

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF CORPORATION CODE**

1. For the fiscal year ended **2003**
2. SEC Identification Number **108476**
3. BIR Tax Identification No. **301-000-390-189**
4. Exact name of registrant as specified in its charter **PHILIPPINE SEVEN CORPORATION**
5. **Philippines**  
Province, Country or other jurisdiction of Incorporation or Organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **7<sup>th</sup> Floor, The Columbia Tower,  
Ortigas Ave., Mandaluyong City** **1550**  
Address of principal office Postal Code
8. **(632) 705-52-00**  
Registrant's telephone number, including area code

9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Shares Outstanding - Common Warrants</b>	<b>237,252,000 -0-</b>

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes  No

Title of Class	Total Shares Listed
<b>Common Shares</b>	<b>237,938,250</b>

12. Check whether the registrant:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12

months ( or for such shorter period that the registrant was required to file such reports);

(a) Has been subject to such filing requirements for the past 90 days.

Yes  No

13. Not Applicable  
The aggregate market value of the voting stock held by non- affiliates of the registrant.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

- (a) Management's Discussion and Analysis of 2002 Operations as per Item 6 of SEC Form 17-A (Appendix A);
- (b) Audited Financial Statement for the year end December 31, 2003 showing the financial condition of registrant as per Item 7 of SEC Form 17-A including Schedules for Property & Equipment, Accumulated Depreciation, Non-trade Receivables and Capital Stock herewith attached as Schedules A to D, respectively. (Appendix B).

## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Philippine Seven Corporation (“PSC”) was registered with the Securities and Exchange Commission (“SEC”) on November 1982. It acquired from Southland Corporation ( now Seven Eleven, Inc. ) of Dallas, Texas the license to operate 7-Eleven stores in the Philippines in December 13, 1982. Operations commenced with the opening of its first store in February 29, 1984 at the corner of Kamias Road and EDSA Quezon City, Metro Manila. Considering the country’s economic condition at that time, the Company grew slowly in its first few years of existence.

In July 1988, PSC transferred the Philippine area license to operate 7-Eleven stores to its affiliate, Phil-Seven Properties Corporation (“PSPC”), together with some of its store properties. In exchange thereof, PSC received 47% of PSPC stock as payment. Concurrent with the transfer, PSC entered into a sublicensing agreement with PSPC to operate 7-Eleven stores in Metro Manila and suburbs. As part of PSPC’s main business, it acquired or leased commercial properties and constructed retail store buildings, leasing the buildings to PSC on long term basis together with most of the capital equipment used for store operations. In effect, PSC concentrated on managing its stores and effectively took the role of a pure retailer.

In May 1996, the stockholders of both PSC and PSPC approved the merger of the two companies to advance PSC group’s expansion. In October 30, 1996, SEC approved the merger and PSPC was then absorbed by PSC as the surviving entity. With the consolidation of the respective lines of business of PSC and PSPC, PSC’s retailing strengths were complemented by PSPC’s property and franchise holdings. Their management as a single entity enhanced operational efficiency and strengthened ability to raise capital for growth. In September 17, 1998, PSC established Convenience Distribution Inc. (“CDI”), a wholly owned subsidiary, to provide a centralized warehouse and distribution system to service its 7-Eleven stores.

With the effectivity of the Retail Trade Liberalization Act (R.A. 8762) on March 25, 2000, foreign entities were allowed to invest in an existing retail company subject to the requirements of the law. President Chain Store Corporation of Taiwan (PCSC), which is also the 7-Eleven licensee in Taiwan operating about 2,700 stores, purchased 119,575,008 common shares of PSC or 50.4% of PSC’s outstanding capital stock at the price of P8.30 per share. The purchase was made under a tender offer during October 9 to November 7, 2000 by President Chain Store (Labuan) Holdings, Ltd., a Malaysian investment holding company, wholly-owned by PCSC. The acquisition is meant to forge a strategic alliance which aims to provide PSC with technical support from PCSC in strengthening its organizational structure and operating systems. This shall enable PSC to pursue store expansion plans on sound and profitable basis. A new affiliate, Store Sites Holdings Inc., was also established on November 9, 2000, as the entity to own land properties of the Company. These land properties are leased to PSC by SSHI. The Corporation’s area license to operate 7-Eleven Stores in the Philippines has an initial term of 20 years which shall expire on December 12, 2002 and it is expressly provided under the contract that the same shall be renewed for another 5 years ( or until Dec. 12, 2007) under the same terms and conditions subject to approval of supervising agency under Department of Trade and Industry. Notwithstanding the above, PSC and SEI have commenced discussions for the renewal of the area license and a new license agreement maybe finalized even before the expiry of the above final term.

