehold over land and building;
- an occupancy rate of approximately 90% at its malls based on permanent NLA; and
- a 25% interest in LPF, through its subsidiary Ek-Chai, a listed property fund that holds 23 malls across Thailand with permanent NLA of approximately 337,000 m².

CPRD also operates a leading retail store business and malls business in Malaysia through its subsidiary Lotus MY. As of 28 February 2021, CPRD operated 46 hypermarkets and 16 supermarkets across Peninsular Malaysia. Similar to CPRD's retail business in Thailand, CPRD's Malaysia retail business is supported by reliable supply chains and robust distribution and logistics networks, as well as CPRD's strong brand equity and significant investments in the various strategic initiatives discussed above.

As of 28 February 2021, CPRD's malls business in Malaysia had:

- 57 malls representing permanent NLA of approximately 296,000 m² in aggregate, of which 40 malls were owned by CPRD under freehold or leasehold over title²; and
- an occupancy rate of approximately 92% at its malls based on permanent NLA.

As of and for the year ended 31 December 2020, CPRD had revenue from sale of goods of THB 197,460 million, rental income and revenue from rendering of services of THB 11,188 million and total assets of THB 406,640 million, in each case on a pro forma basis.³

¹ Due to rounding conventions, totals given for columns of figures in this document may not equal the sums of the individual line items contained therein.

² In Malaysia, a freehold gives the title holder the right from the Malaysian government to use the land for an indefinite period. A leasehold gives the title holder the right from the Malaysian government to use the land for a term not exceeding 99 years, which means the landowner can hold the land until the expiry of the leasehold period and, unless extended or renewed, the leasehold land will revert to the Malaysian state. Both freeholds and leaseholds are transferrable.

³ Unless stated otherwise, references to "pro forma" financial information for CPRD assumes CPRD acquired Lotus TH, Ek-Chai and Lotus MY effective 1 January 2019. In addition, although CPRD's fiscal year-end is 31 December, the underlying financial statements of Lotus TH and Lotus MY have a fiscal year-end of 28 February until 28 February 2021. Therefore, the data presented herein for Lotus TH and Lotus MY are based on their respective financial years ended 29 February 2020 and 28 February 2021.

Recent Developments

Asset acquisitions from CPFT

- On 31 May 2021, CPRD entered into an agreement with CPF Trading Co., Ltd. (“**CPFT**”), an indirect subsidiary of CPF, through its subsidiary Ek-Chai, to purchase certain assets including equipment, IT systems and other relevant assets and information. CPRD has agreed to pay total consideration of approximately THB 862 million for these assets. CPRD plans to use such assets to support CPRD’s existing businesses.

Impact of COVID-19 pandemic

- *General impact.* Thailand and Malaysia have experienced and continue to experience multiple waves of the COVID-19 outbreak, and new variants of COVID-19 have been discovered. The COVID-19 pandemic has caused significant disruptions to global and regional economies, including the economies of Thailand and Malaysia. To curb the spread of COVID-19, the governments in Thailand and Malaysia have imposed various protective measures against the outbreak. For example, they have implemented protective measures including temporary shutdowns of operating facilities or reduced operating hours, implemented lock downs in high risk areas, implemented travel restrictions and border controls, suspended business activities, imposed rules on quarantines and social distancing and suspended major events. This has significantly affected the Thai and Malaysian economies, production and supply chains and the business operations of companies in these countries, including ours. In Thailand, the impact of COVID-19 was initially less severe than in other countries. However, the most recent wave of COVID-19 infections has severely impacted Thailand since December 2020 and has resulted in the implementation of full or partial lockdowns in several regions where CPRD’s stores and malls are located. These measures have disrupted normal business operations both in and outside of affected areas, and the resulting economic effects have had a particularly negative impact on Thailand’s travel and tourism industry, with large-scale closures of hotels, restaurants and airlines throughout the country. CPRD’s management is closely monitoring the situation and cooperating with the local governments to ensure the sufficiency of food availability and to minimise the impact on its business to the extent possible.
- *Measures undertaken by CPRD.* CPRD have taken extensive precautionary measures to protect its employees and customers from COVID-19 and the effects of the pandemic. Among many measures:
 - it has implemented strict safety measures, such as regular sanitation efforts and social distancing measures, across its stores, distribution centres and offices;
 - it has provided protective equipment to its employees;
 - it has adjusted its work processes and enabled various groups within its work force to work from home in order to reduce the risk of infection without materially sacrificing operations and productivity;
 - it has provided COVID-19 insurance coverage to many of its employees who were most at risk;
 - it has provided additional assistance to its employees including cash coupons for purchasing necessary supplies from its stores; and

- o it has endeavoured to avoid layoffs and in some cases, even increased recruitment during the pandemic period. It also paid out special cash awards to certain customer-facing employees to show its appreciation for their efforts and dedication to its customers throughout the pandemic.
- *Impact on CPRD's business and further responses.* The government's protective measures against the outbreak and disruptions in Thailand and in Malaysia have had the following impact on CPRD's business:
 - o Government-mandated lockdowns and restrictions have affected CPRD's stores' operating hours, affected its customer traffic, and required it to adopt safety measures. CPRD's retail stores and distribution centres stayed open during lockdown periods as the Government permitted businesses selling food products to remain open. However, in Thailand, the Government prohibited the sale or display of "non-essential" goods, such as clothing, alcohol and electrical appliances, during the lockdown periods, which has negatively affected CPRD's sales of such products. The Government also implemented a COVID-19 stimulus campaign which provided financial stimulus aimed mainly at supporting traditional stores such as local "mom-and-pop" stores, rather than large-scale modern stores like ours. This has had the effect of increasing competition from such local traditional stores with CPRD's retail businesses. The Government did implement other initiatives which provided some relief for CPRD's businesses in the form of reduced social security expenses and property taxes. CPRD's retail business experienced panic buying following the announcement of lockdowns, which led to shortages of some products, exacerbated by the eventual closures of international borders which caused logistical problems for imported goods. Another effect of the COVID-19 pandemic has been to accelerate the shift in customers' shopping behaviour to online purchases due to the difficulties of physically accessing CPRD's stores during periods of lockdown or due to fears of disease. CPRD's retail business in Thailand saw a decrease in revenue from sale of goods of THB 8,364 million, or 4.9%, from THB 171,326 million in the year ended 29 February 2020 to THB 162,962 million in the year ended 28 February 2021, in part as a result of this combination of factors. However, CPRD believes these factors were partially offset by increased food sales as a result of panic buying and other factors. The government of Malaysia implemented similar prohibitions on "non-essential" goods and, depending on the severity of the outbreak in the relevant district, imposed travel distance restrictions, restrictions on inter-district or inter-state travel and trading hour. Nevertheless, CPRD's retail business in Malaysia saw an increase in revenue from sale of goods of MYR 98 million (THB 597 million), or 2.2%, from MYR 4,542 million (THB 33,901 million) in the year ended 29 February 2020 to MYR 4,640 million (THB 34,498 million) in the year ended 28 February 2021 due to the opening of new stores and increases in demand for online shopping. CPRD believes that its compliance with safety protocols in Malaysia and the hygiene practices in its stores have helped to make customers feel confident to continue shopping at its stores during the pandemic.
 - o The government-mandated lockdowns resulted in closures or significantly reduced operating hours for most malls in Thailand and Malaysia at various times during the COVID-19 pandemic. This development led to a downturn in earnings for the tenants of CPRD's malls in Thailand and Malaysia, which then led to increased vacancies in its malls and stores. As of 28 February 2021, CPRD's permanent

occupancy rate in Thailand had fallen to approximately 90% from an average of approximately 95% in periods before the COVID-19 pandemic. To help mitigate the impact on its tenants from the pandemic despite a decrease in occupancy rates, CPRD extended financial support through rent reductions to the tenants of its malls in Thailand, which had a negative effect on its rental income. Government stimulus programs aimed at consumers and business owners also helped improve the prospects of its tenants. Although such measures helped to ameliorate the fall in occupancy rates at CPRD's malls as a result of COVID-19, due to the new waves of COVID-19 since April 2021, as of 30 June 2021, the permanent occupancy rate in its malls in Thailand further decreased to approximately 80%.

As a result, CPRD's malls business in Thailand saw a 24.1% decrease in rental income and revenue from rendering of services, from THB 12,739 million in the year ended 29 February 2020 to THB 9,670 million in the year ended 28 February 2021. In Malaysia, CPRD's malls business was able to maintain a relatively steady fixed tenant occupancy rate of approximately 90% throughout the pandemic. However, CPRD offered significant rental waivers and discounts to its mall tenants in Malaysia. As a result, CPRD's malls business in Malaysia saw a 26.4% decrease in rental income and revenue from rendering of services from MYR 277 million (THB 2,066 million) in the year ended 29 February 2020 to MYR 204 million (THB 1,518 million) in the year ended 28 February 2021.

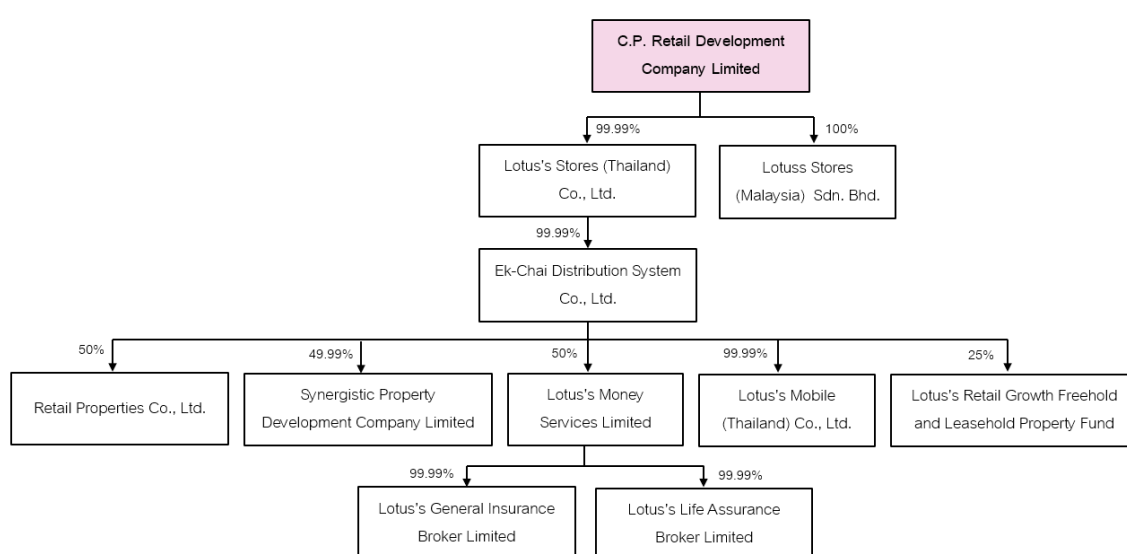
- o The buying habits of CPRD's customers changed during the COVID-19 pandemic, particularly in the retail sector. In addition to being more careful with their expenses in general, CPRD's customers began to spend more on fresh food products and other grocery products, and less on non-food products, and began to prefer shopping in their neighbourhoods, avoiding big retail stores, preferring instead to shop in smaller-format stores such as supermarkets, mini-supermarkets and local "mom-and-pop" stores, and shopping online. This was magnified by Government stimulus measures which encouraged shopping at traditional stores such as local "mom-and-pop" stores, rather than large-scale modern stores, as well as, in certain cases, government restrictions on travel and movement. While this shift in retail consumer spending patterns had a negative effect on CPRD's larger format stores, it had a positive effect on its small format stores. The aggregate contribution from supermarkets and mini-supermarkets to CPRD's aggregate revenue from sale of goods and other income relating to retail business⁴ in Thailand increased by 1.6% from THB 62,571 million in the year ended 29 February 2020 to THB 63,556 million in the year ended 28 February 2021. In response to these changes, CPRD improved its fresh food offerings particularly in its mini-supermarkets to meet this increased local demand.
- o There was also increased interest from CPRD's customers in shopping online, especially during the early stages of Government-mandated lockdowns. In response to this increased interest, CPRD accelerated its online channel activity across Thailand and Malaysia to capitalise on the fast-emerging online trend during COVID-19. CPRD's revenue from sale of goods from its online segment in Thailand grew by 63.4% from THB 744 million in the year ended 29 February 2020 to THB 1,216 million in the year ended 28 February 2021. Similarly, CPRD's revenue from sale of goods from its online segment in Malaysia

⁴ Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from CPRD's retail business.

grew by 37.7% from MYR 122 million (THB 909 million) in the year ended 29 February 2020 to MYR 168 million (THB 1,246 million) in the year ended 28 February 2021. Since 28 February 2021, CPRD's online segment has continued to demonstrate substantial growth, with revenue from sale of goods from its online segment for the three months ended 31 May 2021 more than twice the level seen in the corresponding period of 2020.

Structure of the CPRD's Group

As of 31 July 2021, CPRD has only two direct subsidiaries, Lotus TH, the holding company for the Thai operations, and Lotus MY, the operating company in Malaysia. Lotus TH, in turn, has only one direct subsidiary, Ek-Chai, the operating company in Thailand. For further detail of CPRD's joint ventures, see "Associates and Joint Ventures".



History

Selected key milestones relating to CPRD's business are set out below:

- | | |
|------|--|
| 1994 | <ul style="list-style-type: none"> • Ek-Chai opened its first store in Bangkok's Seacon Square |
| 1996 | <ul style="list-style-type: none"> • Ek-Chai opened its first distribution centre in Wangnoi, near Bangkok |
| 2001 | <ul style="list-style-type: none"> • Ek-Chai opened its first mini-supermarket called Express Ramindra • Tesco and Sime Darby entered into a joint venture to form the Lotus MY business |
| 2002 | <ul style="list-style-type: none"> • Lotus MY opened its first hypermarket store in Puchong, Selangor, Malaysia |
| 2003 | <ul style="list-style-type: none"> • Ek-Chai launched the first Talad store opened in Phongphet, Thailand |
| 2007 | <ul style="list-style-type: none"> • Lotus MY launched its Clubcard loyalty programme in Malaysia • Lotus MY opened its fresh products distribution centre in Simpang |

	Pulai, Perak, Malaysia
2009	<ul style="list-style-type: none"> • Ek-Chai launched its Clubcard loyalty programme in Thailand • Lotus MY opened its ambient distribution centre in Bukit Beruntung, Selangor, Malaysia
2012	<ul style="list-style-type: none"> • Tesco Lotus Retail Growth Property Fund (“TGLF”) began trading on the SET
2013	<ul style="list-style-type: none"> • Ek-Chai and Lotus MY launched their Grocery Home Shopping (“GHS”) online shopping platform, allowing customers to buy fresh produce, groceries, and general products online
2015	<ul style="list-style-type: none"> • Ek-Chai’s regional distribution centres opened in the Northeast and South of Thailand • Lotus MY launched a strategic partnership with Lazada
2018	<ul style="list-style-type: none"> • Ek-Chai began redeveloping its hypermarket and mini-supermarket concepts
2019	<ul style="list-style-type: none"> • Lotus MY completed a refresh of 21 stores under its next generation program
2020	<ul style="list-style-type: none"> • COVID-19 pandemic caused major disruption in the world economy, affecting CPRD’s business in Thailand and Malaysia • The investment in CPRD by CPALL, CPH and CPM through shareholding in special purpose vehicle, CPRH, was completed in December 2020
2021	<ul style="list-style-type: none"> • In February, CPRD’s hypermarket was rebranded under the “Lotus’s” brand, and opened its first “Go Fresh” mini-supermarket • In June, Ek-Chai also expanded coverage of its grocery home shopping online platform from 25 stores in February to 89 stores.

CPRD’s Business Segments

CPRD’s business comprises two main segments:

- Retail business
- Malls business

In addition, CPRD has invested in associates and joint ventures. For a description of CPRD’s joint ventures, see “- *Associates and Joint Ventures*”.

The following table sets forth CPRD’s revenue from sale of goods in Thailand and Malaysia for the periods indicated.

	Year Ended 28 February ⁵			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(THB millions, except percentages)</i>			
Thailand.....	171,326	83.5	162,962	82.5
Malaysia ⁶	33,901	16.5	34,498	17.5
Total revenue from sale of goods.....	205,227	100.0	197,460	100.0

The following table sets forth CPRD's rental income and revenue from rendering services in Thailand and Malaysia for the periods indicated.

	Year Ended 28 February			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(THB millions, except percentages)</i>			
Thailand.....	12,739	86.0	9,670	86.4
Malaysia ⁶	2,066	14.0	1,518	13.6
Total rental income and revenue from rendering services.....	14,805	100.0	11,188	100.0

The following table sets forth CPRD's EBITDA by main segment in Thailand and Malaysia and the total EBITDA and as adjusted for share of profit from investment in joint ventures and an associate for the periods indicated.

Business Segment	Year Ended 28 February			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(THB millions, except percentages)</i>			
Thailand				
Retail.....	15,745	52.4	11,135	50.1
Malls.....	9,804	32.6	6,412	28.9

⁵ References to 28 February 2020 in financial and operating result table shown in this document are to 29 February 2020, as that was a leap year.

⁶ In preparing its pro forma consolidated financial statements, CPRD applied a THB to MYR exchange rate of 7.4634 and 7.4356 for the year ended 29 February 2020 and 28 February 2021, respectively.

	Year Ended 28 February			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(THB millions, except percentages)</i>			
Segmental EBITDA for Thailand.....	25,549	85.0	17,547	79.0
Malaysia ⁶				
Retail.....	1,938	6.5	2,714	12.2
Malls.....	1,752	5.8	1,162	5.3
Segmental EBITDA for Malaysia.....	3,690	12.3	3,876	17.5
Share of profit from investment in joint ventures and an associate.....	815	2.7	782	3.5
Total EBITDA⁽¹⁾	30,054	100.0	22,205	100.0

Note:

⁽¹⁾ EBITDA for any year is defined as profit for the year adding back depreciation and amortisation, finance costs and income tax expense. EBITDA by business segment has been calculated by allocating a portion of such expense items to each segment and also does not include share of profit from investment in joint ventures and an associate. Similarly, EBITDA by geographic segment does not include share of profit from investment in joint ventures and an associate. CPRD uses EBITDA, including EBITDA by segment, to provide additional information about its operating performance. EBITDA, including EBITDA by segment, is not a measure of financial performance under TFRS, MFRS or IFRS. CPRD believes that this measure is useful for certain investors to determine its operating cash flow and historical ability to meet debt service and capital expenditure requirements. CPRD believes the investor community commonly uses this type of financial measure to assess the operating performance of companies in its business sector. You should not consider CPRD's definition of EBITDA, including EBITDA by segment, in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under TFRS, MFRS or IFRS. CPRD's definition of EBITDA and its allocation of expenses in calculating EBITDA by business segment may not be comparable to similarly titled measures used by other companies, including in the same industry.

Thailand

CPRD, through its subsidiary Ek-Chai, operates a retail business and malls business in Thailand. It is a leading multichannel retailer in terms of both physical store space and market share in Thailand. As of 28 February 2021, it had 2,094 stores across the country, including 219 hypermarkets, 196 supermarkets and 1,679 mini-supermarkets. CPRD's retail business in Thailand is supported by strong local supply chains and efficient distribution and logistics networks. CPRD's retail business has been built on its strong brand equity and proven strategy for establishing a platform for profitable growth. CPRD continues to drive growth through continuing investments, including in the following areas:

- capturing new customer segments by modernising and relaunching the new “Lotus's” brand;
- improving the quality of product offerings and services;
- modernising and renovating its stores and researching the implementation of new technologies to enhance the efficiency of CPRD's business operations and to provide more convenience to its customers;

- implementing the “Go Fresh” concept in its supermarkets and mini-supermarkets;
- expanding the geographical coverage of its stores in Thailand;
- accelerating online sales growth by leveraging its nationwide network of over 2,000 stores, including improving performance and collaborating with popular online marketplaces such as Grab, Shopee and Lazada as other points of sale; and
- launching new businesses, such as the coffee and café chain businesses “Jungle Café” and “Arabita” and vending machines and collaborating with True retail to expand our product offering.

For additional information, see “CPRD’s Retail Business in Thailand – Thai Retail Initiatives.”

CPRD is also a leading operator of malls in Thailand in terms of number of malls. As of 28 February 2021, in Thailand it had:

- 196 malls (excluding the 23 LPF listed property fund malls described below) representing permanent NLA of approximately 715,000 m² in aggregate, occupied by CPRD’s hypermarkets. 61 of these malls were owned by CPRD under freehold over land and building;
- an occupancy rate of approximately 90% at its malls based on permanent NLA; and
- a 25% interest in LPF, through its subsidiary Ek-Chai, a listed property fund that holds 23 malls across Thailand with permanent NLA of approximately 337,000 m².

CPRD’s Retail Business in Thailand

The following table sets forth sales, by format, of CPRD’s retail business in Thailand for the periods indicated.

	Year Ended 28 February			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(THB millions, except percentages)</i>			
Retail Sales in Thailand				
Retail stores in Thailand				
Hypermarkets.....	108,848	63.2	98,811	60.4
Supermarkets.....	20,191	11.7	21,146	12.9
Mini-supermarkets.....	42,380	24.6	42,410	25.9
Online channel.....	744	0.5	1,216	0.8
Total retail sales in Thailand.....	172,163	100.0	163,583	100.0
(Less) Other income relating to retail business ⁷	(837)		(621)	
Revenue from sale of goods.....	171,326		162,962	

⁷ Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from CPRD’s retail business.

Thai Retail Stores

CPRD operates three types of brick-and-mortar stores in Thailand: “H-Stores” hypermarkets, “Go Fresh” supermarkets and “Go Fresh” mini-supermarkets.

- *H-Stores* — CPRD’s H-Store hypermarkets are one-stop shopping complexes with a particular emphasis on fresh foods and groceries, with sales floor areas around 2,000 to 7,000 m², with an average sales floor area of approximately 4,500 m². According to Euromonitor, CPRD is, by a significant margin, the leading hypermarket chain in Thailand. CPRD’s hypermarkets’ value proposition is to be a destination for fresh food and dry grocery – food products, but also with full coverage of dry grocery – non-food products, in particular health and beauty products, household products and baby products, home and living products, appliances and apparel. The hypermarkets cater to a broad spectrum of customer needs including top-up needs, “big basket” routine purchases and stock-up needs. These larger-format stores will also be key elements in CPRD’s online integration initiative, as they can serve as fulfilment hubs as well as showrooms for products that will be sold only through online channels. The value proposition of CPRD’s hypermarkets lies in its ability to offer consistently competitive pricing on its products – an “Everyday Low Price” – that appeals to its target customers.

For the year ended 28 February 2021, CPRD’s hypermarkets had aggregate revenue from sale of goods and other income relating to retail business⁸ of THB 98,811 million, which accounted for 60.4% of its overall retail sales in Thailand. For the year ended 28 February 2021, the product breakdowns of H-Stores sales were 53.3% from dry grocery, 17.4% from fresh food, 14.3% from general merchandise, 5.5% from apparel and 9.5% from liquor and tobacco products. CPRD believes that more than half of Thailand’s population lives within a 25-minute driving distance from a CPRD H-Store.

- *“Go Fresh” Supermarkets* — As part of CPRD’s rebranding initiative, CPRD is in the process of rebranding its former “Talad” supermarkets to “Go Fresh” supermarkets. Its supermarkets are mid-sized stores ranging in sales floor area from 500 to 1,500 m², with an average sales floor area of approximately 725 m² that are mainly located in busy commercial areas or smaller rural towns. They were developed as local neighbourhood stores where customers can regularly shop for groceries as well as other products. The focus of these supermarkets is to provide customers with quality fresh food and dry grocery - food products, and a wide selection of dry grocery – non-food products, in particular health and beauty products, and household and baby products. The supermarkets primarily cater to customers who shop to top-up or stock-up. These mid-sized stores will also play a key part in CPRD’s online initiative.