The company had a manpower complement of 2,120 personnel, 985 of whom are regular employees, 56 contractual and 1,079 part-timers engaged in store operations and in the various support services units. There is no existing labor union in the company and collective bargaining agreement. There is an Employees Council which communicates to management employee concerns. There has been no strike or threat to strike from the employees for the past three years.

At year end, PSC operating 195 stores, 6 of which are franchise stores, rest are company-owned stores. The store franchises have a term of 5 years each which shall be renewable for a similar term. Below are the existing store franchises granted by PSC, to wit:

Franchise Store	Location
154 INSULAR	P. Burgos cor. G. Luna St., Makati City
161 SAN FERNANDO	Tiomico St., cor Mendoza St., San Fernando, Pampanga
162 COGEO	Cogeo Gate 2, Bagong Nayon, Antipolo City
178 ASTURIAS	Dapitan cor. Asturias Sts., Sampaloc, Manila
187 VIRRA 1	Virra 1 Condominium, P. Burgos cor Dapo Sts., Makati City
198 MATALINO	Matalino near corner Malakas Sts., Brgy. Central, Quezon City

In spite of the growing competition in convenience store ("C-Store") business, the Corporation maintains its leadership in the industry. The Corporation estimates its market share in branded C-store business as of December 31, 2003, in terms of number of C-store outlets in Metro Manila and adjacent provinces, as follows:

	<i>Number of C- stores</i>	<i>Market Share (as of 31 Dec 2003)</i>
<b>7-Eleven</b>	<b>195</b>	<b>41%</b>
Mercury Self-Serve ( 24 hours)	155	33%
Ministop	86	18%
Binggo	39	8%
<b>TOTAL</b>	<b>475</b>	<b>100%</b>

The majority shareholder, PCSC, has hands-on experience and know how in operating more than 3,470 7-Eleven Stores in Taiwan and is sharing technical expertise to build the Corporation's infrastructure and systems to support its store development program through opening of corporate and franchise stores. The continuous improvement of the corporation's supply chain shall generate further efficiencies to effectively compete with the entry of other players in the C-store business.

The average number of customers that transact in the stores is about 1,221 per day per store with an average purchase transaction of about ₱ 41.70. The stores carry a wide range of beverages, food service items, frozen foods, confectioneries, cookies and chips, personal care products, groceries and other daily needs and certain services which neighborhood residents, commuters, students and other urban shoppers would look for in a convenience store. Also offered in the store are proprietary product lines under the 7-Eleven trademark such as :

<b>Trademarks</b>	<b>Description of Product</b>	<b>Application Date</b>	<b>Status</b>
1. Slurpee	Frozen carbonated beverage, prepared with a variety of high-quality syrups, properly brized, and served in standardized, trademark SLURPEE cups	Aug. 19, 1992	Registered for 20 years from Aug. 19, 1992 to Aug. 18, 2012
2. Super Big Bite	Sandwiches, hotdogs and buns	Apr. 20, 1994	Registered for 20 years from April 20, 1994 to Apr. 19, 2014
3. Big Gulp	Post-mix fountain beverage, prepared with a variety of high quality syrups	Nov. 16, 1992	Registered for 20 years from Nov. 16, 1992 to November 15, 2012

PSC also sells its developed or own branded products under the following trademarks:

<b>Trademarks</b>	<b>Description of Product</b>	<b>Application Date</b>	<b>Status</b>
1. Nature's Harvest	Instant Noodles	Dec. 17, 1993	Registered for 20 years from Dec. 17, 1993 to Dec. 16, 2013
2. Quick Bites	Fast food items carried under umbrella brand consisting of siopao, siomai, others	Jan. 13, 1997	- Pending-
3. Tea Eggs	Egg boiled in different herb formulation	Sept. 16, 1996	- Pending -
4. Hot Cup Quick Mix	Instant hot drinks such as coffee, choco, and tea	June 2, 1997	- Pending -
5. Baked Fresh	Bakery products	Aug. 8, 2001	- Pending -

Further, the products or services carried by the stores as described above are generally categorized as Food and Non-Food accounting for 83.81% and Services at 16.19%.

The merchandise stocks are supplied by over 300 vendors/suppliers and are mostly governed by the standard trading terms contract prescribed by the company. Among the largest suppliers for the products carried by the stores are Gate Distribution Enterprise, Inc., San Miguel Corporation, Coca Cola Bottlers Inc.,

Selecta Walls, Inc., Universal Robina Corporation, Philip Morris Philippines Manufacturing, Unilever Philippines, Inc., Gardenia Bakeries Phils. and Nestle Philippines, Inc.

## Item 2. Properties

The following properties are owned and leased by the Company, free from any lien or encumbrances, as described below:

### Condominium (Owned)

Description	Location	Total Lot Area (in square meter)
MH del Pilar Store Branch	Unit Nos. 102 & 201, Ferguson Tower, A. Flores cor. MH del Pilar & Guerrero Sts., Ermita, Manila	151.43
Office Space	All units of 7 <sup>th</sup> Floor and 3 units of 11 <sup>th</sup> Floor, Columbia Tower Ortigas Avenue, Mandaluyong City	1,662.00
20 parking units	G/F, Basement 2 and 3 Columbia Tower	300.00

The Company divested its land holdings to 7 parcels of land, excluding the improvements thereon, to its affiliate, Store Sites Holdings, Inc. (SSHI) at book value. SSHI was registered with SEC last November 9, 2000, initially wholly-owned by PSC. It eventually became 40% Company-owned with the 60% investment in SSHI by the PSC Employees Retirement Plan through its trustee, Bank of Philippine Islands-Asset Management & Trust Group. Anticipating foreign ownership in PSC to exceed 40%, the divestment was made to SSHI, which is 60% owned by Filipinos and 40% by foreigners to comply with 40% foreign ownership limit for corporations allowed to hold or own land/s in the Philippines.

### Leases

The company leases land or existing building shell for its establishment of 7-Eleven stores. The lease term for these locations ranges from 5 to 20 years or an average of 10 years. The number of locations which shall expire within the next 5 years are as follows:

2004	2005	2006	2007	2008
20	29	30	25	35

Rental rates for these sites vary depending on transaction type as land or building shell lease, the location and size and market for real estate in the trade area. Below is the list of leased properties for the operations of 7-Eleven Stores.

	STORE NAME	ADDRESS
1	001 KAMIAS	Kamias cor. EDSA Ave., Quezon City
2	002 BF HOMES	Pres. Ave. St., BF Homes Paranaque
3	003 LIBERTD	Libertad cor. F.B. Harrison, Pasay
4	004 NAGTAHAN	Nagtahan cor. J.P. Rizal, Manila
5	005 UNITED NATION	900 U.N. Ave., Ermita, Manila
6	007 QUIAPO	465 Quezon Blvd., Quiapo, Manila
7	008 P. FAURA	Adriatico cor. Padre Faura, Malate, Mla.
8	011 BACLARAN	Quirino Ave. cor. Airport Rd., Paranaque
9	012 ROCES	A. Roces St. cor. Quezon Avenue Quezon City
10	015 STI	Shaw Blvd. Near cor. Maryflower St.,
11	016 RJ MAKATI	7849 Gen. Luna St. cor. Makati Ave.,
12	017 BUENDIA	Sen. Gil Puyat Ave. cor. Taft Ave., Pasay
13	020 BONI	Boni Ave. cor. EDSA, Mandaluyong City
14	022 RETIRO	Retiro cor. Dimasalang, Manila