For the year ended 28 February 2021, CPRD’s supermarkets had aggregate revenue from sale of goods and other income relating to retail business⁹ of THB 21,146 million, which accounted for 12.9% of its overall retail sales in Thailand. For the year ended 28 February 2021, the product breakdowns in terms of sales were 60.8% from dry grocery, 31.5% from fresh food, 3.6% from liquor and tobacco products, 3.3% from general merchandise and 0.8% from apparel.

- *“Go Fresh” Mini-supermarkets* — As part of CPRD’s rebranding initiative, it is in the process of rebranding the former “Tesco Lotus Express” to the new “Lotus’s Go Fresh”

⁸ Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from CPRD’s retail business.

⁹ Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from CPRD’s retail business.

mini-supermarkets. Its mini-supermarkets typically have small footprints with sales floor area ranging in size from 150 to 400 m², with an average sales floor size of approximately 170 m². CPRD plans for its mini-supermarkets to be the main future growth driver for its retail business in Thailand. As of 28 February 2021, CPRD was one of the largest mini-supermarket operators in Thailand, and it plans to open approximately 700 additional mini-supermarkets by the end of 2023. CPRD currently operates its mini-supermarkets in a wide range of locations, from residential and commercial areas to gas stations, providing convenience and accessibility to customers. The focus for the mini-supermarkets is to provide a wide selection of fresh food and dry grocery – food products, together with non-food essentials. The mini-supermarkets primarily cater to customers who shop for daily cooking and top-up needs but increasingly play an important role in online sales as well, particularly for on demand delivery. CPRD is also concentrating on placing more of its new Jungle Cafés in its mini-supermarkets to increase foot traffic and attract more customers.

For the year ended 28 February 2021, CPRD's mini-supermarkets had aggregate revenue from sale of goods and other income relating to retail business¹⁰ of THB 42,410 million, which accounted for 25.9% of its overall retail sales in Thailand. For the year ended 28 February 2021, the product breakdowns of the sales were 63.1% from dry grocery, 22.3% from fresh food, 11.9% from liquor and tobacco, 2.2% from general merchandise and 0.5% from apparel.

The following table sets forth the number of stores, by type, for CPRD's retail segment in Thailand as of the dates indicated.

Number of Stores	As of 28 February	
	2020	2021
Hypermarkets.....	215.....	219
Supermarkets.....	178.....	196
Mini-supermarkets.....	1,595.....	1,679
Total.....	1,988.....	2,094

Online Channel

In addition to its offline retail business, CPRD serves customers in Thailand through its online channel by leveraging its extensive hypermarkets network as fulfilment hubs.

CPRD's online channel serves customers who want a convenient way to shop for groceries. Its online retail platform, the GHS platform serve as fulfilment hub and allows customers to order online from 89 of its hypermarkets as of June 2021. CPRD's GHS platform allows customers to either order and pick-up at the store, or to arrange for next-day delivery service. In addition to GHS, CPRD has historically partnered with third-party marketplaces such as Shopee, Lazada and Happy Fresh, and more recently during the COVID-19 pandemic, with Grab and Food Panda to offer its products on their separate online platforms. Customers are able to order CPRD products on these marketplaces, and the marketplace will deliver those products to customers on-demand and within 1-2 days of ordering. In order to better serve this expanding online channel, CPRD is currently upgrading its IT system. The new IT infrastructure, which is expected to be in place by

¹⁰ Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from CPRD's retail business.

mid-2022, will support CPRD's online catalogue to cover the product offerings from over 2,000 stores in all store formats.

In addition, CPRD will leverage its extensive network of its hypermarkets to be used as fulfilment hubs by expanding from 89 hypermarkets in June 2021 to over 200 hypermarkets clusters nationwide, with 40 to 45 clusters located in the greater Bangkok area, and to leverage its 2,000 stores for both on-demand and next-day deliveries for CPRD's online business. Once this enhanced IT infrastructure is in place, CPRD will be able to fully leverage its nationwide footprints in Thailand to provide an effective combination of on-demand and next-day online service to its customers. In addition, the new infrastructure will cover a significant upgrade across key operating systems including customer application, order management system, picking system and transport management system. The new IT system will also implement a new application that provides personalised customer experiences and is easier for customers to use. For the year ended 28 February 2021, CPRD's had revenue from sale of goods from its online segment in Thailand of THB 1,216 million, which accounted for 0.8% of CPRD's overall retail sales in Thailand. Since 28 February 2021, CPRD's online segment has continued to demonstrate substantial growth, with revenue from sale of goods from its online segment for the three months ended 31 May 2021 more than twice the level seen in the corresponding period of 2020.

Thai Retail Initiatives

CPRD is committed to improving and expanding its retail store business in Thailand with the following initiatives:

- *Modernise and relaunch "Lotus's" brand.* Since the separation of Lotus TH, Ek-Chai and Lotus MY from their former parent company Tesco, and under the new ownership and management of CPRD, it has launched an initiative to modernise and relaunch the "Lotus's" brand and to distinguish it from the "Tesco Lotus" brand previously operated by Tesco. CPRD believes this initiative will attract and capture new customer segments, particularly younger customers. Its brand modernisation efforts include adopting new colourful logos on our store signs and publicity materials, researching the implementation of technologies to enhance the efficiency of CPRD's business operation and to provide more convenience to customers, strengthening online channel sales and introducing a new loyalty scheme. CPRD's goal is to rebrand all of its hypermarkets to the "Lotus's" brand by the end of 2022 and to continue evolving the format to better fit customers in different regions across Thailand.
- *Improve product offerings and services.* CPRD believes that the main draw of its retail business is the high quality and wide range of products that allow its stores to serve as one-stop-shop destinations. In particular, CPRD's fresh food strategy emphasizes regional sourcing from local vendors, direct delivery to stores to ensure freshness and quality, and offering of a wide range of fresh foods in all of our store formats to meet a broader spectrum of customer needs. CPRD also invests in developing more private label products for the Thai retail market, which it believes offer more options to customer for value-for-money products. Other product lines that CPRD is improving include health, beauty and wellness products and home appliances. In addition to improving its product offerings, CPRD is committed to refining other ancillary aspects of its stores to improve the overall shopping experience. These include ensuring cleanliness and safety of its stores, quick restocking and shelving of products, in-store support and product recommendations and implementing convenient technology such as self-checkout machines.

- *Modernise and renovate its stores.* CPRD is renovating its hypermarkets to better adapt to the changing needs and demands of its customers. It is currently downsizing the store floor in its hypermarkets for apparel and hardware and expanding fresh food and cooking sections to meet increased demand for such products. CPRD is also implementing new technologies and IT system to improve its customers' shopping experience and to improve store efficiency. The goal of renovation and upgrading all of its hypermarkets is to increase business efficiency and to provide more convenience to customers.
- *Implement "Go Fresh" concept.* CPRD is also rebranding its Talad supermarkets to "Go Fresh" supermarkets and its Tesco Lotus Express to "Lotus's Go Fresh" mini-supermarket. This effort includes repurposing its store space. The "Go Fresh" concept will be a key element in our "Winning with Fresh" strategy. CPRD's Go Fresh stores will focus on fresh food offerings in both loose and packaged form, and uniquely position themselves as close-to-home stores for convenient and quick shopping for fresh food products. The Go Fresh stores will have an enhanced look and feel akin to a "modern wet market" concept, and will offer quality fresh food products to serve the daily cooking and household needs of customers.
- *Mini-supermarkets of CPRD.* The mini-supermarkets will have a wider selecting of grocery products than normal convenience stores, and CPRD aims to enhance the customer experience through the addition of Jungle Café kiosks and mobile shopping services. Smaller stores that can be optimised to accommodate increased store capacity will be upgraded and rebranded as "Lotus's Go Fresh" mini-supermarkets. Currently CPRD plans on implementing the "Go Fresh" concept, under which it aims to complete the rebranding of approximately 1,000 stores in Thailand by the end of 2021 and of the remaining stores in Thailand by the end of 2022. As of 31 July 2021, CPRD has rebranded 343 stores to the "Go Fresh" concept.
- *Expand geographic coverage.* In comparison, traditional trade has a high penetration rate throughout the country, including areas where it does not have stores. Therefore, in order to reach and serve more customers, as well as to improve its fulfilment capabilities, CPRD plans to develop stores where it currently does not have a presence. Under this store expansion plan, CPRD aims to open an average of 4 to 6 new hypermarkets, 10 new supermarkets and 250 mini-supermarkets per year over the next three years.
- *Accelerate online sales by leveraging its strength in nationwide physical footprint.* With its GHS online platform, CPRD aims to expand its online offerings beyond the current coverage through 89 hypermarket stores in the Bangkok area to over 2,000 stores across the country by the end of 2022, including all of its mid and small-sized stores with the "Go Fresh" format. The expansion will enable retail customers in Thailand to receive their online purchases on an on-demand, next-day, and click-and-collect basis nationwide. The new GHS online platform will be enhanced through CPRD's on-going IT initiative, encompassing significant upgrades to customer applications, ordering management system, picking system, and transport management system. In addition, CPRD will continue to work with leading marketplace partners such as Shopee, Lazada, Grab, and Food Panda to complement CPRD's online channel.
- *Launch new businesses to enhance the store experience.* CPRD believes that F&B can drive foot traffic to its stores. As an initial strategy, CPRD has decided to capitalise on customers' growing interest in coffee shops by making its new Jungle Café and Arabitua coffee shops a key part of its store experience. CPRD believes that its high-quality, good-value coffee products, sold through its coffee shops in various formats at its retail spaces,

will entice people to shop with it. CPRD's current plan is to place Jungle Café counters, shops-in-shop or shop-front spaces in its mini-supermarkets and supermarkets, or even placing standalone Arabitua coffee shops in its hypermarket premises. In addition to coffee, CPRD is looking at developing other F&B retail dining concepts to attract customers to its stores. Furthermore, CPRD intends to leverage its partnership with True to enhance the electronic products offerings in its stores as described under the general merchandise segment below.

Thai Retail Products

A key factor for the success of CPRD's Thai retail business is the variety of products offered in its stores. CPRD's main products categorised as Fresh Food, Dry Grocery – Food, Dry Grocery – Non-Food, General Merchandise, Liquor & Tobacco and Apparel. CPRD sells a wide range of leading global and domestic brands alongside a significant number of local SME brands and an extensive range of its private label products, the details of which are set out below:

- *Fresh Food* — Fresh food is the core of all of CPRD's product ranges and the fastest growing category in its retail business. CPRD's fresh food product range comprises meat and seafood (pork, poultry, beef, egg, fish, shrimp), vegetable and fruit, dairy (fresh milk, yogurt and cheese), egg, ready-to-cook and ready-to-eat, bakery, and frozen food (ready-to-cook and ready-to-eat frozen meals and ice cream). CPRD strives to serve high quality fresh food products to customers at affordable prices. It carefully sources and sells products made to the highest quality to ensure that all of its products are safe and comply with all applicable laws and regulations. CPRD leverages its supply chain to help build better relationships and strengthen its capability to source directly from farmers and local suppliers. It extensively develops a value-added range for fresh foods to serve its customer's needs, such as marinades and ready-to-cook and ready-to-eat meals, as well as new innovations such as plant-based meats.
- *Dry grocery – Dry grocery covers both dry food and dry non-food products.*
 - o Dry food products comprise cooking essentials (cooking oil, sauce, seasoning), beverages (water, soft drink, juice, coffee, tea), staple food (rice, noodle, grain), shelf-stable and plant-based milk, baby (milk powder and food), confectionery (biscuit, snack, candy), food supplements, canned food and baking needs. CPRD's curated range of dry food products caters to a wide range of key customer needs across its different channels, price ranges, brands and imported goods. CPRD collaborates closely with global suppliers to serve its customers and expand the product categories. It develops strong relationships with local suppliers to develop new products to enhance its offering and strengthen its points of differentiation.
 - o *Dry non-food* products include health and beauty (shampoo, soap, toothpaste, lotion, cosmetics, pharmacy), household (laundry detergent, fabric softener, dishwash detergents, floor cleaners, insecticides), paper (toilet tissue, kitchen roll, facial tissue, feminine hygiene and adult diapers), baby (diapers and accessories), pet food and accessories and religious products. With this category of products, CPRD aims to offer an extensive range that includes all leading brands. CPRD purchases these products directly from the manufacturers. It has strong partnerships with a wide range of global vendors in the dry non-food segment that can help it deliver value for its customers.

- *General Merchandise* — General merchandise covers a wide group of categories including home products such as toys, stationery, sports equipment, bath, bedding, furniture, luggage, plastic storage, home cooking, automotive, lighting and do-it-yourself (“DIY”) home improvement. CPRD offers quality items for everyday use, and, in categories in which leading brands do not have a product offering, offers its private label products. CPRD is therefore able also to differentiate and add value through its private label products. It will be focusing its efforts on offering its home cooking products to align with its overall food product offerings and on repurposing more of the floor space at its stores to optimise sales and follow customer trends. General merchandise also includes electrical products such as televisions, major domestic appliances (refrigerators, washing machines), small domestic appliances (rice cookers, electric cookers, fans, air conditioning, kettles, toasters, irons, vacuum cleaners, hair dryers). CPRD will be partnering with True to offer mobile phones, SIMs, phone accessories as well as internet-connected home products such as smart lights, electrical outlets and thermostats. It is also developing with True a “digital health corner” experience through which customers can have an online consultation with a doctor in its stores.
- *Liquor and tobacco* – CPRD offers a wide range of local and imported beer, wines, spirits and cigarettes with customised ranges and varieties for different groups of stores.
- *Apparel* — Apparel products include everyday clothing, focusing on essentials and comfortable clothing for all members of the family.

In addition to third-party national brands, CPRD offers thousands of private label products across all categories. CPRD's current brands follow three tiers:

- “Lotus's” – this is its core brand, which applies to a wide range of products that offer high quality at affordable prices;
- “Khumka” – an entry-level brand for essential products that are fit-for-purpose at very affordable prices; and
- “Prestigo” – this is its premium brand for high-quality products at reasonable prices, particularly for food-inspired and kitchen-related products.

CPRD is currently in the process of transitioning away from the “Tesco” brands previously used when it was part of Tesco and replacing those legacy private label products with the new brands described above. CPRD recently completed the transition to “Lotus's” brands in its fresh food category. CPRD will launch a broader private label initiative to create strong brand awareness with customers in August 2021, which it expects will be followed by a full conversion to its new brands in all of its non-food product categories by the end of 2021.

CPRD is also developing products under newer brands across more categories, such as “Momento” for home lines, “Aliv” for health and beauty, and “MeStyle” for apparel.

For the year ended 28 February 2021, CPRD's private label products constituted more than 20% of revenue from sale of goods in Thailand. For developing its private label products, CPRD selectively targets a product category that has a sizeable market, high growth potential with several existing brands and readily available opportunities for distinguishing its products.

CPRD plans to strengthen its general products offerings in its Thai retail segment as well as healthy foods and other health-related items aimed at customers who are increasingly health-conscious.

It also intends to unify its product strategy with its retail business in Malaysia in order to cross-market private label products and jointly source products. CPRD's goal is to align its products and categories across Thailand and Malaysia and provide a unified product line without compromising the needs specific to each market.

The following table sets forth sales revenues, by product type, of CPRD's retail business in Thailand during the periods indicated.

	Year Ended 28 February			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(THB millions, except percentages)</i>			
Retail Sales in Thailand				
Dry grocery.....	98,565	57.3	92,985	56.9
Fresh food.....	31,757	18.4	33,425	20.4
General merchandise.....	18,383	10.7	16,035	9.8
Liquor and tobacco.....	15,669	9.1	15,251	9.3
Apparel.....	7,767	4.5	5,881	3.6
Delivery income and others ¹¹	22	0.0	6	0.0
Total retail sales in Thailand.....	172,163	100.0	163,583	100.0
(Less) Other income relating to retail business ¹²	(837)		(621)	
Revenue from sale of goods.....	171,326		162,962	

Thai Retail Customers

CPRD's retail customers in Thailand span a variety of age groups, income demographics and household sizes. CPRD believes that its primary strengths in attracting customers include:

- customers' perception of its products as offering significant value-for-money;
- the public's trust in its brand; for instance, in 2021, CPRD under Lotus's brand was voted as the second most trusted grocery store brand in Thailand, according to a consumer survey on brand image by Ipsos (Thailand) Company Limited; and
- its dedication to customer service and engagement with local communities.

CPRD plans on further leverage its strengths to reach more customers, especially the younger generation.

To better understand its customers, CPRD makes extensive use of customer data analysis. CPRD has extensive data sets covering more than 600 million customer transactions per year from almost 9 million ClubCard customers. CPRD has engaged third-party services with strong reputations and extensive experience in scientific analysis of customer data, who provide the latest technology, software and consulting services to help it understand customer behaviour and

¹¹ Primarily represents delivery income.

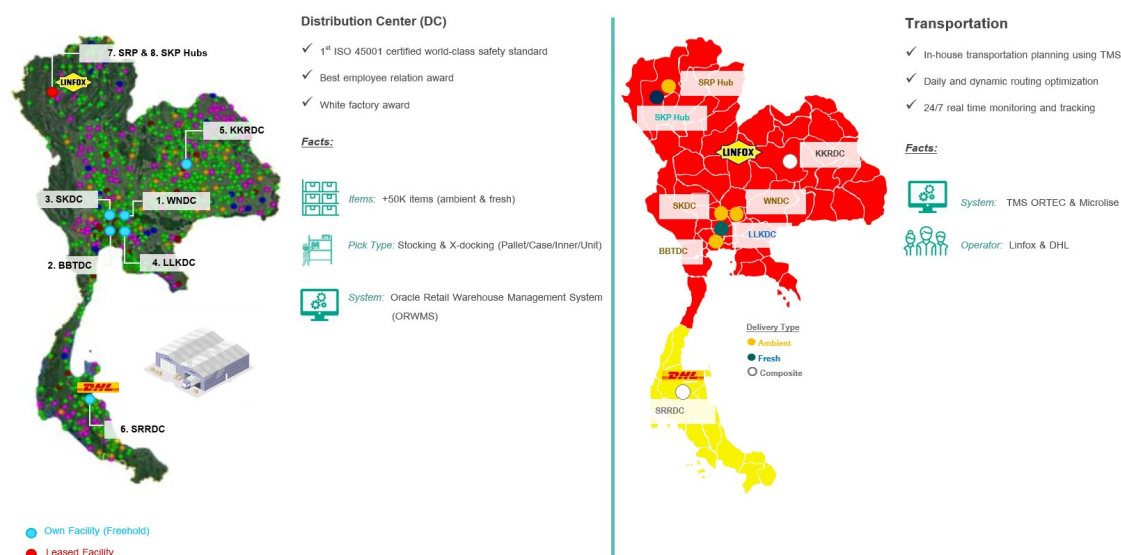
¹² Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from CPRD's retail business.

motivation and formulate strategies to anticipate future buying patterns. CPRD is able to use such analytics to optimise the customer experience from acquisition to retention, as well as to enhance product selection. CPRD also uses its customer data analysis to formulate price and promotion strategies that deliver value to customers.

To keep its retail customers engaged, CPRD offers a Clubcard loyalty programme that allows customers to accumulate reward points for shopping at its stores. CPRD's research shows that loyalty programme members tend to buy more than non-members, both in terms of aggregate purchase amounts and size of individual purchases. As of 28 February 2021, CPRD had approximately 16 million loyalty programme members in Thailand, of whom over 50% were active purchasers. CPRD offers a Clubcard loyalty programme application for mobile phones that functions as a membership card and provides information to members regarding personalised coupons and other personalised promotions while also allowing CPRD a means of direct communication with its customers. CPRD is continuing to develop additional features to improve the customer experience on its loyalty programme application, create better rewards and enable customers to personalise their experience and introducing new loyalty scheme simultaneously with Lotus's rebranding initiative.

Thai Retail Distribution and Logistics

A key part of CPRD's retail strategy is optimizing its supply chain, distribution and logistics. This ensures sufficient and suitable inventory levels across its stores, that the produce and perishable goods it sells are fresh and of high quality, and that it can provide good value to customers while remaining profitable.



CPRD's suppliers' goods are first transported by DHL and Linfox, which are international logistics companies. They provide and operate a large fleet of trucks to CPRD's state-of-the-art distribution centres, from which the products are distributed to its stores. As online sales are increasing rapidly, CPRD has dedicated a few of its distribution centres to storing and distributing online sale products. It is also leveraging its nation-wide network of stores to fulfil online sales, which helps optimise last-mile delivery costs and thereby gives it a competitive advantage over other online retailers.

CPRD is constantly looking for ways to improve the efficiency of its distribution and logistics system. For instance, we are leveraging an "HLE Hub & Spoke" system for home deliveries to customers, whereby we have designated a number of our hyperstores, in addition to existing distribution centres, as hubs for the storage of "white goods". When an order is made, we work with third party operators to arrange for the goods to be picked up from the hubs and delivered directly to consumers' homes. This increases our capacity to offer home deliveries and complements our online growth strategy. Furthermore, we also developed a "Bakery Hub & Spoke" system, whereby it has designated six of its hyperstores as manufacturing hubs for baked goods. Professional bakers and support staffs at these hyperstores produce baked goods, which are then transported directly to CPRD's other stores, bypassing the distribution centres. Such system improves the quality of baked goods and reduces product waste.

As of 28 February 2021, CPRD had 8 DCs in Thailand with an aggregate building floor space of approximately 277,000 m² and daily outbound distribution volume of approximately 950,000 cases per day and one online fulfilment centre with building floor space of 10,364 m² and daily outbound distribution volume of approximately 200 orders per day. The following table sets forth key details regarding CPRD's DCs and online fulfilment centre:

Facility name, location and description	Building floor space (m²)	Approximate daily outbound distribution volume	Approximate average warehouse capacity utilisation for the year ended 28 February 2021
<i>Regional</i>			
SRP Hub – North Regional Ambient Hub	5,800	19,000 cases/day	70%
SKP Hub – North Regional Fresh Hub	1,450	11,000 cases/day	85%
SK RDC – Central Regional Ambient DC	33,700	222,000 cases/day	75%
KKRDC – Northeast Regional Ambient + Fresh DC	51,990	Ambient – 130,000 cases/day Fresh – 42,000 cases/day	80%
LLKRDC – Central Regional Fresh DC	35,000	88,000 cases/day	50%
SRRDC – South Regional Ambient + Fresh DC	51,990	Ambient – 65,000 cases/day Fresh – 20,000 cases/day	50%
<i>National</i>			
WN NDC – National Ambient DC	58,347	192,000 cases/day	75%
Online Fulfilment Centre	10,364	200 orders/day	70%
BBTDC – National Ambient DC	29,000	161,000 cases/day	80%

CPRD's distribution centres in Thailand are outfitted with advanced logistics technology, such as semi-automated single pick machines and automated picking cart with pick-to-light capabilities. Each of CPRD's hypermarkets also has backroom storage with average size of 200-300 m².

CPRD has arrangements with DHL and Linfox, international logistics companies, to provide and operate delivery fleets and logistics capability for its retail business in Thailand.

In addition to transportation and storage for its retail stores, CPRD offers distribution and logistics services to third parties, including warehouse space rental, cross docking platform, product transportation, return-to-vendor services and transport management.

Thai Retail Suppliers

CPRD's retail business in Thailand has direct buying relationships with many producers of brand-name products. CPRD works with its suppliers to create partnerships that provide it with end-to-end value chain efficiency that translates into quality products at affordable prices for its customers. All of CPRD's buyers receive regular training, and CPRD adheres to a code of conduct to ensure it deals with its suppliers ethically and legally. The COVID-19 pandemic created unprecedented supply constraints including disruptions and delays that have impacted and could continue to impact the flow and availability of certain products.

CPRD's Malls Business in Thailand

CPRD's malls business in Thailand consists of building and operating its own malls and acting as property manager for malls owned by CPRD's Retail Growth Freehold and Leasehold Property Fund ("LPF"), in which CPRD holds a 25% equity interest through its subsidiary Ek-Chai.

Malls in Thailand

In Thailand, CPRD's malls business (excluding its role as property manager for LPF) has developed three distinct types of malls to better serve different types of customers.

- *Family Malls* — These large malls are intended to be family-oriented destinations that provide a wide range of shopping and leisure activities. The principal tenants of CPRD's family malls include restaurants, fashion stores, financial and non-financial service providers and entertainment-related tenants. Its family malls in Thailand typically have a permanent NLA of over 5,000 m². As of 28 February 2021, CPRD had 12 family malls in Thailand (excluding 11 family malls held by LPF) with an aggregate permanent NLA of approximately 136,000 m².
- *Neighbourhood Malls* — These are mid-sized malls for quicker visits, with emphasis on food. They offer a diverse array of restaurants, beverage shops and grab & go food stores. Although smaller than CPRD's family malls, neighbourhood malls have entertainment-related tenants for families, as well as fashion stores and financial and non-financial service providers. The permanent NLA of these malls is typically between 2,000 and 5,000 m². As of 28 February 2021, CPRD had 85 neighbourhood malls in Thailand (excluding 11 neighbourhood malls held by LPF) with an aggregate permanent NLA of approximately 444,000 m².
- *Service Malls* — These smaller malls are aimed at providing a "one-stop" shopping space that is well-suited for everyday retail and services needs. As these malls are smaller, they focus on offering essential goods and services for customers, including a few restaurants, shops for various everyday service needs, basic clothing stores and recreational spaces for children. The service malls typically have a permanent NLA of less than 2,000 m². As of

28 February 2021, CPRD had 99 service malls in Thailand (excluding one service mall held by LPF) with an aggregate permanent NLA of approximately 135,000 m²

CPRD's malls are strategically located across Thailand to cover as much area as possible and to allow as much access to customers as possible. Each mall has a CPRD hypermarket as its anchor tenant. Most of CPRD's malls are located in the greater and central Bangkok region, as well as in major cities in the North, North East and South regions of Thailand. As of 28 February 2021, approximately 31% of CPRD's malls were located on freehold land.

Mall Initiatives

CPRD continues to search for prime locations for malls across Thailand with the following criteria:

- large and densely populated areas;
- highly visible and capable of generating increased customer traffic;
- access to major roads and public transportation; and
- large space available for parking and good infrastructure.

CPRD has a number of initiatives that it is pursuing in connection with its malls:

- *Future mall development:* Develop future malls as mixed-use properties that can function as neighbourhood shopping destinations by meeting customers' needs through online channel sales and delivery options. CPRD is also exploring other avenues to improving customers' experience in its future malls through, for example, greater variety and offerings, pairing with strategic partners, and personalized marketing to its customers.
- *Optimise mall layout:* Use underutilised areas and create a seamless layout between the mall and hypermarket.
- *Optimise space usage:* Increase the proportion of mall space used for food options, with a balance between mass-market brands and more niche or traditional offerings, to transform its malls into food destinations to attract more visitors and increase footfall.
- *Improve food court experience:* Upgrade and create right-sized spaces in its malls, and introduce new brands and concepts such as a cloud kitchen, to improve customers' food court experience.
- *Improve digital experience:* Implement IT infrastructure to improve support for digital payments by customers, so as to enhance customers' experience.
- *Actively manage tenant mix:* Actively seek out and acquire quality food and non-food tenants, in particular well-known brands or franchises, and introduce a new look and feel to the mall with the optimal tenant mix.
- *Health, beauty and wellness:* Focus on tenants and space usage in malls for health, beauty and wellness options, to serve changing consumer needs and preferences.

CPRD is also implementing the following strategies to accelerate the recovery of its malls business from the effects of the COVID-19 pandemic:

- invest in online channels and online delivery for mall customers and integrate mall tenants (both food and non-food tenants) onto its online platform; and

- develop new tenants to replace or downsize existing tenant categories that have been particularly badly impacted by COVID-19 by, for example, replacing play areas and cinemas with tenants devoted to home improvement and fitness options.

Investment in and Services to LPF

CPRD holds a 25% equity interest in LPF, through its subsidiary Ek-Chai, a listed property fund in Thailand, making it the largest unitholder. LPF owns 23 CPRD-branded malls across Thailand. CPRD also has an agreement with LPF to operate LPF's malls as the property manager.

As of 28 February 2021, LPF's property portfolio comprised 11 family malls, 11 neighbourhood malls and one service mall, with an aggregate permanent NLA of approximately 337,000 m² and 97% average occupancy rates.

As the property manager of LPF's malls and a 25% unitholder of LPF through its subsidiary Ek-Chai, CPRD derives two separate streams of income from LPF as follows:

- *Property Manager Fees* — As property manager, CPRD collects four different types of fees from LPF in connection with its services rendered in respect of LPF malls, namely: rental collection income, property management fee, incentive fee and commission income. CPRD receives property manager fees on a monthly basis, and these fees are calculated based on various metrics of the LPF malls' performance. The rental collection income is based on a percentage (not exceeding 3%) of LPF's annual net property revenue from malls, the property management fee is calculated based on a percentage (not exceeding 0.3%) of the net asset value of the fund, the incentive fee is based on a percentage (not exceeding 2.35%) of annual net property income of the mall.
- *Dividends* — As unitholder, CPRD receives distributions from LPF based on its unitholding percentage. The dividends have a minimum pay-out ratio of 90% of LPF's quarterly net investment income. CPRD receives four dividend payments per year.

Mall Tenants in Thailand

CPRD has a diverse mix of tenants across its malls in Thailand. CPRD broadly categorises its tenants into three different types:

- *Permanent tenants* — These are tenants who agree to a tenancy of more than one year with monthly rent of either a fixed amount or a variable rent based on their sales (with or without guaranteed minimum amounts). For the year ended 28 February 2021, CPRD's revenues from these tenants were THB 5,998 million.
- *Temporary tenants* — Temporary tenants lease for less than one year and their fast turnover allows CPRD to renew its product and services offerings based on the customers' needs. Small pop-up stalls and small brand stores fall into this category. For the year ended 28 February 2021, CPRD's revenues from these tenants were THB 1,433 million.
- *Food court* — CPRD enters into service agreements with concessionaires for the food courts in its malls. These leases have an average term of one year. Food courts help maintain traffic to its malls and its other tenants, as customers often come to its malls for affordably priced meals. For the year ended 28 February 2021, CPRD's revenues from these tenants were THB 611 million.

Permanent tenants provide a stable stream of revenue and are thus crucial for the success of CPRD's malls business in Thailand. The average tenancy of its permanent tenants, including CPRD hypermarkets, which constitute the largest group of permanent tenants, is approximately 3

years, with large anchor tenants averaging up to 30 years. CPRD's permanent tenants can be further categorised as follows:

- *Finance* — these tenants constituted approximately 5% of CPRD's permanent occupied NLA in Thailand as of 28 February 2021 and approximately 16% of CPRD's revenue from permanent tenants in Thailand for the year ended 28 February 2021.
- *Services & Technology* — these tenants constituted approximately 9% of CPRD's permanent occupied NLA in Thailand as of 28 February 2021 and approximately 17% of CPRD's revenue from permanent tenants in Thailand for the year ended 28 February 2021.
- *Food* — these tenants constituted approximately 23% of CPRD's permanent occupied NLA in Thailand as of 28 February 2021 and approximately 24% of CPRD's revenue from permanent tenants in Thailand for the year ended 28 February 2021.
- *Fashion* — these tenants constituted approximately 11% of CPRD's permanent occupied NLA in Thailand as of 28 February 2021 and approximately 20% of CPRD's revenue from permanent tenants in Thailand for the year ended 28 February 2021.
- *Beauty & Leisure* — these tenants constituted approximately 8% of CPRD's permanent occupied NLA in Thailand as of 28 February 2021 and approximately 11% of CPRD's revenue from permanent tenants in Thailand for the year ended 28 February 2021.
- *Anchor and outdoor space* — these tenants constituted approximately 44% of CPRD's permanent occupied NLA in Thailand as of 28 February 2021 and approximately 12% of CPRD's revenue from permanent tenants in Thailand for the year ended 28 February 2021.

Malaysia

CPRD operates a leading retail business and a malls business in Malaysia through its subsidiary Lotus MY. CPRD is a leading retailer in Peninsular Malaysia in terms of market share, with a household penetration rate for the year ended 28 February 2021 of 53%, with 62 stores as of 28 February 2021, including 46 hypermarkets and 16 supermarkets. Similar to CPRD's retail business in Thailand, CPRD's retail business in Malaysia is supported by reliable supply chains and robust distribution and logistics networks, as well as CPRD's strong brand equity and significant investments including:

- capturing new customer segments by modernising and relaunching the new "Lotus's" brand;
- improving the quality of product offerings and services at affordable pricing;
- implementing the "Go Fresh" concept for its new 1,000 m² stores;
- increasing coverage by expanding its physical store network in the 1,000 to 4,000 m² formats;

- leveraging its network of over 62 stores to accelerate online sales growth, including improving performance and collaborating with popular online marketplaces such as Food Panda, Shopee and Lazada as other points of sale; and
- strengthening its B2B sales channel nationwide by focusing on independent restaurants, traditional stores and other local establishments such as hospitals, hotels and schools.

For additional information, see “CPRD’s Retail Business in Malaysia – Malaysia Retail Initiatives.”

CPRD also operates a network of malls in Malaysia. As of 28 February 2021, CPRD had:

- 57 malls in Malaysia representing permanent NLA of approximately 296,000 m² in aggregate, of which 40 malls were owned by CPRD under freehold or leasehold over title¹³; and
- an occupancy rate of approximately 92% at its malls based on permanent NLA.

CPRD’s Retail Business in Malaysia

CPRD, through its subsidiary Lotus MY, is a leading retailer in Peninsular Malaysia. For the year ended 28 February 2021, its network of hypermarkets, supermarkets, “Express” stores (as described below), online and B2B sales channels had retail sales revenues of MYR 3,720 million (THB 27,664 million), MYR 767 million (THB 5,704 million), MYR 10 million (THB 77 million), MYR 168 million (THB 1,246 million) and MYR 22 million (THB 160 million), respectively.

Malaysian Retail Stores

CPRD operates two types of brick-and-mortar stores in Malaysia: hypermarkets and supermarkets.

As of 28 February 2021, CPRD has a total of 62 retail stores in Malaysia, primarily located in the Northwest, Central and Southwest of Peninsular Malaysia, with a particular concentration of 20 stores in Klang Valley, where the country’s capital city, Kuala Lumpur, is located.

- *Hypermarkets* — CPRD’s hypermarket stores in Malaysia are one-stop shopping complexes with an emphasis on fresh foods and groceries, with sales floor areas greater than 4,000 m². Most of these hypermarkets are built as anchor stores in CPRD’s malls. For the year ended 28 February 2021, these hypermarkets had total retail sales revenue of MYR 3,720 million (THB 27,664 million), which accounted for 79.4% of CPRD’s overall retail sales revenues in Malaysia. The product breakdown of sales at CPRD’s Malaysian hypermarkets was 68.8% from groceries, 9.4% from general merchandise, 18.8% from fresh food and 3.0% from clothing. CPRD’s hypermarkets are a leading hypermarket network in Peninsular Malaysia. These stores are all located in Peninsular Malaysia.
- *Supermarkets* — These are mid-sized stores with sales floor areas ranging from 2,000 to 4,000 m² that are mainly located in Peninsular Malaysia. They were developed as local neighbourhood stores where customers can regularly shop for groceries as well as for other products. For the year ended 28 February 2021, CPRD’s supermarkets had total retail sales revenue of MYR 767 million (THB 5,704 million), which accounted for 16.4% of its overall retail sales revenues in Malaysia. The product breakdown of sales was 69.0%

¹³ In Malaysia, a freehold gives the title holder the right from the Malaysian government to use the land for an indefinite period. A leasehold gives the title holder the right from the Malaysian government to use the land for a term not exceeding 99 years, which means the landowner can hold the land until the expiry of the leasehold period and, unless extended or renewed, the leasehold land will revert to the Malaysian state. Both freeholds and leaseholds are transferrable.

from groceries, 8.3% from general merchandise, 20.7% from fresh food and 2.0% from clothing.

CPRD is in the process of rebranding its hypermarkets and supermarkets in Malaysia under the name “Lotus’s” from the legacy “Tesco” brand name and expects to complete the rebranding by next year. Going forward, CPRD’s 1,000 m² stores in Malaysia will be branded “Go Fresh.” Until September 2020, CPRD’s retail business in Malaysia also included a smaller format of stores called “Express”, with average sales floor area of approximately 130 m². CPRD previously operated nine such Express stores with a local Malaysian partner but the format was discontinued in September 2020 when the partnership ended. CPRD may in the future explore other ways to open stores in the small format below 1,000 m².

The following table sets forth the number of stores, by type, for CPRD’s retail segment in Malaysia.

	As of 28 February	
Number of Stores	2020	2021
Hypermarkets.....	46.....	46
Supermarkets.....	14.....	16
Express stores.....	9.....	0
Total.....	69.....	62

Malaysian Online Channels

In addition to the offline retail business CPRD operates at its brick-and-mortar stores in Malaysia, CPRD serves customers through online channels, in particular through its in-house GHS platform as well as third-party marketplaces such as Lazada, Food Panda, Shopee and Happy Fresh. CPRD has a number of initiatives to improve customers’ online experience with its stores:

- offer better online customer experience through its on-going IT upgrade initiative, which should enable same day delivery, smart promotion mechanics and smarter product substitution;
- develop an online fulfilment centre prototype which should offer more online services, improve efficiency and reduce operational cost;
- increase the number of stores in Malaysia that can access its GHS platform beyond the current nine stores; and
- expand the “Click and Collect” functionality of our websites and app, whereby customers can place an order from home but collect it at the store in lieu of delivery, to all of its stores.

Malaysia Retail Initiatives

CPRD is committed to improving and expanding its retail store business in Malaysia with the following initiatives:

- *Modernise and relaunch “Lotus’s” brand.* Since the separation of Lotus MY from its former parent company Tesco, and under the new ownership and management of CPRD, CPRD has embarked on an initiative to modernise and relaunch the “Lotus’s” brand and to distinguish it from the “Tesco” brand previously operated by Tesco. CPRD plans to complete the modernisation of the “Lotus’s” brand by mid-2022. It believes this initiative will attract and capture new customer segments, particularly younger customers. CPRD’s

brand modernisation efforts include adopting new colourful logos, researching the implementation of technologies to enhance the efficiency of CPRD's business operation and to provide more convenience to its customers, strengthening online channel sales and introducing a new loyalty scheme.

As a part of relaunching the "Lotus's" brand, CPRD is also introducing smaller stores of 1,000 m² branded as "Go Fresh" stores that will have a wider selection of grocery and fresh food products than convenience stores, and it aims to enhance the customer experience through "scan as you shop" functionality and self-service checkout counters. Currently CPRD plans on rebranding 62 stores in Malaysia by mid-2022 and opening 28 new stores by December 2023.

- *Improve product offerings and services.* CPRD believes that the main draw of its retail business is the high quality and wide range of its products, offered at affordable prices that allow the stores to serve as one-stop-shop destinations. In particular, CPRD's fresh food strategy emphasizes regional sourcing from local vendors, direct delivery to stores to ensure freshness and quality, and offering of a wide range of fresh foods to meet a broader spectrum of customer needs. CPRD also invests in developing more private label products for the Malaysian retail market, which it believes offer more options to customer for value-for-money products. CPRD is constantly refreshing its product ranges to keep up to date with changes in consumer needs and trends. Other product lines that it is improving include health, beauty and wellness products and home appliances. In addition to improving its product offerings, CPRD is committed to refining other ancillary aspects of its stores to improve the overall shopping experience. These features include ensuring cleanliness and safety of its stores, quick restocking and shelving of products, in-store support, convenient and smart technologies such as "scan as you shop" and self-service checkout counters.
- *Modernise and renovate its stores.* CPRD is renovating its hypermarkets to better adapt to the changing needs and demands of its customers. CPRD is currently downsizing the store floor in its hypermarkets for apparel and hardware and expanding fresh food and cooking sections to meet increased demand for such products. It is also implementing new technologies and IT systems to improve its customers' shopping experience and store efficiency.
- *Adjust its stores to smaller formats.* CPRD currently operates hypermarkets, which have a sales floor area of over 4,000 m², and supermarkets, which have sales floor areas between 2,000 and 4,000 m². CPRD has observed a shift in consumer preferences towards smaller format stores and is looking to meet this shift by resizing its stores to smaller formats. Smaller format stores also have lower operational costs. Due to prevailing foreign ownership restrictions under Malaysia law, foreign-owned operators are restricted from opening stores smaller than 1,000 m².
- *Leverage store network to accelerate online channel growth.* CPRD is aiming to significantly increase its retail sales by leveraging its extensive store network to accelerate growth in the online channel. Its ongoing efforts include developing an improved and more stable IT system, creating a seamless online shopping experience on its own GHS platform and mobile application and offering various convenience-focused features such as on-demand delivery and "click and collect" drive through shopping. CPRD continues to work on improving its partnerships with third-party platforms such as Happy Fresh, Food Panda, Shopee and Lazada to build a strong online presence and to make sure that it can reach customers conveniently through any online portal of their choice.

- *Strengthen its B2B channel.* In addition to establishing its brick-and-mortar stores as the go-to source for food and other shopping needs, CPRD is seeking to build and strengthen its retail B2B services. CPRD's B2B effort includes being a one-stop shop for restaurants and local "mom-and-pop" stores that are looking for meat, fresh food, dry groceries and cookware. To increase B2B sales from Lotus MY's retail business, CPRD has dedicated sales teams that directly service nearby restaurants and local "mom-and-pop" stores. CPRD also continues to invest in its IT infrastructure to create a more seamless customer experience.
- *Cost reduction.* Recently, CPRD has made investments to implement various cost reduction initiatives. Such initiatives include an energy cost savings project, where it has implemented energy efficient technologies at its stores in refrigeration, HVAC and lighting, as well as a shift to renewable energy through solar photovoltaic plants on the roofs of its large format stores and DCs. CPRD also performs thorough evaluations of costs relating to distribution and sales network. CPRD reviews its cost structures continuously, and in 2021 it is conducting a study of its supply chain network to optimise and develop for future growth. To further reduce its operating costs, CPRD has also implemented various technological and software tools, such as self-service checkouts, scan as you shop technology, a customer service desk solution, mobile apps for ordering, tablets for in-store communications with our staff, produce scales and payment link.

Malaysian Retail Products

A key factor in the success of CPRD's retail business in Malaysia is the variety of affordably-priced products offered in its stores. CPRD offers a one-stop-shop experience for groceries, fresh food products, general products and apparel from a range of brands, in addition to its private label products.

- *Groceries* — CPRD's grocery products include commodities, canned food, cooking and baking needs, baby products, hot beverages, confectionary goods, food supplements, beer, wine and spirits, cold beverages, health & beauty products, chilled and frozen foods and dried sundries. CPRD aims to sell quality groceries to customers who want a broad range of products available at affordable prices. It constantly optimises its inventories, engages with local suppliers and develops private label products to compete effectively in the market.
- *Fresh Food* — Fresh food products include fresh vegetables and fruits, meats and seafood. In order to offer quality food products at affordable prices, CPRD engages in direct sourcing of products, introduce value-added products such as ready-to-cook or ready-to-eat items and regularly perform end-to-end reviews of its supply chain to ensure the freshness of its products. Fresh food is CPRD's fastest growing product category. Although it is not the most profitable product category, it is effective at increasing customer traffic to its stores. Traditional wet markets and other supermarkets are our direct competitors in the realm of fresh food products.
- *General Products* — General products include home furnishings, furniture, electrical products, computer products, luggage, outdoor leisure, home improvement supplies, automotive products, toys and stationery. CPRD offers quality items for everyday use, including a broad range of private label home products. CPRD refreshes its product line-up periodically and aims to offer new and higher quality products as it finds and partners with more suppliers.

- *Apparel* — CPRD's apparel products include affordable basics daily household needs consisting of both private label products and local brands. CPRD plans to expand its clothing offerings in Malaysia to include clothes for infants and children.

CPRD offers various private label products for each of the product categories above. CPRD's brands presently include "Tesco" for standard products and "Value" for value-focused products, although CPRD plans to migrate to "Lotus's" branding in the future. For the year ended 28 February 2021, CPRD's private label products constituted more than 25% of revenue from sale of goods in Malaysia. For developing its private label products, CPRD selectively targets a product category that has sizeable market size, high market growth potential with several existing brands and readily available opportunities for distinguishing its products. CPRD outsources the manufacturing of private label products to local manufacturers, while retaining IP over the brand and the recipes.

CPRD plans on implementing a policy to unify its Malaysian product strategy with its Thailand retail business, in order to cross-market private label products as well as to jointly source products.

Its goal is to align its products and categories across the two regions and provide a unified product line without compromising the needs specific to each market.

The following table sets forth sales revenue, by product type, in CPRD's retail segment in Malaysia for the periods indicated.

	Fiscal Year Ended 28 February			
	2020	%	2021	%
	<i>(unaudited)</i>			
	<i>(MYR millions, except percentages)</i>			
Sales Revenue				
Groceries.....	3,219	70.1	3,246	69.3
Fresh food.....	777	16.9	882	18.8
General products.....	446	9.7	431	9.2
Apparel.....	151	3.3	128	2.7
Total retail sales.....	4,593	100.0	4,687	100.0
(Less) Other income relating to retail business ¹⁴	(51)		(47)	
Revenue from sales of goods...	4,542		4,640	

Malaysian Retail Customers

CPRD's retail customers in Malaysia span a variety of age groups, income demographics and household sizes. To better understand its customers, CPRD has in the past partnered with customer data science analysis companies to help it better understand its customer segments, develop its product strategy, plan its online and in-store retail shopping experience, develop customer loyalty program and identify effective marketing strategies.

¹⁴ Other income relating to retail business comprises consignment income arising from CPRD's retail business.

To keep its customers engaged, CPRD offers a Clubcard loyalty programme that allows customers to accumulate reward points for shopping at its stores. CPRD's research shows that loyalty programme members tend to buy more than non-members. As of 28 February 2021, CPRD had approximately 1.9 million household loyalty programme members in Malaysia, of whom approximately 52% were active purchasers. CPRD offers a Clubcard loyalty programme application for mobile phones, which functions as a membership card and provides information regarding coupons and other promotions while also giving it a means to reach and communicate directly with members.

Malaysian Retail Distribution and Logistics

A key part of CPRD's Malaysian retail strategy is optimizing its supply chain, distribution and logistics. This ensures that its inventory levels across its stores are adequate, that the produce and perishable goods it sells are fresh and are of high quality, and that it can provide good value to customers while remaining profitable.