15	023 SAMSON	Samson Road, Caloocan City
16	024 PACO	Pedro Gil St., Paco, Manila
17	027 MARIKINA	Bayan-bayanan cor. J. P. Rizal, Concepcion,
18	028 PASAY ROTONDA	P. Rotonda cor. Pilapil St., Pasay City
19	029 MAYON	Mayon St. cor. Laon Laan St. Quezon City
20	030 BURGOS	Libertd St. cor. Burgos St. Pasay City
21	031 BARANGKA	Boni Ave. cor. Baranka Drive, Mandaluyong
22	032 MAYPAJO	J.P. Rizal St. cor. Ambini St. Maypajo, Caloocan City
23	033 DAPITAN	Maceda cor. Dapitan, Sampaloc, Manila
24	035 PASIG CHURCH	Caruncho Ave. cor. Sixto Antonio, Pasig
25	036 JRC	Shaw Blvd. Cor. Kalentong, Mandaluyong City
26	037 NOVALICHES 1	Gen. Luis St. cor. Austria St. Novaliches, Quezon City
27	038 PILAR	Alabang-Zapote cor. Pilar Rd., Almansa,
28	039 MCU 1	EDSA cor. Asuncion St., Monumento Caloocan City
29	040 ALMEDA	Concepcion cor. Almeda, San Joaquin, Pasig
30	041 MARULAS	Mac Arhur Highway cor. Pio Del Pilar St. Marulas
31	042 APO	Apo St. cor. A. Bonifacio St., La Loma, Quezon City
32	043 MALIBAY	EDSA cor. C. Jose St., Malibay, Pasay
33	044 BACCOOR	G. E. Aguinaldo H-way cor. Talaba, Bacoor,
34	045 GAGALANGIN	Juan Luna cor. Pampanga, Gagalangin, Tondo
35	046 PANDACAN	Jesus cor. Labores St., Pandacan, Manila
36	047 SINGALONG	Singalong St. cor. San Andres, Malate., Manila
37	048 AP REYES	A.P. Reyes cor. Adora St., Makati
38	051 ALABANG	Montillano St., West Service Rd., Alabang,
39	054 MUNTINLUPA	Rizal St. cor. National Rd., Poblacion, Muntinlupa
40	055 PASIG ROSARIO	A. Rodriguez near cor. Ortigas Ave. Ext., Rosario,
41	056 EVANGELISTA	Pio Del Pilar cor. Evangelista, Makati
42	057 COMMONWEALTH	Tandang Sora Ave. cor. Commonwealth Ave., Q.C.
43	059 REVILLA	EDSA cor. C. Revilla St., Pasay City
44	060 CAINTA JUNCTION	A. Bonifacio St. cor. Ortigas Ave. Ext., Cainta, Rizal
45	061 PUREZA	R. Magsaysay Blvd. Cor. Pureza St., Sta. Mesa, Manila
46	063 GUADALUPE 1	EDSA near cor. R. Magsaysay, Guadalupe, Makati
47	064 MASINAG	Marcos Highway cor. Sumulong Highway, Antipolo
48	065 ROAD 8	Road 8 cor. Visayas Ave., Proj. 6, Quezon City
49	066 M.H. DEL PILAR	A. Flores St. cor. M.H. Del Pilar, Ermita, Manila
50	067 ST. JAMES	Tandang Sora Ave., cor. Mindanao Ave., Quezon City
51	068 MURPHY	15th Ave., cor Liberyt Ave., Murphy Cubao, Quezon City
52	069 PCU	Pedro Gil St. cor. L. Guinto St., Malate, Manila
53	070 LA SALLE	Taft Ave. near cor. Vito cruz, Malate, Manila
54	071 A. BONIFACIO	A. Bonifacio st. cor. Shaw Blvd., Mandaluyong City
55	072 CALAMBA	National Highway cor. J. P. Rizal St., Calamba, Laguna
56	073 G. TUAZON	G. Tuazon St. cor. D. Santiago St., Sampaloc, Manila
57	074 CANAYNAY	Dr. A. Santos Ave. cor. Canaynay Ave., Paranaque
58	075 ANT. CHURCH	P. Oliveros St. cor. Masangkay St., Antipolo, Rizal
59	076 PASIG ROTONDA	Circumferencial Rd. cor. M. L. Quezon St., Antipolo, Rizal
60	077 ALTURA	R. Magsaysay Ave. cor. Altura St., Sta. Mesa, Manila
61	078 BRUGER	National Rd. cor. Bruger St., Bruger Subd., Muntinlupa
62	080 MARCELO	West Service Rd. cor. Marcelo Ave., Paranaque
63	081 R. SALAS	R. Salas St. cor. Mabini St., Ermita, Manila
64	082 SAN ANTONIO	Sucan Rd. cor. San Antonio Ave., Paranaque
65	083 TIMES	Alabang-Zapote Rd. cor. Manila Times St., Las Pinas