As of 28 February 2021, CPRD had 2 owned distribution centres and 1 rented frozen distribution centre in Malaysia with the aggregate storage space of approximately 108,136 m², and daily distribution outbound volume of approximately 330,231 cases. CPRD uses three kinds of distribution centres for its products: ambient distribution centres for storing groceries and general products at room temperature, fresh products distribution centres where it can store products at 1 to 2 degrees Celsius, and frozen-food distribution centres which are run by third parties. Each of CPRD's hypermarkets in Malaysia has backroom storage space, with an average area greater than 250 m² and height of greater than 5.5 metres (excluding fit-out stores where we are in a rented space and have had to adapt our design to the space available).

CPRD largely operates its distribution and logistics functions in-house in Malaysia. As of 28 February 2021, it had a fleet of trucks in Malaysia for transporting products to and from various distribution centres, stores and warehouses. Its fleet includes 20 dedicated trucks for long-haul routes in the north and south regions, 5 dedicated trucks for east coast delivery, 62 prime movers, 52 ambient trailers and 43 refrigerated trailers.

CPRD offers distribution and logistics capabilities to suppliers in Malaysia and to support its own online sales, including cross docking platform, product transportation, return-to-vendor services and transport management systems.

Malaysian Retail Suppliers

CPRD has direct buying relationships with many producers of brand-name products for its Malaysian retail business. Although it is not reliant on any one supplier, CPRD sources a large portion of products from certain popular brands. CPRD attempts to lower its purchase costs from its suppliers by negotiating volume discounts and additional incentives. While the COVID-19 pandemic created unprecedented supply constraints including disruptions and delays that have impacted and could continue to impact the flow and availability of certain products, CPRD has thus far not experienced any material disruption to its supplies as a result of the COVID-19 pandemic. CPRD has a strong long-term relationship with a wide network of suppliers, and in the event a source of supply becomes unavailable for any reason, it is generally able to procure the same or a substitute product from an alternative supplier by leveraging its supplier network.

CPRD's Malls Business in Malaysia

As of 28 February 2021, CPRD's malls business in Malaysia had:

- 57 malls representing permanent NLA of approximately 296,000 m² in aggregate, of which 40 malls were owned by CPRD under freehold or leasehold over title¹⁵; and
- an occupancy rate of approximately 92% at its malls based on permanent NLA.

Malls in Malaysia

In Malaysia, CPRD has developed three distinct types of malls to better serve different types of customers.

- *Family Malls* — These large malls are intended to be family-oriented destinations that provide a wide range of shopping and leisure activities. The principal tenants of CPRD's family malls include restaurants, fashion stores, financial and non-financial service providers and entertainment-related tenants. CPRD's family malls in Malaysia have lease NLA of over 6,000 m². As of 28 February 2021, CPRD had 23 family malls in Malaysia with an aggregate permanent NLA of approximately 197,000 m².
- *Neighbourhood Malls* — These are mid-sized malls for quicker visits, with emphasis on food. They offer a diverse array of restaurants, beverage shops and grab & go food stores. Although smaller than CPRD's family malls, neighbourhood malls also have entertainment-related tenants for families, as well as fashion stores and financial and non-financial service providers. The lease NLA of these malls are between 3,000 and 6,000 m². As of 28 February 2021, CPRD had 18 neighbourhood malls in Malaysia with an aggregate permanent NLA of approximately 73,000 m².
- *Service Malls* — These smaller malls are aimed at providing "one-stop" shopping space that is well-suited for everyday retail and services needs. As these malls are smaller, they focus on offering essential goods and services for customers, including a few restaurants, shops for various everyday service needs, basic clothing stores and recreational spaces for children. CPRD's service malls in Malaysia have lease NLA of less than 3,000 m². As of 28 February 2021, CPRD had 16 service malls in Malaysia with an aggregate permanent NLA of approximately 26,000 m².

CPRD's malls are strategically located throughout Peninsular Malaysia to cover as much area as possible and to allow as much access to customers as possible, and most have its hypermarkets as anchor tenants. CPRD continues to search for prime locations across Malaysia with the following criteria:

- Large and densely populated areas;
- Highly visible and capable of generating increased customer traffic;
- Access to major roads and public transportation; and
- Large space available for parking and good infrastructure.

¹⁵ In Malaysia, a freehold gives the title holder the right from the Malaysian government to use the land for an indefinite period. A leasehold gives the title holder the right from the Malaysian government to use the land for a term not exceeding 99 years, which means the landowner can hold the land until the expiry of the leasehold period and, unless extended or renewed, the leasehold land will revert to the Malaysian state. Both freeholds and leaseholds are transferrable.

Mall Tenants in Malaysia

CPRD has a diverse mix of different tenants across its malls. It broadly categorises its tenants into three different types:

- *Permanent tenants* — These are tenants who agree to a tenancy of more than one year with monthly rent of either a fixed amount or a variable rent based on their sales (with or without guaranteed minimum amounts). For the year ended 28 February 2021, revenues from these tenants were MYR 146 million (THB 1,089 million) (approximately 71.6% of total mall revenue in Malaysia).
- *Temporary tenants* — Temporary tenants lease for less than one year and their fast turnover allows CPRD to renew its product and services offerings based on the customers' needs. Small pop-up stalls and small brand stores fall into this category. For the year ended 28 February 2021, revenues from these tenants were MYR 40 million (THB 296 million) (approximately 19.6% of total mall revenue in Malaysia).
- *Food court* — CPRD enters into service agreements with concessionaires for food courts at its malls in Malaysia. The average term of their lease is 1 year. Food courts help maintain traffic to CPRD's malls and its other tenants, as customers often come to malls to have a meal at affordable prices. For the year ended 28 February 2021, revenues from these tenants were MYR 18 million (THB 133 million) (approximately 8.8% of total mall revenue in Malaysia).

Permanent tenants provide a stable stream of revenue and are thus crucial for the success of CPRD's malls business in Malaysia. The average tenancy of CPRD's permanent tenants is approximately 2 years, with large anchor tenants averaging up to 3 years. Every year, approximately 1,000 units have leases that expire that year. CPRD's permanent tenants are primarily classified into six categories:

- *Food & Beverages* — these tenants constituted 14.6% of CPRD's permanent occupied NLA in Malaysia as of 28 February 2021 and 23.4% of CPRD's revenue from permanent tenants in Malaysia for the year ended 28 February 2021.
- *Health & Beauty* — these tenants constituted 5.5% of CPRD's permanent occupied NLA in Malaysia as of 28 February 2021 and 16.1% of CPRD's revenue from permanent tenants in Malaysia for the year ended 28 February 2021.
- *DIY & Home* — these tenants constituted 32.4% of CPRD's permanent occupied NLA in Malaysia as of 28 February 2021 and 14.6% of CPRD's revenue from permanent tenants in Malaysia for the year ended 28 February 2021.
- *Fashion* — these tenants constituted 17.0% of CPRD's permanent occupied NLA in Malaysia as of 28 February 2021 and 15.9% of CPRD's revenue from permanent tenants in Malaysia for the year ended 28 February 2021.
- *Services* — these tenants constituted 11.4% of CPRD's permanent occupied NLA in Malaysia as of 28 February 2021 and 21.0% of CPRD's revenue from permanent tenants in Malaysia for the year ended 28 February 2021.
- *Leisure, Sports & Other* — these tenants constituted 19.1% of CPRD's permanent occupied NLA in Malaysia as of 28 February 2021 and 9.0% of CPRD's revenue from permanent tenants in Malaysia for the year ended 28 February 2021.

Associates and Joint Ventures

CPRD has in the past invested and will continue to seek opportunities to invest in associates and joint ventures. CPRD's share of profits from investment in joint ventures and an associate comprised 9.8% and 44.0% of CPRD's profit for the years ended 31 December 2019 and 2020, respectively, on a pro forma basis. Below is a summary of CPRD's material associates and joint ventures as of 31 December 2020, on a pro forma basis.

Company	Jurisdiction	% Ownership	Business
Lotus's Retail Growth Freehold and Leasehold Property Fund	Thailand	25%	Listed property fund which holds 23 malls across Thailand
Retail Properties Company Limited	Thailand	50%	Leasing land and building where hypermarket in Bang Pakok is located
Synergistic Property Development Company Limited	Thailand	49.99%	Mall and other real estate businesses in Pattaya
Lotus's Money Services Limited	Thailand	50%	Financial and Insurance services

CPRD RISK FACTORS

1 The outbreak of the novel coronavirus (“COVID-19”) has caused, and could continue to cause, severe disruptions in global and regional economies, including the economies of Thailand and Malaysia, which could adversely affect CPRD.

The COVID-19 pandemic has caused significant disruptions to global and regional economies, including the economies of Thailand and Malaysia. To curb the spread of COVID-19, Thailand and Malaysia have imposed various protective measures against the outbreak. For example, their respective governments have issued orders to temporarily shut down operating facilities or reduce operating hours, locked down risky areas, issued travel restrictions and border controls, extended delays, suspended business activities, imposed rules on quarantines and social distancing and/or suspended major events. This has significantly affected the Thai and Malaysian economies, production and supply chains and the business operations of companies operating in these countries, including CPRD. While progressive relaxations have recently been granted for movement of goods and people and cautious re-opening of businesses and offices, Thailand and Malaysia have experienced and continue to experience waves of COVID-19 infection, which have been exacerbated by the discovery of new variants of COVID-19. In Thailand, the impact of COVID-19 was initially less severe than in other countries. However, the most recent wave of COVID-19 infections has severely impacted Thailand since December 2020 and resulted in several regions where CPRD’s stores and malls are located implementing full or partial lockdowns during this period. These measures have disrupted normal business operations both in and outside of affected areas. CPRD’s management is closely monitoring the situation and cooperating with the relevant governments to ensure the sufficient distribution of food and to minimise the impact on its business to the extent possible.

These restrictions and disruptions in Thailand, and to some extent in Malaysia, are one of the factors which have had a significant impact on CPRD’s business, including:

- a decrease in revenue from sale of goods in Thailand of THB 8,364 million, or 4.9%, from THB 171,326 million for the year ended 29 February 2020 to THB 162,962 million for the year ended 28 February 2021;
- a decrease in rental income and revenue from rendering of services in CPRD’s malls in Thailand and Malaysia, resulting from a combination of decreased occupancy rates and rental waivers, reductions and discounts, such that CPRD’s malls business in Thailand saw a 24.1% decrease in rental income and revenue from rendering of services from THB 12,739 million in the year ended 29 February 2020 to THB 9,670 million in the year ended 28 February 2021, and CPRD’s malls business in Malaysia saw a decrease in rental income and revenue from rendering of services of 26.4% from MYR 277 million (THB 2,066 million) in the year ended 29 February 2020 to MYR 204 million (THB 1,518 million) in the year ended 28 February 2021.

There can be no guarantee that CPRD’s results will improve in future periods. It is possible that there will be a recurrence of more virulent variants of COVID-19, including ones against which existing vaccines may not be as effective, which could lead to future lockdowns or other restrictive measures. Even if the COVID-19 virus were eventually brought under control and the impact of the COVID-19 pandemic subsides, CPRD will still need to capitalise on growth opportunities. In response to changing consumer behaviour to shopping at smaller neighbourhood shops and online, CPRD has committed significant resources to expanding to smaller format stores, growing its online sales and upgrading its IT infrastructure, such as its website and mobile application,

among other initiatives. Any failure by CPRD to capture such opportunities and may result in declining revenue, and its future operating results may fall below expectations.

Despite CPRD's efforts, the most recent waves of COVID-19 infections had a significant impact on its operations, as there were infection clusters at its distribution centres, including the Bang Bua Thong distribution centre for CPRD's retail business in Thailand which CPRD closed down for two weeks, and near many stores and increased risk of infections among its employees, customers and in its stores, malls and other facilities, which led to government orders to close or decrease operating hours for certain of its stores and malls, which in turn led to decreases in sales and income. Although we believe that CPRD has so far responded rapidly and in accordance with government mandates, the perception of an inadequate response in the future could cause reputational harm to CPRD's brand and subject it to lost sales and claims from employees, customers, suppliers, regulators or other parties. If the measures taken by CPRD ultimately turn out to be ineffective, or if its customers do not participate in social distancing and other safety measures, the well-being of its employees and customers could be at risk. Any future outbreak of confirmed COVID-19 cases in CPRD's stores or malls could result in temporary or sustained workforce shortages, limitations on operating hours and/or closures, which would negatively impact CPRD's business and results of operations. In particular, any potential negative impact on the health of CPRD's executive management team or key employees or the executive management team or key employees of its suppliers and distributors, particularly if a significant number of its or their executive management team or key employees are impacted, could adversely affect its or their ability to promote business continuity amidst disruptive events. In addition, any belief by customers that they have contracted COVID-19 in one of CPRD's stores or malls, or that CPRD has not taken appropriate precautionary measures to prevent the spread of COVID-19 in its stores or malls, could result in costly and time consuming litigation and/or negatively impact CPRD's reputation.

Other factors and uncertainties related to the ongoing COVID-19 pandemic include, but are not limited to:

- the severity and duration of the COVID-19 pandemic, including any additional waves of infections in locations where CPRD operates or affecting its employees caused by additional periods of increases or spikes in the number of COVID-19 cases, future variants or related strains of the virus or other factors;
- additional government restrictions that may impact CPRD's business;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- unknown consequences on CPRD's business performance, initiatives and expansion plans stemming from the substantial diversion of time and other resources to its pandemic response;
- the pace of recovery when the COVID-19 pandemic subsides;
- the impact of the COVID-19 pandemic on the business and results of operations of tenants in CPRD's malls;
- the impact of the COVID-19 pandemic on the supply, cost and inventory of products that CPRD sells in its stores; and
- the long-term impact of the COVID-19 pandemic on CPRD's business, including consumer behaviors. For example, CPRD has observed changing customer

behaviour during the pandemic, in particular a shift away from its larger stores to smaller neighbourhood shops and significant growth in online sales. CPRD may not be able to respond or adapt in a timely manner if such changes in consumer behaviour become more permanent, or occur more rapidly or in a manner different from its expectations.

The extent to which the COVID-19 pandemic, or the future outbreak of any other highly infectious or contagious disease, affects CPRD's business, results of operations and financial condition will depend on future developments, which are highly uncertain, including the scope, severity and duration of such pandemic, the actions taken to contain the pandemic or mitigate its impact, including the adoption of available COVID-19 vaccines, the impact of relaxing or revoking such existing restrictions too quickly, and the direct and indirect economic effects of the pandemic and containment measures, among others. The continuing impacts of the COVID-19 pandemic are highly unpredictable and volatile, may materially adversely affect CPRD's business, financial condition and results of operations, and may have the effect of heightening many of the risks described in this "Risk Factors" section.

2 Major legal, regulatory and administrative proceedings may negatively affect CPRD's business.

CPRD is involved in legal, regulatory and administrative proceedings from time to time, and CPRD is exposed to the possibility of being involved in other legal, regulatory and administrative proceedings in future. The outcome of some of these proceedings or other contingencies could require CPRD to take, or refrain from taking, actions which could negatively affect our operations or could require CPRD to pay substantial amounts of money.

As of the date of this IM1, in particular, there are two on-going legal proceedings against the Thai Trade Competition Commission (the "**TCC**") and the Office of Thai Trade Competition Commission (the "**OTCC**") in relation to the merger control approval granted for the acquisition of Lotus TH by CPRD. On 9 March 2020, CPRD entered into an agreement with Tesco to purchase Lotus TH and Lotus MY. The completion of the acquisition required approval from the TCC in accordance with Thailand's Trade Competition Act B.E. 2560 (2017) ("**TCA**"). In November 2020, the TCC issued an order (the "**TCC Order**") approving the acquisition of Lotus TH. On the basis of this TCC Order, CPRD and Tesco proceeded with completion of the acquisition on 18 December 2020. However, in March 2021, a consumer interest group known as the Foundation for Consumers, together with other third-party groups and individuals, filed a legal action (the "**TCC Claim**") against the TCC and OTCC with the Central Administrative Court of Thailand (the "**Court**") claiming, in essence, that the TCC Order was issued unlawfully due to non-compliance with certain procedures prescribed by laws and the TCC exercised inappropriate and illegitimate discretion in granting the TCC Order. These claimants requested the Court to revoke the TCC Order or to prescribe the following additional conditions to the TCC Order:

- CPRD must sell part of its businesses or assets to mitigate the impact of its market-dominant power and must reduce its combined market share to not exceeding 50%;
- CPRD must be prohibited from opening new branches for a period of 10 years following completion of the merger; and

- the effective periods of the merger conditions specified in the TCC Order must be extended, from the original 5 years set out in condition 2¹⁶ to 10 years, and from the original 2 years set out in conditions 4¹⁷ to 5 years.

Although neither CPRD nor Lotus TH were named as defendants in the TCC Claim, the Court's view was that its ruling on the TCC Claim is relevant to CPRD and Lotus TH. Therefore, the court summoned CPRD and Lotus TH as third-party interpleaders to the proceedings in order for it to properly understand the information and facts relevant to the issues alleged by the claimants.

The claimants also submitted a petition to the Court requesting a temporary suspension of enforcement of the TCC Order during the Court proceedings (the "**Claimants Petition**"). In May 2021, the Court issued an order dismissing the Claimants Petition because at this stage, the Court found that the TCC Order had been duly issued in accordance with procedures and regulation prescribed under the TCA. Therefore, the Court further determined that there was no reason to believe that the TCC Order had been issued unlawfully. Such order dismissing the Claimants Petition is final and cannot be appealed.

In relation to the TCC Claim, the TCC, OTCC, CPRD and Lotus TH filed a motion of defence in which the TCC, OTCC, CPRD and Lotus TH argued, among other points, that the TCC Order was in fact lawful because it was issued in compliance with all procedures prescribed by laws and the exercise of discretion by the TCC was prudent, appropriate and legitimate.

In addition to the TCC Claim which was filed by a consumer interest group, an individual who is an owner of a local convenience store also filed a legal action challenging the TCC Order on similar grounds as the TCC Claim. Therefore, in June 2021, the Court combined this case with the earlier TCC Claim into one case. As at the date hereof, the Court is currently considering the TCC Claim and is in the process of fact-finding. It is possible that the Court may render its judgment before the end of 2021 as it deemed the TCC Claim to be an urgent court proceeding. The parties may appeal the Court's judgment to the Supreme Administrative Court within 30 days from receipt of such judgment. This 30-day period cannot be extended. Any appellate judgment of the Supreme Administrative Court would be final.

We believe that the TCC Order was lawful because the TCC is the authority with the power to approve the acquisition of Lotus TH by CPRD and the submission of the application and all relevant information by CPRD for the TCC consideration was in compliance with all required procedures prescribed by laws. We also believe that the TCC considered all information and issued the TCC Order in compliance with all procedures prescribed by laws. Therefore, we believe that the Court is unlikely to order the revocation of the TCC Order. However, we cannot guarantee the outcome of the Court's decision, or that such ruling will be favourable to us.

In addition, even if the Court were to revoke the original TCC Order, we believe that the Court in this case and TCC will not have any legal justification to require CPRD to unwind or invalidate the acquisition of Lotus TH or impose any administrative fine under the TCA on CPRD because the acquisition of Lotus TH by CPRD was completed in accordance with the laws and in good faith

¹⁶ CPALL and Ek-Chai shall increase their sales proportion of products of small and medium sized enterprises (SMEs) comprising agricultural products, community farming products, community goods, products of small and micro community enterprises (SMCE) or local products (OTOP) and other categories of products, in respect of 7-Eleven and Tesco Stores in aggregate of all store formats; such increase must grow by at least 10 percent per annum from the previous year, for a period of 5 years. In this regard, the criteria on small and medium sized enterprises (SMEs) pursuant to the provisions of law governing the prescription of characteristics of small and medium sized enterprises shall apply.

¹⁷ Ek-Chai shall maintain the conditions of contracts and agreements with its original suppliers of goods or raw materials which have been already executed, for a period of 2 years, except for any change of conditions of contract which benefits or is in favour of the original suppliers of goods or raw materials and it must obtain consent from such original suppliers of goods or raw materials of such change as well.

following CPRD's receipt of the TCC Order which, in fact, was legally binding and effective at the time of the acquisition. However, if the TCC Order is revoked by the Court, the TCC may request CPRD to resubmit its application to approve the acquisition of Lotus TH. We cannot guarantee that the new TCC order will be issued or will be issued without new conditions supplementing the existing conditions under the existing TCC Order or CPRD will be able to fully comply with the additional conditions imposed by the new TCC order. In any case, if CPRD does not agree with TCC's decision or its new order, it has the right to appeal with the Court within the period prescribed under the laws.

While we do not believe the outcome of the TCC Claim will affect the validity of the recent acquisition by our Company of CPRD, if the TCC imposes additional conditions for CPRD, compliance with such conditions may impact its existing business operations and thus result in significant costs and expenses. The TCC Claim may also require significant time commitments by certain members of management and key personnel which could have an adverse effect on the management of our business and growth plans.

**Siam Makro Public Company Limited
and its Subsidiaries**

Unaudited Pro Forma Consolidated Financial Information
For the year ended 31 December 2020
and
Independent Auditor's Assurance Report



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Independent Auditor's Assurance Report on the Compilation of Pro Forma Consolidated Financial Information Included in a Prospectus

To the Board of Directors of / Shareholders of Siam Makro Public Company Limited

I have completed my assurance engagement to report on the compilation of pro forma consolidated financial information of Siam Makro Public Company Limited and its subsidiaries (the "Group") by the management. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2020, the pro forma consolidated statement of income for the year then ended, and related notes. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are described in Notes 2 and 3.

The pro forma consolidated financial information has been compiled by the management to illustrate the impact of the transactions set out in Notes 2.1 and 2.2 on:

- (i) the Group's financial position as at 31 December 2020 as if the transactions had taken place at 31 December 2020; and
- (ii) the Group's financial performance for the year ended 31 December 2020 as if the transactions had taken place at 1 January 2020.

As part of this process, information about the Group's financial position and financial performance has been extracted by management from the financial information as described in Note 2.4.

The Management's Responsibility for the Pro Forma Consolidated Financial Information

The management is responsible for compiling the pro forma consolidated financial information on the basis of the applicable criteria set out Notes 2 and 3.

Independence and Quality Control

I have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Federation of Accounting Professions, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Thai Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Auditor's Responsibilities

My responsibility is to express an opinion about whether the pro forma consolidated financial information has been compiled, in all material respects, by the management on the basis of the applicable criteria set out Notes 2 and 3.

I conducted my engagement in accordance with Thai Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Federation of Accounting Professions. This standard requires that I plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the pro forma consolidated financial information on the basis of the applicable criteria set out Notes 2 and 3.

For purposes of this engagement, I am not responsible for updating or re-issuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have I, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of significant transactions on unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, I do not provide any assurance that the actual outcome of the transactions at 31 December 2020 and for the year then ended would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on my judgment, having regard to the understanding of the nature of the Group, the transactions in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

I believe that the evidence that I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria set out Notes 2 and 3. *Buy*



Restriction on Use

The purpose of my assurance engagement to report on the compilation of the pro forma consolidated financial information is solely for the public offering of ordinary shares of Siam Makro Public Company Limited to the Securities and Exchange Commission in Thailand and enclosure to the notice of the Extraordinary General Meeting to be used as part of decision making by shareholders. I did not comply with Generally Accepted Auditing Standards, standards and guidelines that are generally accepted in other countries. Accordingly, engagement should not be treated as such by those standards or guidelines. This report may not be appropriate to be use or reference in other countries for any other purposes. I have no obligation or responsibility and disclaims responsibility to any person as a result of use or reference to my report including trading securities other than use for the aforementioned purpose.

A handwritten signature in blue ink, appearing to read 'Piyatida', with a long, sweeping horizontal line extending to the right.

(Piyatida Tangdenchai)
Certified Public Accountant
Registration No. 11766

KPMG Phoomchai Audit Ltd.
Bangkok
31 August 2021

Siam Makro Public Company Limited and its Subsidiaries

Unaudited pro forma consolidated statement of financial position

As at 31 December 2020

Assets	Historical The Group	Historical CPRD	Note	Pro forma adjustments related to the EBT and Private Placement	
				Transaction (Note 6)	Pro Forma As Adjusted
<i>(in million Baht)</i>					
Current assets					
Cash and cash equivalents	10,484	25,899	6.1	5	36,388
Current investments	34	-		-	34
Trade and other current receivables	-	3,544	6.8.1	(3,544)	-
Trade accounts receivable	945	-	6.7, 6.8.1	949	1,894
Other current receivables	483	-	6.8.1, 6.8.3	594	1,077
Inventories	14,477	14,171		-	28,648
Purchase discount receivables	1,188	-	6.8.3	1,732	2,920
Accrued income	632	-	6.8.1, 6.8.3	267	899
Other current assets	8	931		-	939
Total current assets	28,251	44,545		3	72,799
Non-current assets					
Investments in joint ventures	-	4,108		-	4,108
Investments in an associate	-	2,730		-	2,730
Other non-current receivables	13	-		-	13
Property, plant and equipment	30,564	70,499		-	101,063
Right-of-use assets	10,204	21,611		-	31,815
Investment properties	112	27,601		-	27,713
Goodwill	2,191	226,228	6.2, 6.3	18,652	247,071
Other intangible assets					
other than goodwill	2,201	531		-	2,732
Deferred tax assets	453	1,973		-	2,426
Other non-current assets	45	1,132		-	1,177
Total non-current assets	45,783	356,413		18,652	420,848
Total assets	74,034	400,958		18,655	493,647

The accompanying notes form an integral part of the unaudited pro forma consolidated financial information.

Siam Makro Public Company Limited and its Subsidiaries

Unaudited pro forma consolidated statement of financial position

As at 31 December 2020

Liabilities and equity	Historical The Group	Historical CPRD	Note	Pro forma adjustments related to the EBT and Private Placement	
				Transaction (Note 6)	Pro Forma As Adjusted
<i>(in million Baht)</i>					
Current liabilities					
Short-term borrowings from financial institutions	1,050	118,996		-	120,046
Trade and other current payables	-	39,693	6.8.2	(39,693)	-
Trade accounts payable to other parties	25,805	-	6.7, 6.8.2	29,385	55,190
Trade accounts payable to related parties	2,170	-	6.8.2	621	2,791
Other current payables to other parties	1,672	-	6.8.2	6,408	8,080
Other current payables to related parties	304	-	6.8.2	78	382
Short-term borrowings from other parties	6	-		-	6
Corporate income tax payable	927	439		-	1,366
Accrued expenses	2,838	-	6.1, 6.8.2	3,199	6,037
Current portion of long-term borrowings from financial institutions	5,001	-		-	5,001
Current portion of lease liabilities	496	1,741		-	2,237
Derivative liabilities	-	4,311		-	4,311
Other current liabilities	286	565		-	851
Total current liabilities	40,555	165,745		(2)	206,298
Non-current liabilities					
Long-term borrowings from financial institutions	2,002	-		-	2,002
Other non-current payables	4	-		-	4
Lease liabilities	7,622	29,188		-	36,810
Rental deposit from tenants	-	2,339		-	2,339
Provisions for employee benefits	1,032	1,384		-	2,416
Deferred tax liabilities	80	335		-	415
Other non-current provision	-	2,074		-	2,074
Other non-current liabilities	29	593		-	622
Total non-current liabilities	10,769	35,913		-	46,682
Total liabilities	51,324	201,658		(2)	252,980

The accompanying notes form an integral part of the unaudited pro forma consolidated financial information.

Siam Makro Public Company Limited and its Subsidiaries

Unaudited pro forma consolidated statement of financial position

As at 31 December 2020

Liabilities and equity <i>(Continued)</i>	Historical The Group	Historical CPRD	Note <i>(in million Baht)</i>	Pro forma adjustments related to the EBT and Private Placement	
				Transaction <i>(Note 6)</i>	Pro Forma As Adjusted
Equity					
Share capital	2,400	199,475	6.4, 6.5	(196,969)	4,906
Additional paid-in capital					
Premium on ordinary shares	3,290	-	6.4	215,444	218,734
Deficit from changes in ownership interests in subsidiary	(20)	-		-	(20)
Deficit from business combination under common control	-	-	6.6	(1,627)	(1,627)
Retained earnings					
Appropriated					
Legal reserve	240	-		-	240
Unappropriated	16,511	(158)	6.5, 6.6	1,785	18,138
Other components of equity	(182)	(24)	6.5	24	(182)
Equity attributable to equity holders of the Company	22,239	199,293		18,657	240,189
Non-controlling interests	471	7		-	478
Total equity	22,710	199,300		18,657	240,667
Total liabilities and equity	74,034	400,958		18,655	493,647

The accompanying notes form an integral part of the unaudited pro forma consolidated financial information.

Siam Makro Public Company Limited and its Subsidiaries

Unaudited pro forma consolidated statement of income

For the year ended 31 December 2020

	Historical The Group	Historical CPRD	Historical Tesco Thailand	Historical Tesco Malaysia	Note	Pro forma adjustments related to the Tesco Asia Group Acquisition and Financing Transaction (Note 5)	Note	Pro forma adjustments related to the EBT and Private Placement Transaction (Note 6)	Pro Forma As Adjusted
<i>(in million Baht)</i>									
Revenues									
Revenue from sale of goods	214,140	9,015	162,962	34,498	5.4	(9,015)	6.7	(6)	411,594
Revenue from rendering services	3,757	-	-	-		-	6.8.5	324	4,081
Revenue from rental and rendering retail services	-	450	9,670	1,518	5.4	(451)	6.8.6	361	11,548
Gain (loss) on exchange rate	-	153	(2)	89	5.4	(225)	6.8.4	(15)	-
Net derivative gain	-	-	2	-		-	6.8.4	(2)	-
Other income	863	105	2,300	398	5.3, 5.4	(433)	6.8.4-6.8.6	(668)	2,565
Total revenues	218,760	9,723	174,932	36,503		(10,124)		(6)	429,788
Expenses									
Cost of sale of goods	192,015	7,958	132,813	27,857	5.4	(7,958)	6.7	(6)	352,679
Cost of rental and rendering of services	-	161	4,784	742	5.4	(161)		-	5,526
Distribution costs	12,758	109	24,338	4,378	5.4	(109)		-	41,474
Administrative expenses	5,030	856	5,268	1,166	5.2, 5.4	(696)		-	11,624
Total expenses	209,803	9,084	167,203	34,143		(8,924)		(6)	411,303
Profit from operating activities	8,957	639	7,729	2,360		(1,200)		-	18,485
Finance costs	(620)	(681)	(980)	(1,244)	5.1, 5.3, 5.4	(3,866)		-	(7,391)
Share of profit from investment in joint ventures and an associate	-	25	782	-	5.4	(25)		-	782
Profit (loss) before income tax expense	8,337	(17)	7,531	1,116		(5,091)		-	11,876
Income tax expense	1,813	141	1,527	466	5.4	(141)		-	3,806
Profit (loss) for the year	6,524	(158)	6,004	650		(4,950)		-	8,070
Profit (loss) attributable to:									
Equity holders of the Company	6,563	(158)	6,004	650		(4,950)		-	8,109
Non-controlling interests	(39)	-	-	-		-		-	(39)
Profit (loss) for the year	6,524	(158)	6,004	650		(4,950)		-	8,070
Basic earnings per share									
of equity holders of the Company	<u>1.37</u>								<u>0.83</u>

The accompanying notes form an integral part of the unaudited pro forma consolidated financial information.

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

These notes form an integral part of the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information was approved and authorised for issue by the Board of Directors on 31 August 2021.

1 General information

Siam Makro Public Company Limited, the “Company”, is incorporated in Thailand. The parent company during the financial year was CP All Public Company Limited (“CPALL”) which is also incorporated in Thailand.

The principal business of the Company is the operation of Cash and Carry Trade Centres throughout Thailand, under the name “Makro”, selling food and non-food products to registered members, predominantly small and medium size businesses, retailers, caterers, professional sectors and institutions. The principal businesses of the subsidiaries of the Company (together with the Company referred to as the “Group”) involve the operation of Cash and Carry Trade Centres in foreign countries, importing and trading of frozen and chilled foods, and operating restaurant and minimart.

2 Basis of preparation

2.1 Description of the Tesco Asia Group Acquisition and the Financing Transaction

On 6 March 2020, C.P. Retail Holdings Company Limited (“CPRH”) and C.P. Retail Development Company Limited (“CPRD”) were incorporated in Thailand for the purpose of investing in retail business and mall rental in Thailand and Malaysia.

CPRH’s major shareholders are (i) CP All Public Company Limited (“CPALL”), (ii) Charoen Pokphand Holdings Company Limited (“CPH”) and (iii) C.P. Merchandising Company Limited (“CPM”). CPALL, CPH and CPM holds 40%, 40% and 20% of CPRH’s ordinary shares, respectively. CPRH holds 99.99% of CPRD’s ordinary shares.

On 18 December 2020, CPRD completed its acquisition of (i) 86.9% of ordinary shares of Tesco Stores (Thailand) Limited (“Tesco Thailand”) (subsequently known as “Lotus’s Stores (Thailand) Co., Ltd.”), which holds ordinary shares of 99.99% in Ek-Chai Distribution System Co., Ltd., a retail operator under the Tesco Lotus trademark in Thailand, and (ii) 100.0% of ordinary shares of Tesco Stores (Malaysia) Sdn. Bhd. (“Tesco Malaysia”) (subsequently known as “Lotuss Stores (Malaysia) Sdn. Bhd.”), which operates retail business under the Tesco trademark in Malaysia, (together with Tesco Thailand, referred as “Tesco Asia Group”), for the total consideration transferred of USD 10,735 million or equivalent to Baht 321,970 million (the “Tesco Asia Group Acquisition”).

On 17-18 December 2020, to finance the Tesco Asia Group Acquisition, CPRD drawdown (i) the short-term borrowings denominated in US dollar currency of USD 3,310 million or equivalent to Baht 98,686 million (using the exchange rate as at the drawdown date) bearing interest rate of 3-month LIBOR plus 1.5-2.0% per annum and (ii) the short-term borrowings denominated in Thai Baht currency of Baht 22,138 million bearing interest rate of 6-month fixed deposit rate plus 1.5-2.0% per annum from the financial institutions with the maturity date of 1 year from drawdown date (the “Financing Transaction”).

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

2.2 Description of the EBT Transaction and the Private Placement Transaction

On 31 August 2021, the Board of Directors of the Company have approved the entire business transfer transaction of CPRH (the “EBT Transaction”). As part of the EBT Transaction, all assets and liabilities of CPRH will be transferred to the Company at the closing date. CPRH’s main assets and liabilities include (i) 99.99% of CPRD’s ordinary shares, (ii) cash and cash equivalents, and (iii) accrued expenses.

In exchange for the transfer, the Company will concurrently issue its 5,010 million ordinary shares to CPRH through the private placement offering (the “Private Placement Transaction”).

The closing of the EBT Transaction and the Private Placement Transaction is expected to occur in October 2021, subject to the approval of Extraordinary General Meeting of Shareholders of the Company and the satisfaction or waiver of applicable closing conditions.

After the completion of the EBT Transaction, CPRH will proceed with dissolution and commence liquidation within the same fiscal year in order to be in accordance with the rules, procedures and conditions stipulated under the Thai Revenue Code for the purpose of tax exemption for such transaction. CPRH will then distribute ordinary shares of the Company to the shareholders of CPRH (i.e. CPALL, CPH and CPM), proportionately.

We refer to the Tesco Asia Group Acquisition, the Financing Transaction, the EBT Transaction and the Private Placement Transaction as “the Transactions.”

2.3 Basis of preparation of the unaudited pro forma consolidated financial information

Amounts in Thai Baht are rounded to the nearest million Baht unless otherwise stated.

The unaudited pro forma consolidated statement of financial position as at 31 December 2020 and the unaudited pro forma consolidated statement of income for the year then ended are based on the historical consolidated financial statements of the Group, CPRD, Tesco Thailand and Tesco Malaysia after giving effect to the assumptions and adjustments described in the accompanying notes. Such pro forma adjustments are (1) factually supportable, (2) directly attributable to the Transactions and (3) with respect to the unaudited pro forma consolidated statement of income, expected to have a continuing impact on the results of operations of the combined company.

The unaudited pro forma consolidated financial information were prepared using the business combination achieved in stages (“step acquisition”) pursuant to the provisions of TFRS 3, *Business Combinations*, which requires, among other things, that (i) the previously held equity interest in CPRD be remeasured to fair value by the Company at the closing date with any resulting gain or loss recognized in profit or loss and (ii) assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the closing date.

The acquisition method of accounting uses the fair value concepts defined in TFRS 13, *Fair Value Measurement*, as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” It is currently in the process of undertaking an appraisal of the fair value of CPRD’s net assets acquired by an independent valuer.

However, the preliminary outcomes of such appraisal are not available as at the date in this report. In this unaudited pro forma consolidated financial information, the Company has presented the book value of CPRD’s net assets.

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

CPRD's existing goodwill from prior business acquisition have been reversed from the CPRD's net asset value to calculate the EBT Transaction's net intangible assets and goodwill as they are not identifiable assets acquired under TFRS 3.

Upon the completion of a formal appraisal study, the estimated fair values of the assets acquired and liabilities assumed will be updated, including the estimated fair values and useful lives of the tangible assets and identifiable intangible assets and allocation of the excess purchase price to goodwill.

The unaudited pro forma consolidated financial information is presented solely for informational purposes and is not necessarily indicative of the combined financial position or results of operations that might have been achieved had the Transactions been completed as of the dates indicated in Note 3, nor are they meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the Transactions. In addition, the accompanying unaudited pro forma consolidated statement of income does not reflect expected revenue synergies, expected cost savings or restructuring actions that may be achievable or the impact of any non-recurring activity and one-time transaction-related costs.

2.4 Source of financial information used to prepare the unaudited pro forma consolidated financial information

The historical columns of unaudited pro forma consolidated financial information are derived from the following:

- a. Column "Historical the Group" is derived from the audited consolidated financial statements of Siam Makro Public Company Limited and its subsidiaries for the year ended 31 December 2020, included in financial statements with an unmodified audit opinion dated 19 February 2021, which have been publicly disclosed.
- b. Column "Historical CPRD" is derived from the audited consolidated financial statements of C.P. Retail Development Company Limited and its subsidiaries for the period from 6 March 2020 (date of incorporation) to 31 December 2020, included in financial statements with an unmodified audit opinion dated 28 May 2021, which have not been publicly disclosed.
- c. Column "Historical Tesco Thailand" and "Historical Tesco Malaysia" are derived from the unaudited consolidated pro forma financial information of C.P. Retail Development Company Limited and its subsidiaries for the year ended 31 December 2020, which have not been publicly disclosed.

The unaudited pro forma consolidated financial information of the Group discloses the pro forma adjustments, significant adjustments in accounting policy and presentation to conform with the accounting policy of the Group including intercompany transactions and other adjustments.

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

3 Significant assumptions in preparation of the unaudited pro forma consolidated financial information

Significant assumptions in preparation of the unaudited pro forma consolidated statement of income for the year ended 31 December 2020 are as follows:

- 3.1 The Tesco Asia Group Acquisition had been completed on 1 January 2020;
- 3.2 CPRD had drawn down the short-term borrowings of USD 3,310 million or equivalent to Baht 98,686 million bearing interest of 3-month LIBOR plus 1.5-2.0% per annum and Baht 22,138 million bearing interest of 6-month fixed deposit rate plus 1.5-2.0% per annum from the financial institutions on 1 January 2020 to finance the Tesco Group Asia acquisition; and
- 3.3 the Company has completed the EBT Transaction and the Private Placement Transaction on 1 January 2020.

Significant assumption in preparation of the unaudited pro forma consolidated statement of financial position as of 31 December 2020 is as follows:

- 3.4 the EBT Transaction and the Private Placement Transaction had occurred on 31 December 2020.

4 Preliminary purchase price allocation from the EBT Transaction

From an accounting perspective, the EBT Transaction is viewed into 2 steps:

Step 1: The Company will issue its ordinary shares to CPALL in exchange for 40% equity interest in CPRD. This transaction is considered a common control transaction because CPALL is the Company's ultimate parent.

Step 2: The Company will issue its ordinary shares to other CPRH's shareholders (i.e. CPH and CPM) in exchange for 60% equity interest in CPRD. This transaction is considered a step acquisition as the Company will own 40% equity interest in CPRD from Step 1 and gain control over CPRD from Step 2.

The pro forma allocation of the preliminary estimate of the purchase price related to the EBT Transaction as of 31 December 2020 based on their respective preliminary fair values is presented as follows:

	Preliminary fair value <i>(in million Baht)</i>
Preliminary estimate of assets acquired and liabilities assumed	
CPRH:	
Cash and cash equivalents	5
Accrued operating expenses	(1)
CPRD:	
Cash and cash equivalents	25,899
Trade and other current receivables	3,544
Inventories	14,171
Other current assets	931
Investments in joint ventures	4,108
Investments in an associate	2,730
Property, plant and equipment	70,499

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

	Preliminary fair value <i>(in million Baht)</i>
Right-of-use assets	21,611
Investment properties	27,601
Other intangible assets other than goodwill	531
Deferred tax assets	1,973
Other non-current assets	1,132
Short-term borrowings from financial institutions	(118,996)
Trade and other current payables	(39,693)
Corporate income tax payable	(439)
Current portion of lease liabilities	(1,741)
Derivative liabilities	(4,311)
Other current liabilities	(565)
Lease liabilities	(29,188)
Rental deposit from tenants	(2,339)
Provisions for employee benefits	(1,384)
Deferred tax liabilities	(335)
Other non-current provisions	(2,074)
Other non-current liabilities	(593)
Total identifiable net assets	(26,924)
Less: Non-controlling interests	(7)
Total identifiable net assets received	(26,931)
Preliminary goodwill	244,880
Less: Fair value of previously held equity interest (40%)	(87,180)
Consideration transferred	130,769

The preliminary estimate of the purchase price has been calculated based on the number of the Company's ordinary shares in exchange with CPRD's ordinary shares and the management estimated fair value per share. The actual purchase price will fluctuate with changes in the fair value of the Company's ordinary shares until the closing, and the final valuation could differ significantly from the current estimate.

As part of the step acquisition, the Group has preliminarily remeasured the previously held equity interest in CPRD from carrying value to fair value and incurred a pro forma gain of Baht 1,627 million, which is considered nonrecurring in nature and adjusted directly into the pro forma unappropriated retained earnings as described in Note 6.6.

The purchase price allocation is a judgemental exercise to determine the fair value of assets acquired and liabilities assumed and consideration transferred with any resulting differences recognised as goodwill. At the reporting date, the assessment of fair value was not yet completed. Management believed that the carrying amount of CPRD is a reasonable approximation of fair value. Therefore, there was no fair value adjustment to the carrying value of the identifiable assets acquired and liabilities assumed.

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

5 Pro forma adjustments relating to the Tesco Asia Group Acquisition and the Financing Transaction

The historical consolidated statement of income of CPRD for the period from 6 March 2020 to 31 December 2020 included the results of operations of Tesco Thailand and Tesco Malaysia for the period from 18 December 2020 to 31 December 2020. The following pro forma adjustments have been made to historical consolidated statement of income of CPRD to reflect the Tesco Asia Group Acquisition and the Financing Transaction as described in Notes 3.1 and 3.2.

5.1 Recognition of incremental interest expenses and amortisation of deferred financing costs associated with the the short-term borrowings with financial institutions as describe in Note 3.2. The incremental finance costs for year ended 31 December 2020 were Baht 4,783 million.

A change of 1/8% in the interest rate would result in a change in interest expense and profit before income tax expense of Baht 151 million for the year ended 31 December 2020.

5.2 Reversal of non-recurring transaction cost, which is directly attributable to the Tesco Asia Group Acquisition which was included in the historical results of operations of CPRD for the period from 6 March 2020 to 31 December 2020. The non-recurring transaction cost for that period were Baht 257 million.

5.3 Reversal of interest income of Baht 299 million and interest expense of Baht 755 million with the previous shareholders of Tesco Thailand and Tesco Malaysia during the year ended 31 December 2020, which will not have a continuing impact on the results of operations of the combined company.

5.4 Elimination of duplicative results of operations of Tesco Thailand and Tesco Malaysia from 18 December 2020 to 31 December 2020, which have been included in historical consolidated statement of income of CPRD, and intercompany transactions. Such balances are presented as below.

	<i>(in million Baht)</i>
Revenue	
Revenue from sales of goods	9,015
Revenue from rental and rendering retail services	451
Gain on foreign exchange rate	225
Other income	134
Total revenue	9,825
Expenses	
Cost of sale of goods	7,958
Cost of rental and rendering of services	161
Distribution costs	109
Administrative expenses	439
Total expenses	8,667
Profit from operating activities	1,158
Finance costs	(162)
Share of profit from investment in joint ventures and associates	25
Profit before income tax expense	1,021
Income tax expense	(141)
Profit for the period	880

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

There is no tax impact of the pro forma adjustments as CPRD is, and has been in net operating loss positions and has not expected taxable profit available against the unutilized tax losses on both a historical and a pro forma basis.

6 Pro forma adjustments to relating to the EBT Transaction and Private Placement Transaction

Based on the basis of preparation and significant assumptions in preparation of the unaudited pro forma consolidated financial information disclosed in Notes 2 and 3, the following pro forma adjustments have been made to the audited consolidated financial statements of the Group in arriving at the unaudited consolidated pro forma financial information.