66	084 LEOÑO	Rizal Ave. cor. Leono St., Malabon, Metro Manila
67	085 F. B. HARRISON	F.B. Harrizon St. cor. Vito Cruz, Manila
68	086 TAYUMAN	Tayuman St. cor. Rizal Ave., Manila
69	087 IMUS	Aguinaldo Highway cor. Tanzang Luma, Imus, Cavite
70	088 ANTIPOLO JUNCTION	Circumferencial Rd. cor. M. L. Quezon St., Antipolo, Rizal
71	089 ARAYAT	Malabito St. cor. Arayat St., Cubao, Quezon City
72	090 BANGKAL	Evangelista cor. Alejandrino St. Bangkal, Makati
73	091 SAN PEDRO 1	Maharlika St. cor. National Highway, San Pedro, Laguna
74	093 MEYCAUAYAN 2	Malhacan St. cor. McArthur Highway, Meycauayan,
75	094 BIÑAN 1	Mabini St. cor. Ocampo St., Binan, Laguna
76	095 M. DELA FUENTE	A. Mabini St. cor. Garcia St., San Pedro, Laguna
77	096 SAN PEDRO 2	A. Mabini cor. G. Garcia St., San Pedro
78	097 CAVITE CITY	Cajigas St. cor. Burgos St., Cavite City
79	098 YLAYA	Ylaya St. cor. Lakandula St., Binondo, Manila
80	099 DASMA 1	P. Campos cor. Cantimbuhan St., Dasmariñas, Cavite
81	100 BALIBAGO	National Highway cor. R. Lasaga St., Balibago,
82	101 BLUMENTRITT 1	J. Abad Santos Ave. cor. Hermosa St., Tondo, Manila
83	102 HERMOSA	J. Abad Santos Ave. cor. Hermosa St., Tondo, Manila
84	103 KABIHASNAN	Kabihasan St. cor. Quirino Ave., San Dionisio,
85	104 GALAS	Unang Hakbang St. cor. Luzon Ave., Galas, Quezon City
86	105 LOWER BICUTAN	Gen Santos Ave. cor. M.L. Quezon St., Lower Bicutan,
87	106 TAMARRAW HILLS	McArthur Highway cor. Tamarraw Hills, Marulas,
88	107 CABUYAO	J.P. Rizal cor. Circumferencial Ave., Cabuyao, Laguna
89	108 CHICO	Chico St. cor. Anonas St., Proj. 2, Quezon City
90	109 REMEDIOS	Remedios St. cor. M.H. Del Pilar, Malate, Manila
91	110 BALIUAG	Cagayan Rd. cor. Barrera St., Plaza Naning, Baliuag,
92	111 MOLINO 1	Molino Rd. cor. Bahayang Pag-asa, Bacoor, Cavite
93	112 SAN PABLO	Rizal Ave. cor. A. Flores St., San Pablo City
94	113 TANAY	Plaza Rizal cor. P. Burgos St., Tanay, Rizal
95	114 DASMA 2	Mangubat St. cor. Aguinaldo Highway, Dasmariñas,
96	115 SAN NICOLAS 3	Molino Rd. , San Nicolas, Mambog, Bacoor, Cavite
97	116 SALINAS	193 Gen. Trias Drive, Rosario, Cavite
98	117 INTRAMUROS	Gov. Drive near cor. GMA Drive, Dasmariñas
99	118 GMA	Gov. Drive near cor. GMA Drive, Dasmariñas
100	119 BIÑAN 2	National Highway cor. Malvar St., Binan, Laguna
101	120 BALAGTAS	McArthur Highway Wawa, Balagtas, Bulacan
102	121 PULANG LUPA	Quirino Ave. cor. Naga Rd., Pulanglupa, Las Pinas
103	122 BF RESORT	Alabang-Zapote Rd. cor. BF Resort Drive, Pamplona,
104	123 PARANG	G. Del Pilar cor. M.L. Quezon, Parang, Marikina
105	125 J.P. RAMOY	Quirino H-way cor. J.P. Ramoy, Barrio Talipapa < Nova. Q.C.
106	126 CAINTA CHURCH	A. Bonifacio Ave. , San Andres, Cainta, Rizal
107	127 TATLONG HARI	Rizal Blvd. cor. Tatlong Hari, Sta Rosa, Laguna
108	128 LOS BAÑOS	Batong Malaki Nat'l H-way, Los Baños, Laguna
109	130 BINAKAYAN	Gen. Tirona Hi-way cor. Bisita St., Binkayan Kawit Cavite
110	131 LIPA HIGHWAY	Pres. Laurel Hi-way, Lipa City
111	132 TRECE MARTIREZ	Gov. Drive cor. Indang, Tanza Rd., Trece Martirez
112	133 TAGAYTAY	Silang-Tagaytay Rd., Rotonda, Tagaytay City
113	134 MOLAVE	Bayan-Bayanan Ave. cor. Molave St., Concepcion, Marikina
114	135 PANAPAAN	Tirona Hi-way cor. Aguinaldo Hi-way, Panapaan, Bacoor, Cavite
115	136 APALIT	San Vicente cor. David St., McArthur Hi-way, Apalit, Pampanga