- 6.1 Recognition of cash and cash equivalents of Baht 5 million and accrued expenses of Baht 1 million transferred from CPRH to the Group.
- 6.2 Reversal of CPRD's existing goodwill of Baht 226,228 million.
- 6.3 Recognition of goodwill of Baht 244,880 million based on the preliminary purchase price allocation from the EBT Transaction as described in Note 4.
- 6.4 Recognition of share capital of Baht 2,505 million and premium on ordinary shares of Baht 215,444 million in connection with the issuance of the Company's ordinary shares as consideration paid to reflect the EBT Transaction.
- 6.5 Reversal of CPRD's share capital of Baht 199,475 million, deficits of Baht 158 million and other components of equity of Baht 24 million.
- 6.6 Recognition of gain on the remeasurement of previously held equity interest in CPRD of Baht 1,627 million in unappropriated retained earnings and deficit from business combination under common control. The gain on the remeasurement is directly related to the EBT Transaction but is nonrecurring in nature. Therefore, a pro forma adjustment for the gain has been made to the unaudited pro forma consolidated statement of financial position only.
- 6.7 Elimination of intercompany balance between the Group and CPRD as at 31 December 2020 and intercompany transactions between the Group and CPRD during the year ended 31 December 2020. The following table represents the intercompany transactions between the Group and CPRD:

<i>Statement of financial position as at</i>	31 December 2020
	<u>(in million Baht)</u>
Trade accounts receivable	2
Trade and other current payables	(2)
 <i>Statement of income for the year ended</i>	 31 December 2020
	<u>(in million Baht)</u>
Revenue from sales of goods	6
Cost of sales of goods	(6)

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

- 6.8 The Group has conducted a review of the accounting policies and classification of CPRD, Tesco Thailand and Tesco Malaysia to determine if differences in accounting policies require pro forma adjustments or reclassifications of results of operations or financial position to conform to the Group's accounting policies and classifications. The following material differences between accounting policies and classification of the Group, CPRD, Tesco Thailand and Tesco Malaysia were identified as follows:

Statement of financial position as at 31 December 2020

- 6.8.1 Reclassification of CPRD's trade and other current receivables of Baht 3,544 million to trade accounts receivable of Baht 951 million, other current receivables of Baht 838 million and accrued income of Baht 1,755 million;
- 6.8.2 Reclassification of CPRD's trade and other current payables of Baht 39,693 million to below accounts;

	31 December 2020
	<i>(in million Baht)</i>
Trade accounts payable to other parties	29,388
Trade accounts payable to related parties	621
Other current payable to other parties	6,408
Other current payable to related parties	78
Accrued expenses	3,198
	39,693

- 6.8.3 Reclassification of CPRD's accrued rebate of Baht 1,732 million from accrued income of Baht 1,488 million and other current receivables of Baht 244 million which were previously included as part of trade and other current receivables to purchase discount receivables;

Statement of income for the year ended 31 December 2020

- 6.8.4 Reclassification of CPRD's gain on exchange rate and net derivative gain of Baht 15 million and Baht 2 million, respectively, to other income;
- 6.8.5 Reclassification of CPRD's income from providing marketing deal to the suppliers of Baht 324 million from other income to revenue from rendering services; and
- 6.8.6 Reclassification of the Group's rental income of Baht 361 million from other income to revenue from rental and rendering retail services as the Group has determined that the revenue from rental and rendering retail services of the Group after EBT Transaction would be material due to Tesco Asia Group's operation.

Siam Makro Public Company Limited and its Subsidiaries
Notes to the unaudited consolidated pro forma financial information
For the year ended 31 December 2020

7 Pro forma earnings per share

The unaudited pro forma basic earnings per share of equity holders of the Company calculations are based on the Company's basic weighted average number of ordinary shares outstanding as at 31 December 2020. The pro forma weighted average number of ordinary shares outstanding reflects the adjustment on estimated issuance of the Company's ordinary shares to CPRH's previous shareholders as if the Private Placement Transaction had occurred on 1 January 2020.

The following table sets forth the calculation of pro forma basic earnings per share of equity holders of the Company for the year ended 31 December 2020:

	Year ended 31 December 2020 <i>(in million Baht)</i>
Pro forma profit attributable to equity holders of the Company	<u>8,109</u>
	<i>(in million shares)</i>
The Company's historical weighted average ordinary shares outstanding	4,800
Issuance of the Company's ordinary shares as part of the Private Placement at the closing of the EBT Transaction	<u>5,010</u>
Pro forma weighted average ordinary shares outstanding	<u>9,810</u>
Pro forma basic earnings per share of equity holders of the Company <i>(in Baht)</i>	<u>0.83</u>

The Company has no dilutive potential ordinary shares during the year presented and, therefore, pro forma basic and diluted earnings per share of equity holders of the Company are the same.



บริษัท ดีลอยท์ ทูช โทมัทสு ไชยยศ
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**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN
A PROSPECTUS**

**TO THE BOARD OF DIRECTORS
C.P. RETAIL DEVELOPMENT COMPANY LIMITED**

**Report on the Compilation of the Unaudited Pro Forma Consolidated Financial
Information Included in a Prospectus**

We have completed our assurance engagement to report on the compilation of the Unaudited Pro Forma Consolidated Financial Information of C.P. Retail Development Company Limited and its subsidiaries (the "Group") by the Company's management. The Unaudited Pro Forma Consolidated Financial Information consists of the pro forma consolidated statements of financial position as at December 31, 2020 and 2019, the related pro forma consolidated statements of profit or loss, comprehensive income and cash flows for the years then ended, and related notes to the Unaudited Pro Forma Consolidated Financial Information. The basis of criteria and assumptions of which the Company's management has compiled the Unaudited Pro Forma Consolidated Financial Information are described in Note 2 to Note 4 to the Unaudited Pro Forma Consolidated Financial Information.

The Unaudited Pro Forma Consolidated Financial Information has been compiled by the Company's management to illustrate the impact of the events or transactions set out in Note 2 to Note 4 on the financial position of the Group as at December 31, 2020 and 2019 and the financial performance and cash flows of the Group for the years then ended as if the events or transactions had taken place at January 1, 2019. As part of this process, the information about the financial position, financial performance and cash flows of the Company and its subsidiaries has been extracted by the Company's management from the Company's and its subsidiaries' financial statements as described in Note 4(b).

The Management's Responsibility for the Unaudited Pro Forma Consolidated Financial Information

The management is responsible for compiling the Unaudited Pro Forma Consolidated Financial Information on the basis of criteria and assumptions as described in Note 2 to Note 4 to the Unaudited Pro Forma Consolidated Financial Information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics and Handbook of the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions of Thailand, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



The firm applies Thai Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion about whether the Unaudited Pro Forma Consolidated Financial Information has been compiled, in all material respects, by the management on the basis of criteria and assumptions as described in Note 2 to Note 4 to the Unaudited Pro Forma Consolidated Financial Information.

We conducted our engagement in accordance with Thai Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Federation of Accounting Professions of Thailand. This standard requires that the Reporting Auditor plan and perform procedures to obtain reasonable assurance about whether the Company's management has compiled, in all material respects, the Unaudited Pro Forma Consolidated Financial Information on the basis of criteria and assumptions as described in Note 2 to Note 4 to the Unaudited Pro Forma Consolidated Financial Information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Consolidated Financial Information.

The purpose of the Unaudited Pro Forma Consolidated Financial Information included in a prospectus is solely to illustrate the impact of a significant events or transactions on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at December 31, 2020 and 2019 and for the years then ended would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Consolidated Financial Information has been compiled, in all material respects, on the basis of criteria and assumptions involves performing procedures to assess whether the basis of criteria and assumptions used by the Company's management in the compilation of the Unaudited Pro Forma Consolidated Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those basis of criteria and assumptions; and
- The Unaudited Pro Forma Consolidated Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to the Auditor's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Consolidated Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Consolidated Financial Information.


We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Unaudited Pro Forma Consolidated Financial Information has been compiled, in all material respects, on the basis of criteria and assumptions as described in Note 2 to Note 4 to the Unaudited Pro Forma Consolidated Financial Information.

Restriction on Use and Distribution

This report has been prepared solely for inclusion in the prospectus to be issued in connection with the public offering of ordinary shares of Siam Makro Public Company Limited ("Makro") to the Securities and Exchange Commission in Thailand and for no other purposes.



Choopong Surachutikarn
Certified Public Accountant (Thailand)
Registration No. 4325

BANGKOK
August 31, 2021

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

C.P. RETAIL DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unit : Million Baht	
		As at	As at
	Notes	December 31, 2020	December 31, 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	20,357	21,724
Trade and other current receivables	8	2,725	3,419
Inventories	9	11,930	12,386
Derivative financial assets		2	1
Other current assets		239	183
Total Current Assets		35,253	37,713
NON-CURRENT ASSETS			
Investment in joint ventures	10	3,986	3,504
Investment in an associate	10	11,027	11,188
Investment properties	11	29,186	29,695
Property, plant and equipment	12	71,113	72,986
Right-of-use assets	13	26,894	25,422
Goodwill	15	226,228	226,228
Other intangible assets other than goodwill	14	1,863	571
Other non-current assets		1,090	1,067
Total Non-current Assets		371,387	370,661
TOTAL ASSETS		406,640	408,374
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings from financial institutions	17	120,823	120,823
Trade and other current payables	18	38,361	37,127
Current portion of lease liabilities	19	1,995	1,850
Corporate income tax payable		208	1,538
Derivative liabilities		8,211	8,211
Other current liabilities		595	263
Total Current Liabilities		170,193	169,812
NON-CURRENT LIABILITIES			
Lease liabilities	19	32,064	28,391
Rental deposit from tenants		1,961	1,932
Deferred tax liabilities	16	453	773
Non-current provisions for employee benefits		1,396	1,184
Other non-current provisions	20	2,076	2,001
Other non-current liabilities		908	947
Total Non-current Liabilities		38,858	35,228
TOTAL LIABILITIES		209,051	205,040
SHAREHOLDERS' EQUITY			
Share capital	4(d)	199,475	199,475
Retained earnings		10,112	8,333
Difference arising from pro forma adjustment		(12,066)	(4,561)
Other components of shareholders' equity		61	80
Total shareholders' equity attributable to owners of the parent		197,582	203,327
Non-controlling interests		7	7
TOTAL SHAREHOLDERS' EQUITY		197,589	203,334
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		406,640	408,374

Notes to the Unaudited Pro Forma Consolidated Financial Information form an integral part of these statements

C.P. RETAIL DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Unit : Million Baht	
	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue from sale of goods		197,460	205,227
Rental income and revenue from rendering of services		11,188	14,805
Costs of sales		(160,670)	(166,237)
Cost of rental and cost of rendering of services		(5,526)	(5,354)
Gross profit	22	<u>42,452</u>	<u>48,441</u>
Gain (loss) on foreign exchange rate		87	(2)
Other income		2,370	3,093
Net derivative gain		2	1
Distribution costs		(28,716)	(28,557)
Administrative expenses		(6,434)	(5,595)
Profit from operating activities		<u>9,761</u>	<u>17,381</u>
Finance costs		(6,772)	(6,736)
Share of profit from investment in joint ventures and an associate	10	<u>782</u>	<u>815</u>
Profit before income tax expense		<u>3,771</u>	<u>11,460</u>
Income tax expense	16	<u>(1,993)</u>	<u>(3,127)</u>
Profit for the year		<u><u>1,778</u></u>	<u><u>8,333</u></u>
Profit attributable to:			
Owners of the parent		1,778	8,333
Non-controlling interests		-	-
Profit for the year		<u><u>1,778</u></u>	<u><u>8,333</u></u>
Basic Earnings per Share (Baht)	21	0.89	4.18

Notes to the Unaudited Pro Forma Consolidated Financial Information form an integral part of these statements

C.P. RETAIL DEVELOPMENT CO., LTD. AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the year ended December 31, 2020	Unit : Million Baht For the year ended December 31, 2019
Profit for the year		1,778	8,333
Other comprehensive income (loss):			
Components of other comprehensive income (loss) that will be reclassified to profit or loss			
Exchange differences on translating financial statements		(19)	80
Losses on re-measurements of defined benefit plans		(149)	(88)
Total components of other comprehensive loss that will be reclassified to profit or loss, net of tax		<u>(168)</u>	<u>(8)</u>
Other comprehensive loss for the year, net of tax		<u>(168)</u>	<u>(8)</u>
Total comprehensive income for the year		<u>1,610</u>	<u>8,325</u>
Total comprehensive income attributable to:			
Owners of the parent		1,610	8,325
Non-controlling interests		-	-
Total comprehensive income for the year		<u>1,610</u>	<u>8,325</u>

Notes to the Unaudited Pro Forma Consolidated Financial Information form an integral part of these statements

C.P. RETAIL DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unit : Million Baht		
	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		3,771	11,460
Adjustments for			
Finance costs		6,772	6,736
Interest income		(82)	(97)
Depreciation and amortization		11,744	11,699
Allowance for obsolete and slow-moving inventories (reversal)		33	(39)
Impairment loss of assets (reversal)		1,388	(826)
Allowance for expected credit loss (reversal)		63	(16)
Provisions for employee benefits		96	305
Other provisions		65	(31)
Unrealized (gain) loss on exchange rates		(24)	13
(Gain) loss on disposal of non-current assets		(11)	34
Loss on write-off non-current assets		143	229
Gain on termination of lease contracts		(125)	(54)
Share options expense		102	249
Share of profit from joint ventures and an associate		(782)	(815)
Gain from operations before changes in operating assets and liabilities		23,153	28,847
Changes in operating assets and liabilities			
Operating assets (increase) decrease			
Trade and other current receivables		446	(1,079)
Inventories		406	722
Other current assets		(79)	(45)
Other non-current assets		(2)	5
Operating liabilities increase (decrease)			
Trade and other current payables		(69)	(1,478)
Other current liabilities		333	(61)
Rental deposit from tenants		29	95
Other non-current provisions		2	2
Other non-current liabilities		(37)	(20)
Cash received from operations		24,182	26,988
Cash received from interest		269	11
Cash paid for income tax		(3,602)	(2,016)
Cash received from tax refund		-	4
Share based payments		-	(25)
Cash paid for employee benefits		(70)	(164)
Cash paid for legal claim provisions		(11)	(41)
Net cash flows provided by operating activities		20,768	24,757
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for acquisition of subsidiaries, net of cash acquired		-	(308,520)
Cash received from disposal of investment property and property, plant and equipment		218	36
Cash paid for purchases of investment property, property, plant and equipment, and intangible assets other than goodwill		(6,917)	(5,463)
Dividends received from an associate		461	546
Net cash flows used in investing activities		(6,238)	(313,401)

C.P. RETAIL DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For the year ended	Unit : Million Baht
Notes	December 31, 2020	For the year ended December 31, 2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of common stock	-	199,475
Cash paid for interest and financing fee	(5,791)	(5,778)
Cash received from borrowings	-	120,823
Cash paid for lease liabilities	(3,034)	(3,092)
Net cash flows provided by (used in) financing activities	<u>(8,825)</u>	<u>311,428</u>
Net increase in cash and cash equivalents before effect of exchange rate	5,705	22,784
Effect of exchange rate changes on cash and cash equivalents	(13)	(34)
Difference arising from pro forma adjustment	(7,059)	(1,026)
Cash and cash equivalents at beginning of the year	<u>21,724</u>	<u>-</u>
Cash and cash equivalents at ending of the year	<u>20,357</u>	<u>21,724</u>

Notes to the Unaudited Pro Forma Consolidated Financial Information form an integral part of these statements

C.P. RETAIL DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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**C.P. RETAIL DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

1. GENERAL INFORMATION

C.P. Retail Development Company Limited (the “Company”) is incorporated in Thailand and has its registered office at 629/1 Nawamintr Road, Nuanchan, Buengkoom, Bangkok. The main objective of the Company is investing in retail business and mall rental in Thailand and overseas under the name “Lotus’s”.

2. OBJECTIVE OF THE PREPARATION OF THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The Unaudited Pro Forma Consolidated financial information of C.P. Retail Development Company Limited and its subsidiaries (the “Group”) consists of the unaudited pro forma consolidated statements of financial position of the Group as at December 31, 2020 and 2019 and the unaudited pro forma consolidated statements of profit or loss, comprehensive income and cash flows of the Group for the years then ended, and a summary of significant accounting policies and other explanatory information (the “Unaudited Pro Forma Consolidated Financial Information”).

The Unaudited Pro Forma Consolidated Financial Information has been compiled by the management of the Company for inclusion in the prospectus to be issued in connection with the public offering of ordinary shares of Siam Makro Public Company Limited (“Makro”) to the Securities and Exchange Commission in Thailand.

The English version of the Unaudited Pro Forma Consolidated Financial Information has been prepared from the Unaudited Pro Forma Consolidated Financial Information that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai version of the Unaudited Pro Forma Consolidated Financial Information shall prevail.

3. SIGNIFICANT EVENTS

a) Investment in Tesco Asia Group

On March 6, 2020, the Company's Board of Directors Meeting No. 1/2020 has approved the investment in shares of Tesco Stores (Thailand) Limited and its subsidiaries ("Tesco Thailand") (subsequently known as "Lotus's Stores (Thailand) Co., Ltd.") which holds shares of 99.99% in Ek-Chai Distribution System Co., Ltd., a retail operator under the Tesco Lotus trademark in Thailand and Tesco Stores (Malaysia) Sdn. Bhd. ("Tesco Malaysia") (subsequently known as "Lotuss Stores (Malaysia) Sdn. Bhd."), which operates retail business under the Tesco trademark in Malaysia (these entities are referred as "Tesco Asia Group"). On March 9, 2020, the Company entered into a Share Purchase Agreement with Tesco Holding Limited and Tesco Holding B.V. with the conditions precedent have been completed, including (a) Tesco PLC receives the approval from the shareholders' meeting for the sale of shares in the Tesco Asia Group (b) the Office of the Trade Competition Commission established under the Trade Competition Act of 2017 authorizes Tesco Holdings Limited to sell its shares in Tesco Thailand to the Company and (c) the Ministry of Domestic Trade and Consumers Affairs of Malaysia approved the sales of share of Tesco Malaysia for the Company.

On December 18, 2020, conditions precedent have been completed, the Company has purchase all shares of Tesco Thailand and Tesco Malaysia by proceeding payment for the investment under the aforementioned agreement totalling USD 10,735 million or equivalent to Baht 321,970 million and total acquisition expenses of Baht 257 million, a total of Baht 322,227 million.

b) Entire business transfer transaction of the parent company

On August 31, 2021, the Board of Directors of Siam Makro Public Company Limited ("Makro") has approved the entire business transfer transaction (the "EBT Transaction") of C.P. Retail Holdings Company Limited ("CPRH"), the parent company, and the Board of Director of CPRH has also approved the EBT Transaction to Makro on the same date. As part of EBT Transaction, all assets and liabilities of CPRH will be transferred to Makro at the closing date. The main assets and liabilities of CPRH include 99.99% of the Company's ordinary shares, cash and cash equivalents and accrued expenses. The EBT Transaction is expected to occur in October 2021 subject to approval of the Extraordinary General Meeting of shareholders of Makro and the satisfaction or waiver of applicable closing conditions. After completion of the EBT Transaction, CPRH will proceed with dissolution and commence liquidation within the same fiscal year.

4. BASIS OF PREPARATION AND SIGNIFICANT ASSUMPTIONS OF THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

- a) The Unaudited Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only and is based on certain assumptions after making certain adjustments to show what
- 1) the financial performance of the Group for the years ended December 31, 2020 and 2019 would have been if the Investment in Tesco Asia Group as described in Note 3(a) to the Unaudited Pro Forma Consolidated Financial Information (the “Significant Events”) had occurred on January 1, 2019;
 - 2) the financial position of the Group as at December 31, 2020 and 2019 would have been if the Significant Events per Note 3(a) had occurred on January 1, 2019; and
 - 3) the cash flows of the Group for the years ended December 31, 2020 and 2019 would have been if the Significant Events per Note 3(a) had occurred on January 1, 2019.
- b) Source of financial information for preparation of the Unaudited Pro Forma Consolidated Financial Information

The Unaudited Pro Forma Consolidated Financial Information has been compiled based on:

- 1) The separate financial statements of C.P. Retail Development Co., Ltd. for the period from March 6, 2020 (date of incorporation) to December 31, 2020 prepared in accordance with Thai Financial Reporting Standards and audited by auditor in accordance with Thai Standards on Auditing, expressing the unmodified opinion dated May 28, 2021. The auditor’s report has not been published yet.
- 2) The special purpose consolidated financial statements of Lotus’s Stores (Thailand) Co., Ltd. and its subsidiaries (“Lotus’s Thailand”) for the year ended February 28, 2021 and February 29, 2020 prepared in accordance with Thai Financial Reporting Standards and audited by auditor in accordance with Thai Standards on Auditing, expressing the unmodified opinion dated August 31, 2021 and August 31, 2021, respectively. The auditor’s report has not been published.
- 3) The special purpose financial statements of Lotuss Stores (Malaysia) Sdn. Bhd. (“Lotus’s Malaysia”) for the year ended February 28, 2021 and February 29, 2020 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and audited by auditor in accordance with International Standards on Auditing, expressing the unmodified opinion dated August 30, 2021 and August 30, 2021, respectively. The auditor’s report has not been published.

The functional and presentation currency of the special purpose financial statements of Lotus’s Malaysia is in Malaysian Ringgit. Exchange rates as reference from the Bank of Thailand have been applied for translation from Malaysian Ringgit to Thai Baht to be included in the Unaudited Pro Forma Consolidated Financial Information as follows:

- The closing rate as of February 28, 2021 and February 29, 2020 have been applied for translation of assets and liabilities for each statements of financial position.
- The average rate for the year ended February 28, 2021 and February 29, 2020 have been applied for translation of income and expenses for each statements of profit or loss and statement of comprehensive income.

- c) In arriving at the Unaudited Pro Forma Consolidated Financial Information, certain other adjustments and assumptions, as set out in Note 4(d), have been made. The Unaudited Pro Forma Consolidated Financial Information has been compiled from the financial information as stated in Note 4(b) and is based on the accounting policies adopted by the Group as disclosed in Note 6.

The information of Lotus's Thailand and Lotus's Malaysia presented in Note 7 to Note 24 to the Unaudited Pro Forma Consolidated Financial Information is derived from the special purpose consolidated financial statements of Lotus's Stores (Thailand) Co., Ltd. and its subsidiaries and the special purpose financial statements of Lotuss Stores (Malaysia) Sdn. Bhd. as at February 28, 2021 and February 29, 2020 and for the years then ended (Note 4 (b)).

- d) Assumptions used in preparation of the Unaudited Pro Forma Consolidated Financial Information are as follows:

- 1) The Company was incorporated on January 1, 2019 with the issued and paid-up share capital of Baht 199,475 million and the shareholder is C.P. Retail Holding Company Limited ("CPRH") holding 99.99% of the ordinary shares.
- 2) On January 1, 2019, the Company entered into the short-term Facility Agreement with financial institutions and drew down the borrowings of USD 3,310 million (equivalent to Baht 98,685 million) and Baht 22,138 million, totaling Baht 120,823 million. Interest rate for USD and Baht borrowings are 3-month LIBOR plus 1.5% - 2.0% per annum and 6-month fixed deposit rate plus 1.5% - 2.0% per annum, respectively, as specified in the agreement. The borrowings are for the purpose of investment in total shares of Tesco Thailand and Tesco Malaysia.

In this regard, the financing fee of USD 77 million (equivalent to Baht 2,300 million) and Baht 379 million, totaling Baht 2,679 million and the structuring fee of Baht 405 million were paid on January 1, 2019.

For the purpose of preparation of the Unaudited Pro Forma Consolidated Financial Information, the borrowings are classified as current liabilities as at December 31, 2020 and 2019. No repayment of the borrowings are assumed to be made. The same amount of the financing fee and structuring fee Baht 2,679 million and Baht 405 million, respectively are assumed to recur in the year 2020 to reflect the refinancing transaction.

The average interest rate for the year ended December 31, 2020 and 2019 are assumed to be at 1.91%. The exchange rate for conversion of USD 3,310 million borrowings are based on actual drawdown date during December 17-18, 2020 and assumed to remain unchanged. Therefore, unrealized gain or loss on exchange rate from the borrowings are not recognized in the unaudited pro forma consolidated statements of profit or loss for the years ended December 31, 2020 and 2019.

- 3) The Significant Events as mentioned in Note 3(a) and the conditions precedent are assumed to occur and complete on January 1, 2019. The consideration payment of USD 10,735 million (equivalent to Baht 321,970 million) has been paid on January 1, 2019 with the relating acquisition cost of Baht 257 million.

Goodwill (unallocated) of Baht 226,228 million has been recognized based on the excess of the acquisition costs of business over the net asset value as of December 18, 2020 as presented in the consolidated financial statements of the Group for the period from March 6, 2020 (date of incorporation) to December 31, 2020.

The Company is in the process of assessing the fair value of business acquired at the acquisition date on December 18, 2020 to allocate costs of the business acquisition to such identifiable items. The assessment process is ongoing and mainly relates to the identification and valuation of intangible assets and certain tangible assets. It is to be completed within the period of 1 year from the actual acquisition date. For the purpose of preparation of the Unaudited Pro Forma Consolidated Financial Information, the fair value of business acquired is assumed to equal to the net asset value as of the actual acquisition date. Therefore, goodwill of Baht 226,228 million has assumed to remain unchanged.

- 4) The Company has assumed that there is no administrative expenses in 2020 and 2019 because the Company is the holding company with limited number of transaction and such expenses are not material to the Group.
- 5) The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with the consideration payment for Tesco Asia Group in USD. For the purpose of preparation of the Unaudited Pro Forma Consolidated Financial Information, the fair value of derivatives are assumed to remain unchanged which derivative liabilities of Baht 8,211 million is recognized in the unaudited pro forma consolidated statement of financial position as of January 1, 2019.
- 6) The financial assets and financial liabilities related to the loan agreements of the Group with the former related parties (Tesco) are assumed to be settled prior to January 1, 2019. Therefore, loans to the former related parties and borrowings from the former related parties are reversed from the unaudited pro forma consolidated statement of financial position as at December 31, 2020 and 2019. The related interest income and interest expense are reversed and replaced by interest expense under the Facility Agreement as mentioned in Note 4(d)(2).
- 7) Dividend payment of Baht 6,000 million made by Lotus's Stores (Thailand) Co., Ltd. to its former shareholders (Tesco Group) in July 2019 is reversed against cash and cash equivalent in the unaudited pro forma consolidated statement of financial position as at December 31, 2019 to reflect the Significant Events as mentioned in Note 3(a).

5. STATEMENT OF ADJUSTMENT

a) Unaudited pro forma consolidated statements of profit or loss and statement of comprehensive income of the Group for the years ended December 31, 2020 and 2019.

The following adjustments have been made in arriving at the unaudited pro forma consolidated statements of profit or loss and statement of comprehensive income of the Group for the years ended December 31, 2020 and 2019 based on the assumptions that the Significant Events per Note 3(a) had occurred at January 1, 2019.

Statement of adjustment to the unaudited pro forma consolidated statement of profit or loss of the Group for the year ended December 31, 2020

	The separate statement of profit or loss of the Company	The statement of profit or loss of Lotus's Thailand	The statement of profit or loss of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of profit or loss
Revenue from sale of goods	-	162,962	34,498	-	-	197,460
Rental income and revenue from rendering of services	-	9,670	1,518	-	-	11,188
Costs of sales	-	(132,813)	(27,857)	-	-	(160,670)
Cost of rental and cost of rendering of services	-	(4,784)	(742)	-	-	(5,526)
Gross profit	-	35,035	7,417	-	-	42,452
Gain (loss) on foreign exchange rate	(72)	(2)	89	-	72	87
Other income	20	2,300	398	(49)	(299)	2,370
Net derivative gain	-	2	-	-	-	2
Distribution costs	-	(24,338)	(4,378)	-	-	(28,716)
Administrative expenses	(160)	(5,268)	(1,166)	-	160	(6,434)
Profit (loss) from operating activities	(212)	7,729	2,360	(49)	(67)	9,761
Finance costs	(616)	(980)	(1,244)	90	(4,022)	(6,772)
Share of profit from investment in joint ventures and an associate	-	782	-	-	-	782
Profit (loss) before income tax expense	(828)	7,531	1,116	41	(4,089)	3,771
Income tax expense	-	(1,527)	(466)	-	-	(1,993)
Profit (loss) for the year	(828)	6,004	650	41	(4,089)	1,778

Unit: Million Baht

Statement of adjustment to the unaudited pro forma consolidated statement of comprehensive income of the Group for the year ended December 31, 2020
Unit: Million Baht

	The separate statement of comprehensive income of the Company	The statement of comprehensive income of Lotus's Thailand	The statement of comprehensive income of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of comprehensive income
Profit or loss for the year	(828)	6,004	650	41	(4,089)	1,778
Other comprehensive income (loss):						
Components of other comprehensive income (loss) that will be reclassified to profit or loss	-	-	(19)	-	-	(19)
Exchange differences on translating financial statements	-	(149)	-	-	-	(149)
Losses on re-measurements of defined benefit plans	-	(149)	(19)	-	-	(168)
Other comprehensive income (loss) for the year, net of tax	(828)	(149)	(19)	41	(4,089)	(1,610)
Total comprehensive income (loss) for the year						

Statement of adjustment to the unaudited pro forma consolidated statement of profit or loss of the Group for the year ended December 31, 2019

	Unit: Million Baht					
	The separate statement of profit or loss of the Company	The statement of profit or loss of Lotus's Thailand	The statement of profit or loss of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of profit or loss
Revenue from sale of goods	-	171,326	33,901	-	-	205,227
Rental income and revenue from rendering of services	-	12,739	2,066	-	-	14,805
Costs of sales	-	(138,459)	(27,778)	-	-	(166,237)
Cost of rental and cost of rendering of services	-	(4,665)	(689)	-	-	(5,354)
Gross profit	-	40,941	7,500	-	-	48,441
Gain (loss) on foreign exchange rate	-	8	(10)	-	-	(2)
Other income	-	3,242	437	-	(586)	3,093
Net derivative gain	-	1	-	-	-	1
Distribution costs	-	(23,784)	(4,773)	-	-	(28,557)
Administrative expenses	-	(4,274)	(1,064)	-	(257)	(5,595)
Profit (loss) from operating activities	-	16,134	2,090	-	(843)	17,381
Finance costs	-	(957)	(1,593)	-	(4,186)	(6,736)
Share of profit from investment in joint ventures and an associate	-	815	-	-	-	815
Profit (loss) before income tax expense	-	15,992	497	-	(5,029)	11,460
Income tax expense	-	(2,889)	(238)	-	-	(3,127)
Profit (loss) for the year	-	13,103	259	-	(5,029)	8,333

Statement of adjustment to the unaudited pro forma consolidated statement of comprehensive income of the Group for the year ended December 31, 2019

	Unit: Million Baht				
The statement of comprehensive income of the Company	The statement of comprehensive income of Thailand	The statement of comprehensive income of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of comprehensive income
Profit or loss for the year	-	13,103	259	-	8,333
Other components of comprehensive income (loss):					
Components of other comprehensive income (loss) that will be reclassified to profit or loss	-	-	80	-	80
Exchange differences on translating financial statements	-	(88)	-	-	(88)
Losses on re-measurements of defined benefit plans	-	-	-	-	-
Total components of other comprehensive loss that will be reclassified to profit or loss, net of tax	-	(88)	80	-	(8)
Other comprehensive income (loss) for the year, net of tax	-	(88)	80	-	(8)
Total comprehensive income (loss) for the year	-	13,015	339	(5,029)	8,325

b) Unaudited pro forma consolidated statements of financial position of the Group as at December 31, 2020 and 2019.

The following adjustments have been made in arriving at the unaudited pro forma consolidated statements of financial position of the Group as at December 31, 2020 and 2019 based on the assumptions that the Significant Events per Note 3(a) had occurred on January 1, 2019.

Statement of adjustment to the unaudited pro forma consolidated statement of financial position of the Group as at December 31, 2020						Unit: Million Baht
	The separate statement of financial position of the Company	The statement of financial position of Lotus's Thailand	The statement of financial position of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of financial position
Assets						
Current asset						
Cash and cash equivalents	2,278	21,589	3,810	-	(7,320)	20,357
Trade and other current receivables	32	2,142	600	(49)	-	2,725
Short-term loans to a related party	16,494	26,719	-	(43,213)	-	-
Inventories	-	9,889	2,041	-	-	11,930
Derivative financial assets	-	2	-	-	-	2
Other current assets	-	239	-	-	-	239
Total current assets	18,804	60,580	6,451	(43,262)	(7,320)	35,253
Non-current asset						
Investment in subsidiaries	322,227	-	-	(322,227)	-	-
Investment in joint ventures	-	3,986	-	-	-	3,986
Investment in an associate	-	11,027	-	-	-	11,027
Investment properties	-	22,192	6,994	-	-	29,186
Property, plant and equipment	-	57,447	13,666	-	-	71,113
Right-of-use assets	-	24,945	1,949	-	-	26,894
Goodwill	-	-	3,165	223,063	-	226,228
Other intangible assets other than goodwill	-	1,763	100	-	-	1,863
Other non-current assets	-	845	245	-	-	1,090
Total non-current assets	322,227	122,205	26,119	(99,164)	-	371,387
Total Asset	341,031	182,785	32,570	(142,426)	(7,320)	406,640

Statement of adjustment to the unaudited pro forma consolidated statement of financial position of the Group as at December 31, 2020 (continued)

	The separate statement of financial position of the Company	The statement of financial position of Lotus's Thailand	The statement of financial position of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of financial position
Liabilities and shareholders' equity						
Current liabilities						
Short-term borrowings from financial institutions	118,996	-	-	-	1,827	120,823
Trade and other current payables	334	30,759	7,359	(91)	-	38,361
Current portion of lease liabilities	-	1,898	97	-	-	1,995
Short-term borrowings from a related party	26,719	-	16,542	(43,261)	-	-
Corporate income tax payable	-	38	170	-	-	208
Derivative liabilities	4,311	-	-	-	-	8,211
Other current liabilities	186	317	92	-	3,900	595
Total current liabilities	150,546	33,012	24,260	(43,352)	5,727	170,193
Non-current liabilities						
Lease liabilities	-	27,491	4,573	-	-	32,064
Rental deposit from tenants	-	1,961	-	-	-	1,961
Deferred tax liabilities	-	129	324	-	-	453
Non-current provisions for employee benefits	-	1,396	-	-	-	1,396
Other non-current provisions	-	2,049	27	-	-	2,076
Other non-current liabilities	-	518	390	-	-	908
Total non-current liabilities	-	33,544	5,314	-	-	38,858
Total liabilities	150,546	66,556	29,574	(43,352)	5,727	209,051
Shareholders' equity						
Share capital	199,475	7,203	6,320	(13,523)	-	199,475
Retained earnings (deficits)	(829)	109,026	(3,385)	(105,600)	10,900	10,112
Difference arising from pro forma adjustment	-	-	-	11,831	(23,897)	(12,066)
Other components of shareholders' equity	(8,161)	-	61	8,211	(50)	61
Non-controlling interests	-	-	-	7	-	7
Total shareholders' equity	190,485	116,229	2,996	(99,074)	(13,047)	197,589
Total liabilities and shareholders' equity	341,031	182,785	32,570	(142,426)	(7,320)	406,640

Unit: Million Baht

Statement of adjustment to the unaudited pro forma consolidated statement of financial position of the Group as at December 31, 2019

	Unit: Million Baht					
	The separate statement of financial position of the Company	The statement of financial position of Lotus's Thailand	The statement of financial position of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of financial position
Assets						
Current asset						
Cash and cash equivalents	-	13,535	1,672	-	6,517	21,724
Trade and other current receivables	-	2,830	589	-	-	3,419
Short-term loans to a related party	-	26,600	-	-	(26,600)	-
Inventories	-	10,313	2,073	-	-	12,386
Derivative financial assets	-	1	-	-	-	1
Other current assets	-	183	-	-	-	183
Total current assets	-	53,462	4,334	-	(20,083)	37,713
Non-current asset						
Investment in joint ventures	-	3,504	-	-	-	3,504
Investment in an associate	-	11,188	-	-	-	11,188
Investment properties	-	22,538	7,157	-	-	29,695
Property, plant and equipment	-	58,603	14,383	-	-	72,986
Right-of-use assets	-	23,745	1,677	-	-	25,422
Goodwill	-	-	3,192	-	223,036	226,228
Other intangible assets other than goodwill	-	457	114	-	-	571
Other non-current assets	-	843	224	-	-	1,067
Total non-current assets	-	120,878	26,747	-	223,036	370,661
Total Assets	-	174,340	31,081	-	202,953	408,374

Statement of adjustment to the unaudited pro forma consolidated statement of financial position of the Group as at December 31, 2019 (continued)

	Unit: Million Baht					
	The separate statement of financial position of the Company	The statement of financial position of Lotus's Thailand	The statement of financial position of Lotus's Malaysia	Elimination entries	Pro forma adjustment entries	Unaudited pro forma consolidated statement of financial position
Liabilities and shareholders' equity						
Current liabilities						
Short-term borrowings from financial institutions	-	-	-	-	120,823	120,823
Trade and other current payables	-	30,433	6,694	-	-	37,127
Current portion of lease liabilities	-	1,767	83	-	-	1,850
Short-term borrowings from a related party	-	-	12,725	-	(12,725)	-
Corporate income tax payable	-	1,485	53	-	-	1,538
Derivative liabilities	-	-	-	-	8,211	8,211
Other current liabilities	-	173	90	-	-	263
Total current liabilities	-	33,858	19,645	-	116,309	169,812
Non-current liabilities						
Lease liabilities	-	24,161	4,230	-	-	28,391
Rental deposit from tenants	-	1,932	-	-	-	1,932
Long-term borrowings from a related party	-	-	4,051	-	(4,051)	-
Deferred tax liabilities	-	402	371	-	-	773
Non-current provisions for employee benefits	-	1,184	-	-	-	1,184
Other non-current provisions	-	1,975	26	-	-	2,001
Other non-current liabilities	-	554	393	-	-	947
Total non-current liabilities	-	30,208	9,071	-	(4,051)	35,228
Total liabilities	-	64,066	28,716	-	112,258	205,040
Shareholders' equity						
Share capital	-	7,203	6,320	-	185,952	199,475
Retained earnings (deficits)	-	103,071	(4,035)	-	(90,703)	8,333
Difference arising from pro forma adjustment	-	-	-	-	(4,561)	(4,561)
Other components of shareholders' equity	-	-	80	-	-	80
Non-controlling interests	-	-	-	-	7	7
Total shareholders' equity	-	110,274	2,365	-	90,695	203,334
Total liabilities and shareholders' equity	-	174,340	31,081	-	202,953	408,374

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis of preparation of the Unaudited Pro Forma Consolidated Financial Information

The Unaudited Pro Forma Consolidated Financial Information comprise the Company's and its subsidiaries' financial information and the Group's interest in associates and joint ventures.

Business combinations

The Group applies the acquisition method for business acquisition.

The Group's control is achieved when the Group (1) has power over the investee, (2) is exposed, or has rights, to variable returns from its involvement with the investee, and (3) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Goodwill is measured as at acquisition date at the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the net realized amount (fair value) of identifiable assets acquired and liability assumed is higher than the fair value of the consideration transferred, the Group will recognize the surplus as gain in the unaudited pro forma consolidated statements of profit or loss.

Consideration transferred is measured at the fair values of the assets transferred.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are recognized as expenses when incurred.

Transactions eliminated in the Unaudited Pro Forma Consolidated Financial Information

Significant intra-group balances and transactions have been eliminated in the preparation of the Unaudited Pro Forma Consolidated Financial Information. The Unaudited Pro Forma Consolidated Financial Information for the year ended December 31, 2020 and 2019 were prepared by using the financial information of its subsidiaries as described in Note 4(b).

6.2 Foreign currencies

Transactions in foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognized as profit or loss in the unaudited pro forma consolidated statements of profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to functional currency using the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising from translation are recognized as profit or loss in the accounting period in which the differences occurred. The exchange rate difference arising from the translation of the cash flow hedge only the effective part is recognized in other comprehensive.

Foreign entities

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

The revenues and expenses of foreign entities are translated to Thai Baht at the average foreign exchange rates of the period.

Foreign exchange differences arising from translation are recognized as other comprehensive income and presented as the foreign currency translation reserve in equity until a disposal of the investment.

6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, all deposits at financial institutions with the original maturities of three months or less and highly liquid short-term investments, excluding cash at banks used as collateral.

6.4 Trade and other receivables

Trade and other receivables are stated at their invoice value less allowance for expected credit losses.

Accrued commercial income is recognized within other receivables in the unaudited pro forma consolidated statement of financial position, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset. In this case, the net amount receivable or payable is recognized in the unaudited pro forma consolidated statement of financial position.

6.5 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined by the weighted-average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale. The Group records the allowance for loss on inventories and for diminishing in value of obsolete, slow-moving, and damaged inventories.

6.6 Financial instruments

Recognition and initial measurement

All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities (unless it is a trade and other current receivables without a significant financing component or measured at FVTPL) are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade and other current receivables without a significant financing component is initially measured at the transaction price. Financial assets and financial liabilities measured at FVTPL are initially recognized at fair value.

Classification and subsequent measurement

Financial assets - classification

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified prospectively from the reclassification date.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment,

“Principal” is defined as the fair value of the financial asset on initial recognition.

“Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; and
- terms that limit the Group's claim to cash flows from specified assets.

Financial assets - subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest and dividend income, are recognized in profit or loss. However, see "Hedge accounting" for derivatives designated as hedging instruments.
Financial assets at FVTOCI	A financial asset will be measured at FVTOCI when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and interest income using effective interest rate method. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss or retained earnings.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The Group applies simplified approach for credit-impaired consideration which depends on the significant of credit risk.

In determining allowance of expected credit loss, the financial asset is considered to have low credit risk and no significant incremental of credit risk since initial recognition. The Group will not recognize any allowance of expected credit loss.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition of Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the unaudited pro forma consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivatives

Derivatives are recognized at fair value. At the end of each reporting period the fair value is measured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on nature of the item being hedged.

Hedge accounting

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from change in foreign exchange rate.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognized in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as net assets from business acquisition, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expired, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

6.7 Investments

Investments in subsidiaries, associates and joint ventures in the separate financial statements of the Company are accounted for using the cost method. Investments in associates and joint ventures in the Unaudited Pro Forma Consolidated Financial Information are accounted for using the equity method.

An associate is an entity which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, an investment in an associate or a joint venture is initially recognized in the unaudited pro forma consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognized immediately as profit or loss in the unaudited pro forma consolidated statement of profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held-for-sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. No re-measurement upon such changes in ownership interests is required.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss for the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest in the unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of comprehensive income if that gain or loss would be reclassified to profit or loss upon the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from such transactions are recognized in the Group's Unaudited Pro Forma Consolidated Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognized as profit or loss in the unaudited pro forma consolidated statement of profit or loss.

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

6.8 Investment properties

Investment properties are properties which are held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and allowance for impairment, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

Depreciation is charged as an expense to the unaudited pro forma consolidated statements of profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

Investment properties	22 - 99 years or lease term
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An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits. Any gain or loss arising on derecognition of the property calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the unaudited pro forma consolidated statements of profit or loss in the period in which the property is derecognized.

When the Group changed its purpose of uses, the Group use cost method to transfer between investment property and owner-occupied property.

6.9 Property, plant and equipment

Recognition and measurement

Property is measured at cost less allowance for impairment, if any.

Plant and equipment are measured at cost less accumulated depreciation and allowance for impairment, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use. The cost also includes the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately by major components.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net as profit or loss.

Subsequent costs

The cost of replacing is recognized as a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized as an expense in profit or loss as incurred.

Depreciation

Depreciation is calculated from the depreciation value of building and equipment items. This consists of the cost of the asset or the cost of replacement less the residual value of the asset.

Depreciation is charged to the unaudited pro forma consolidated statement of profit or loss on a straight-line method over the estimated useful life of each component of the asset. The estimated useful life of assets is presented as follows:

Buildings and land and buildings improvements	30 - 40 years or lease term
Furniture, fixture, and office equipment	2 - 15 years
Vehicle	4 - 8 years

The Group does not charge any depreciation on land and assets under construction.

Depreciation method, useful life of the asset, and residual value are reviewed at least at the end of every fiscal year and are adjusted as appropriate.

6.10 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is initially recognized as described in Note 6.1. Subsequent to the initial recognition, goodwill is measured at cost less allowance for impairment. The Group assesses an impairment of goodwill annually, regardless of consideration of indication that such goodwill may be impaired.

Goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business combination.

6.11 Other intangible assets other than goodwill

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and allowance for impairment, if any.

Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized as an expense in the unaudited pro forma consolidated statements of profit or loss on a straight-line basis over the estimated useful lives of intangible asset, other than goodwill, from the date that they are available for use.

The estimated useful lives of assets are as follows:

Software licenses	5 - 10 years
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The Group does not charge any amortization on software under installation.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Intangible assets with definite useful lives are tested for impairment when there is an indicator that the asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually or when there is an indicator that the asset may be impaired.

6.12 Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized as an expense in the unaudited pro forma consolidated statement of profit or loss unless it reverses a previous revaluation credited to equity and it subsequently impairs in which case it is charged to other comprehensive income.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the higher of the asset's value in use or fair value less costs to sell. 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 from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications of impairment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, as if no impairment loss had been recognized.

6.13 Provision

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

6.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the unaudited pro forma consolidated statement of profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value calculated by independent Actuary based on salary, mortality rate, service period and other factors. The discount rate used in determining post-employment benefit obligation is the yield of the government bond.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the unaudited pro forma consolidated statement of profit or loss on a straight-line basis until the benefits become vested. To the extent that the benefits is vested, the expense is recognized immediately in the unaudited pro forma consolidated statements of profit or loss.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in the unaudited pro forma consolidated statements of profit or loss.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is assessed by an independent actuary and based on actuarial assumption using projected unit credit method to determine present value of cash flow of employee benefit to be paid in the future. Any actuarial gains and losses are recognized as profit or loss in the unaudited pro forma consolidated statements of profit or loss in the period which they incur.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly more than 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

6.15 Revenue recognition

Revenue from sales of goods

Revenue from sales of goods is recognized when a customer obtains control of the goods, generally on delivery of the goods to the customers. For contracts that permit the customers to return the goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for estimated returns, which are estimated based on the historical data.

Revenue from rendering of services and rental income

Revenue from rendering of services are recognized over the term of services and rental income from an investment property is recognized as income on a straight-line basis over the term of the lease.

Consignment income

For the contracts that the Group is arranging for the provision of the goods or services on behalf of its customers and does not control the goods or services before the primary sellers or service providers will provide the goods or services to the customers. The Group acts in the capacity of an agent and recognizes the net amount of consideration as consignment income.

Commercial incomes

Commercial incomes consist of volume-related allowances, promotional and marketing allowances and various other fees or discounts received in connection with the purchase of goods for resale from those suppliers of the Group.

The commercial income is recognized as a credit within cost of sales in the unaudited pro forma consolidated statement of profit or loss. Where the income earned relates to inventories which are held by the Group at period ends, such income is included within the cost of those inventories, and recognized in cost of sales in the unaudited pro forma consolidated statements of profit or loss upon sale of those inventories.

Customer loyalty programmes

The consideration received are allocated based on the relative stand-alone selling price of the products, and the royalty points or discount from accumulated purchased volume. The amount allocated to the loyalty points or discount from accumulated purchased volume is recognized as contract liabilities and revenue is recognized when the customers redeem or when the likelihood of the customer redeeming becomes remote. The stand-alone selling prices of the loyalty points or discount from accumulated purchased volume is estimated based on discount provided to customers and the likelihood that the customers will redeem, and the estimate shall be reviewed at the end of the reporting period.

Other income

Other operating income and interest income are recognized in profit or loss on an accrual basis. Dividend income is recognized in profit or loss on the date the Group's right to receive payments is established.

6.16 Expense recognition

Expenses are recognized on an accrued basis.

6.17 Finance costs

Effective Interest Rate ("EIR")

Interest income and expense is recognized using the effective interest method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

6.18 Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in TFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone selling price. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognized as an expense on a straight-line basis over the lease term.

Right-of-use asset is measured at cost, less any accumulated depreciation and accumulated impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments included fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include amount under purchase, extension or termination option if the Group is reasonably certain to exercise option. Variable lease payments that do not depend on index or a rate are recognized as expenses in the accounting period in which they are incurred.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the main lease and the sub-lease contracts separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the main lease, not with reference to the underlying asset. If a main lease is a short-term lease contract to which the Group applies the exemption, then it classifies the sub-lease contract as an operating lease contract.

The Group recognizes lease payments received under operating leases contract as rental income on a straight-line basis over the lease term as part of other income. Initial direct costs incurred in arranging an operating lease contract are added to the carrying amount of the leased asset and recognized as expense over the lease term on the same basis as rental income. Contingent rents are recognized as rental income in the accounting period in which they are earned.

6.19 Income tax expense

Income tax expense for the period comprises current and deferred tax. Current and deferred tax are recognized as profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable derived from a computation of yearly taxable profit or loss using tax rates enacted and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction in the Unaudited Pro Forma Financial Information that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all income tax to be paid in future years based on its assessment of many factors, including interpretations of tax law and past experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing income tax liabilities; such changes to income tax liabilities will impact tax expense in the period when such a determination is made.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and the Company and its subsidiaries intend to settle its current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.20 Earnings (losses) per share

The calculations of basic earnings (losses) per share for the period are based on the profit (loss) for the period attributable to equity holders divided by the weighted-average number of ordinary shares held by outsiders outstanding during the period. The calculations of diluted earnings (losses) per share for the period are based on the weighted-average number of ordinary shares on the assumption that all dilutive potential ordinary shares have been converted to ordinary shares.

6.21 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument, if available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values of assets or liabilities are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer that makes strategic decisions.

Segment information is presented in respect of the Group's business segments which is based on the Group's management and internal reporting structure.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2020 and 2019 consisted of the following:

	As at December 31, 2020				Total
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Cash on hand	2,278	4,256	344	(896)	5,982
Bank deposits	-	2,958	3,466	(6,424)	-
Fixed deposit not exceeding 3 months	-	14,375	-	-	14,375
Total	2,278	21,589	3,810	(7,320)	20,357

	As at December 31, 2019				Total
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Cash on hand	-	2,803	308	-	3,111
Bank deposits	-	5,057	1,364	6,517	12,938
Fixed deposit not exceeding 3 months	-	5,675	-	-	5,675
Total	-	13,535	1,672	6,517	21,724

8. TRADE AND OTHER CURRENT RECEIVABLES

Trade and other current receivables as at December 31, 2020 and 2019 consisted of the following:

Unit : Million Baht

	As at December 31, 2020				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Trade receivable	-	947	427	-	1,374
<u>Less</u> Allowance for expected credit loss	-	(131)	(107)	-	(238)
Total trade receivables	-	816	320	-	1,136
Other receivables	17	315	64	(49)	347
<u>Less</u> Allowance for expected credit loss	-	-	(54)	-	(54)
Total other receivables	17	315	10	(49)	293
Prepaid expenses	15	224	109	-	348
Accrued interest income	-	3	-	-	3
Accrued Income	-	784	159	-	943
Others	-	-	2	-	2
Total	32	2,142	600	(49)	2,725

Unit: Million Baht

	As at December 31, 2019				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Trade receivable	-	732	372	-	1,104
<u>Less</u> Allowance for expected credit loss	-	(102)	(67)	-	(169)
Total trade receivables	-	630	305	-	935
Other receivables	-	541	88	-	629
<u>Less</u> Allowance for expected credit loss	-	-	(68)	-	(68)
Total other receivables	-	541	20	-	561
Prepaid expenses	-	237	79	-	316
Accrued interest income	-	3	-	-	3
Accrued Income	-	1,419	184	-	1,603
Others	-	-	1	-	1
Total	-	2,830	589	-	3,419

9. INVENTORIES

Inventories as at December 31, 2020 and 2019 consisted of the followings:

Unit: Million Baht

	As at December 31, 2020				Total
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Finished goods	-	11,135	2,515	-	13,650
Packing materials	-	19	27	-	46
Goods in transit	-	-	12	-	12
	-	11,154	2,554	-	13,708
<u>Less</u> Allowance for obsolete and slow-moving inventories	-	(1,265)	(513)	-	(1,778)
Total	-	9,889	2,041	-	11,930

Unit: Million Baht

	As at December 31, 2019				Total
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Finished goods	-	11,424	2,618	-	14,042
Packing materials	-	10	39	-	49
Goods in transit	-	26	18	-	44
	-	11,460	2,675	-	14,135
<u>Less</u> Allowance for obsolete and slow-moving inventories	-	(1,147)	(602)	-	(1,749)
Total	-	10,313	2,073	-	12,386

10. INVESTMENTS IN JOINT VENTURES AND INVESTMENT IN AN ASSOCIATE

a) Details of investments in joint ventures were as follows:

Type of business	Shareholding percentage		Paid-up capital		Equity method		Dividend received	
	As at	As at	As at	As at	As at	As at	2020	2019
	December 31, 2020 (%)	December 31, 2019 (%)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019		
Retail Properties Co., Ltd. Rental and related services	50.00	50.00	210	210	219	220	13	18
Lotus's Money Services Co., Ltd. Lotus's card services	50.00	50.00	2,080	2,080	3,535	3,052	-	-
Synergistic Property Development Co., Ltd. Real estate development	49.99	49.99	465	465	232	232	-	-
Total					3,986	3,504	13	18

b) Details of investment in an associate was as follows:

Type of business	Shareholding percentage		Paid-up capital		Equity method		Dividend received	
	As at	As at	As at	As at	As at	As at	2020	2019
	December 31, 2020 (%)	December 31, 2019 (%)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019		
Lotus's Retail Growth Freehold and Leasehold Property Fund	25.00	25.00	23,828	23,828	11,027	11,188	448	528

c) Share of profit and dividend received

During the years, the Group has recognized its share of profit and dividend received from investments in joint ventures and associates in the unaudited pro forma consolidated financial information as follows:

	For the year ended December 31, 2020		
	Share of profit during the year	Share of other comprehensive income (loss) during the year	Dividend received during the year
Joint ventures:			
Retail Properties Co., Ltd.	11	-	13
Lotus's Money Services Co., Ltd.	484	-	-
Synergistic Property Development Co., Ltd.	-	-	-
Associate:			
Lotus's Retail Growth Freehold and Leasehold Property Fund	287	-	448
Total	782	-	461

	For the year ended December 31, 2019		
	Share of profit during the year	Share of other comprehensive income (loss) during the year	Dividend received during the year
Joint ventures:			
Retail Properties Co., Ltd.	13	-	18
Lotus's Money Services Co., Ltd.	363	-	-
Synergistic Property Development Co., Ltd.	-	-	-
Associate:			
Lotus's Retail Growth Freehold and Leasehold Property Fund	439	-	528
Total	815	-	546

11. INVESTMENT PROPERTIES

Movements of investment properties for the year ended December 31, 2020 and 2019 were as follows:

	Unit: Million Baht				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Beginning carrying amount	-	22,538	7,157	-	29,695
Purchases land and land improvement and office building for rent	-	154	31	-	185
Increase in right-of-use assets	-	1,372	87	-	1,459
Disposal - net	-	(28)	(2)	-	(30)
Depreciation	-	(1,740)	(249)	-	(1,989)
Impairment (charge) reversal	-	(256)	30	-	(226)
Reclassification	-	152	-	-	152
Differences on translation of financial statements	-	-	(60)	-	(60)
Closing carrying amount	-	22,192	6,994	-	29,186

	Unit: Million Baht				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Beginning carrying amount	-	22,209	7,410	-	29,619
Purchases land and land improvement and office building for rent	-	189	69	-	258
Increase in right-of-use assets	-	1,331	87	-	1,418
Disposal - net	-	(12)	-	-	(12)
Depreciation	-	(1,527)	(253)	-	(1,780)
Impairment (charge) reversal	-	90	64	-	154
Reclassification	-	258	-	-	258
Differences on translation of financial statements	-	-	(220)	-	(220)
Closing carrying amount	-	22,538	7,157	-	29,695

12. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the year ended December 31, 2020 and 2019 were as follows:

	Unit: Million Baht				
	The Company	For the year ended December 31, 2020 Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Beginning carrying amount	-	58,603	14,383	-	72,986
Purchases	-	5,755	526	-	6,281
Disposal - net	-	(292)	(29)	-	(321)
Depreciation	-	(5,981)	(1,125)	-	(7,106)
Impairment (charge) reversal	-	(486)	32	-	(454)
Reclassification	-	(152)	-	-	(152)
Differences on translation of financial statements	-	-	(121)	-	(121)
Closing carrying amount	-	57,447	13,666	-	71,113

	Unit: Million Baht				
	The Company	For the year ended December 31, 2019 Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Beginning carrying amount	-	60,972	15,384	-	76,356
Purchases	-	4,129	737	-	4,866
Disposal - net	-	(222)	(64)	-	(286)
Depreciation	-	(6,233)	(1,198)	-	(7,431)
Impairment (charge) reversal	-	215	51	-	266
Reclassification	-	(258)	(68)	-	(326)
Differences on translation of financial statements	-	-	(459)	-	(459)
Closing carrying amount	-	58,603	14,383	-	72,986

13. RIGHT-OF-USE ASSETS

Movements of right-of-use assets for the year ended December 31, 2020 and 2019 were as follows:

	Unit: Million Baht				
	For the year ended December 31, 2020				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Beginning carrying amount	-	23,745	1,677	-	25,422
Increase	-	4,196	404	-	4,600
Disposal - net	-	3	(8)	-	(5)
Depreciation	-	(2,277)	(125)	-	(2,402)
Impairment (charge) reversal	-	(722)	15	-	(707)
Differences on translation of financial statements	-	-	(14)	-	(14)
Closing carrying amount	-	24,945	1,949	-	26,894

	Unit: Million Baht				
	For the year ended December 31, 2019				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Beginning carrying amount	-	25,795	1,643	-	27,438
Increase	-	960	186	-	1,146
Disposal - net	-	(1,265)	(1)	-	(1,266)
Depreciation	-	(2,140)	(114)	-	(2,254)
Impairment (charge) reversal	-	395	11	-	406
Differences on translation of financial statements	-	-	(48)	-	(48)
Closing carrying amount	-	23,745	1,677	-	25,422

14. OTHER INTANGIBLE ASSETS OTHER THAN GOODWILL

Movements of other intangible assets other than goodwill for the year ended December 31, 2020 and 2019 were as follows:

	Unit: Million Baht				Total
	For the year ended December 31, 2020				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Beginning carrying amount	-	457	114	-	571
Purchases	-	1,513	28	-	1,541
Disposal - net	-	-	-	-	-
Amortization	-	(206)	(41)	-	(247)
Impairment (charge) reversal	-	(1)	-	-	(1)
Differences on translation of financial statements	-	-	(1)	-	(1)
Closing carrying amount	-	1,763	100	-	1,863

	Unit: Million Baht				Total
	For the year ended December 31, 2019				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Beginning carrying amount	-	431	134	-	565
Purchases	-	210	34	-	244
Disposal - net	-	-	-	-	-
Amortization	-	(185)	(49)	-	(234)
Impairment (charge) reversal	-	1	(1)	-	-
Differences on translation of financial statements	-	-	(4)	-	(4)
Closing carrying amount	-	457	114	-	571

15. GOODWILL

The goodwill was resulted from the investment transaction in Tesco Asia Group which was completed on December 18, 2020. The Company is in the process of assessing the fair value of business acquired at the acquisition date to allocate costs of the business acquisition to such identifiable items.

16. DEFERRED TAXES / INCOME TAX EXPENSE

Movements of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Unit : Million Baht				
	As at January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Differences on translation of financial statements	As at December 31, 2020
Deferred tax assets					
Allowances and provisions	2,275	(257)	37	(8)	2,047
Total	<u>2,275</u>	<u>(257)</u>	<u>37</u>	<u>(8)</u>	<u>2,047</u>
Deferred tax liabilities					
Property, plant, and equipment and other intangible assets other than goodwill	(1,258)	220	-	5	(1,033)
Right-of-use assets	(1,790)	317	-	6	(1,467)
Total	<u>(3,048)</u>	<u>537</u>	<u>-</u>	<u>11</u>	<u>(2,500)</u>
Deferred tax assets - net	<u>-</u>				<u>-</u>
Deferred tax liabilities - net	<u>(773)</u>				<u>(453)</u>

	Unit : Million Baht				
	As at January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Differences on translation of financial statements	As at December 31, 2019
Deferred tax assets					
Allowances and provisions	2,433	(151)	22	(29)	2,275
Total	<u>2,433</u>	<u>(151)</u>	<u>22</u>	<u>(29)</u>	<u>2,275</u>
Deferred tax liabilities					
Property, plant, and equipment and other intangible assets other than goodwill	(1,400)	121	-	21	(1,258)
Other financial assets	(1)	1	-	-	-
Right-of-use assets	(1,794)	(16)	-	20	(1,790)
Total	<u>(3,195)</u>	<u>106</u>	<u>-</u>	<u>41</u>	<u>(3,048)</u>
Deferred tax assets - net	<u>-</u>				<u>-</u>
Deferred tax liabilities - net	<u>(762)</u>				<u>(773)</u>

Income tax expense

The Group calculated the corporate income tax for the years ended December 31, 2020 and 2019 from taxable profit using applicable tax rate as following

	<u>2020</u>	<u>2019</u>
Thailand	20%	20%
Malaysia	24%	24%

Income tax expense recognized in the unaudited pro forma consolidated statements of profit or loss for the years ended December 31, 2020 and 2019, were as follows:

	2020	Unit : Million Baht 2019
Current tax	2,273	3,082
Deferred tax	(280)	45
Total income tax expense	1,993	3,127

17. SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS

Movements of short-term borrowings from financial institutions for the years ended December 31, 2020 and 2019 were as follows:

	Unit: Million Baht For the year ended December 31, 2020				Total
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Beginning balance	-	-	-	120,823	120,823
Drawdown during the year	146,411	-	-	(146,411)	-
Repayment during the year	(25,587)	-	-	25,587	-
Unrealized loss from exchange rate	739	-	-	(739)	-
<u>Less</u> Deferred financing fees	(2,679)	-	-	2,679	-
Amortization of deferred financing fees	112	-	-	(112)	-
Ending Balance	118,996	-	-	1,827	120,823

	Unit: Million Baht For the year ended December 31, 2019				Total
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	
Beginning balance	-	-	-	-	-
Drawdown during the year	-	-	-	120,823	120,823
<u>Less</u> Deferred financing fees	-	-	-	(2,679)	(2,679)
Amortization of deferred financing fees	-	-	-	2,679	2,679
Ending Balance	-	-	-	120,823	120,823

18. TRADE AND OTHER CURRENT PAYABLES

Trade and other current payables as at December 31, 2020 and 2019 were as follows:

Unit : Million Baht					
As at December 31, 2020					
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Trade payables	-	21,063	5,105	-	26,168
Other payables	334	3,615	570	(91)	4,428
Advance received	-	1,706	191	-	1,897
Account payables for purchase of assets	-	2,477	333	-	2,810
Accrued expenses	-	1,898	1,160	-	3,058
Total	334	30,759	7,359	(91)	38,361

Unit : Million Baht					
As at December 31, 2019					
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Trade payables	-	21,990	4,161	-	26,151
Other payables	-	3,151	551	-	3,702
Advance received	-	1,713	188	-	1,901
Account payables for purchase of assets	-	1,354	367	-	1,721
Accrued expenses	-	2,225	1,427	-	3,652
Total	-	30,433	6,694	-	37,127

19. LEASE LIABILITIES

Lease liabilities as at December 31, 2020 and 2019 were as follows:

Unit : Million Baht					
As at December 31, 2020					
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Less than 1 year	-	2,880	507	-	3,387
More than 1 year but less than 5 years	-	9,895	2,099	-	11,994
More than 5 years	-	28,069	7,392	-	35,461
	-	40,844	9,998	-	50,842
<u>Less</u> Deferred interest	-	(11,455)	(5,328)	-	(16,783)
Total	-	29,389	4,670	-	34,059
Classification:					
Current	-	1,898	97	-	1,995
Non-current	-	27,491	4,573	-	32,064
Total	-	29,389	4,670	-	34,059

Unit : Million Baht					
As at December 31, 2019					
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Less than 1 year	-	2,671	463	-	3,134
More than 1 year but less than 5 years	-	9,298	1,909	-	11,207
More than 5 years	-	24,506	7,034	-	31,540
	-	36,475	9,406	-	45,881
<u>Less</u> Deferred interest	-	(10,547)	(5,093)	-	(15,640)
Total	-	25,928	4,313	-	30,241
Classification:					
Current	-	1,767	83	-	1,850
Non-current	-	24,161	4,230	-	28,391
Total	-	25,928	4,313	-	30,241

20. OTHER NON-CURRENT PROVISIONS

Other non-current provisions as at December 31, 2020 and 2019 were as follows:

Unit: Million Baht					
As at December 31, 2020					
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Provision for legal claim	-	21	-	-	21
Provision for dismantling	-	2,028	27	-	2,055
Total	-	2,049	27	-	2,076

Unit: Million Baht					
As at December 31, 2019					
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Provision for legal claim	-	15	-	-	15
Provision for dismantling	-	1,960	26	-	1,986
Total	-	1,975	26	-	2,001

21. BASIC EARNINGS PER SHARE

The calculations of earnings per share for the years ended December 31, 2020 and 2019 were based on the profit for the year attributable to ordinary shareholders of the Company and the number of weighted ordinary shares outstanding during the year held by shareholders as follows:

	2020	2019
Basic earnings per share		
Profit attributable to ordinary shares' shareholder of the Company (Million Baht)	1,778	8,333
Weighted-average number of ordinary shares (Million shares)	1,995	1,995
Basic earnings per share (Baht)	0.89	4.18

22. SEGMENT INFORMATION

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

The Group comprises the following main business segments:

Segment 1 Retail business

Segment 2 Mall rental

For the years ended December 31, 2020 and 2019, there were no revenues from sales and services with a single external customer contributed to 10% or more to the Group's total revenues.

	Unit : Million Baht		
	For the year ended December 31, 2020		
	Retail business	Mall rental	Total
Revenues from sales - at a point in time	197,460	-	197,460
Rental income and revenue from rendering of services - overtime	-	11,188	11,188
Gross profit from reportable segments	36,790	5,662	42,452
Operating expenses			(32,691)
Profit from operating activities			9,761
Finance costs			(6,772)
Share of profit from investment in joint ventures and an associate			782
Income tax expense			(1,993)
Profit for the year			1,778

	Unit : Million Baht		
	For the year ended December 31, 2019		
	Retail business	Mall rental	Total
Revenues from sales - at a point in time	205,227	-	205,227
Rental income and revenue from rendering of services - overtime	-	14,805	14,805
Gross profit from reportable segments	38,990	9,451	48,441
Operating expenses			(31,060)
Profit from operating activities			17,381
Finance costs			(6,736)
Share of profit from investment in joint ventures and an associate			815
Income tax expense			(3,127)
Profit for the year			8,333

	Unit : Million Baht				
	Retail business	Mall rental	Unallocated	Elimination and pro forma adjustment entries	Total
As at December 31, 2020					
Fixed assets	96,185	29,186	1,822	-	127,193
Other assets	17,478	527	296,386	(34,944)	279,447
Total assets for reportable segments	<u>113,663</u>	<u>29,713</u>	<u>298,208</u>	<u>(34,944)</u>	<u>406,640</u>
As at December 31, 2019					
Fixed assets	96,666	29,695	1,742	-	128,103
Other assets	16,330	531	286,685	(23,275)	280,271
Total assets for reportable segments	<u>112,996</u>	<u>30,226</u>	<u>288,427</u>	<u>(23,275)</u>	<u>408,374</u>

Geographic information

The Group's revenue from sales, rental income and revenue from rendering of services from external customers are reported by the geographical information as follows:

Country	Unit : Million Baht	
	2020	2019
Thailand	172,632	184,065
Malaysia	36,016	35,967
Total	<u>208,648</u>	<u>220,032</u>

23. EXPENSES BY NATURE

The analysis of expenses by nature for the years ended December 31, 2020 and 2019 were as follows:

	Unit: Million Baht				
	As at December 31, 2020				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Allowance for diminution in value of inventories (reversal)	-	117	(84)	-	33
Purchase of finished goods	-	128,023	26,663	-	154,686
Raw materials and consumables used	-	524	268	-	792
Employee expense	-	12,785	2,478	-	15,263
Depreciation and amortization expense	-	10,204	1,540	-	11,744
Impairment charge (reversal)	-	1,465	(77)	-	1,388
Transportation expense	-	1,482	255	-	1,737
Repair and maintenance expense	-	1,963	655	-	2,618
Professional fee	157	208	67	(157)	275
Promotional expenses	-	1,503	557	-	2,060
Property related expenses	-	959	66	-	1,025
Utility expenses	-	4,378	825	-	5,203
Rental expense	-	265	22	-	287
Other costs	3	3,327	908	(3)	4,235
Total	160	167,203	34,143	(160)	201,346

Unit: Million Baht

As at December 31, 2019					
The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total	
Allowance for diminution in value of inventories (reversal)	-	26	(65)	-	(39)
Purchase of finished goods	-	133,640	26,749	-	160,389
Raw materials and consumables used	-	757	318	-	1,075
Employee expense	-	12,904	2,339	-	15,243
Depreciation and amortization expense	-	10,085	1,614	-	11,699
Impairment charge (reversal)	-	(701)	(125)	-	(826)
Transportation expense	-	1,473	241	-	1,714
Repair and maintenance expense	-	2,182	715	-	2,897
Professional fee	-	205	81	257	543
Promotional expenses	-	1,393	610	-	2,003
Property related expenses	-	894	60	-	954
Utility expenses	-	4,953	1,016	-	5,969
Rental expense	-	300	24	-	324
Others costs	-	3,072	726	-	3,798
Total	-	171,183	34,303	257	205,743

24. OPERATING LEASE - THE GROUP IS THE LESSOR

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group have maturity analysis of operating lease payments as follows:

	Unit: Million Baht				
	As at December 31, 2020				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Less than 1 year	-	3,045	1,038	-	4,083
More than 1 year but less than 5 years	-	2,193	697	-	2,890
More than 5 years	-	1,090	-	-	1,090
Total	-	6,328	1,735	-	8,063

	Unit: Million Baht				
	As at December 31, 2019				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Less than 1 year	-	3,841	1,084	-	4,925
More than 1 year but less than 5 years	-	2,927	618	-	3,545
More than 5 years	-	1,143	-	-	1,143
Total	-	7,911	1,702	-	9,613

The following table presents the amounts reported in profit or loss:

	Unit: Million Baht				
	For the year ended December 31, 2020				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Lease income on operating leases	-	5,998	978	-	6,976
Therein lease income relating to variable lease payments that do not depend on an index or rate	-	1,455	210	-	1,665

Unit: Million Baht

	For the year ended December 31, 2019				
	The Company	Lotus's Thailand	Lotus's Malaysia	Elimination and pro forma adjustment entries	Total
Lease income on operating leases	-	7,595	1,378	-	8,973
Therein lease income relating to variable lease payments that do not depend on an index or rate	-	1,950	283	-	2,233

25. APPROVAL OF THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

This unaudited pro forma consolidated financial information has been approved for issue by the authorized director of the Company on August 31, 2021.