116	137 SAN PEDRO 3	Pacita Ave. cor. Macaria Ave. San Pedro, Laguna
117	138 LIPA PROPER	C. M. Recto Avenue, Lipa City
118	141 CAMARIN	Blk. 1 Lot 18 & 20 Camarin cor. Susano Rd., Caloocan City
119	142 TANZA	Sta. Cruz cor. San Agustine, Poblacion, Tanza, Cavite
120	143 MALINTA	Mc Arthur Hi-way cor. Poblacion 2, Karuhatan, Valenzuela,
121	144 AGLIPAY	Boni Ave. cor. A.T. Reyes, Aglipay, Mandaluyong City
122	145 NAIC	Poblete St. corner Nazareno St., Poblacion, Naic Cavite
123	147 SHORTHORN	Shorthorn corner Road 20, Project 8, Quezon City
124	148 JP RIZAL	J.P. Rizal corner Constancia St., Makati City
125	149 MOONWALK	432 Marcos Alvarez, Talon, Las Pinas
126	150 ZABARTE	Quirino Highway corner Zabarte Ave., Novaliches
127	151 UDMC	Sto. Tomas corner N. Ramirez St., Quezon City
128	152 DASMA 3	Congressional Ave., DBB, Dasmaringas, Cavite
129	153 PACO 2	Pedro Gil St., corner Main St., Paco, Manila
130	154 INSULAR (franchise)	P. Burgos corner G. Luna St., Makati
131	155 ONYX	A. Francisco corner Onyx and Concha Sts., Sta. Ana, Manila
132	156 GUADALUPE 2	Kalayaan Ave. near corner Yabut St., Guadalupe, Makati
133	157 SANGANDAAN	A. Mabini St. corner Gen. San Miguel St., Sangandaan, Caloocan
134	158 N. DOMINGO	N. Domingo corner F. Blumentritt St., San Juan
135	160 SAN BARTOLOME	M. Dela Cruz corner Quirino Highway, Novaliches
136	161 SAN FERNANDO (franchise)	Tiomico St. corner Mendoza St., San Fernando, Pampanga
137	162 COGEO (franchise)	Cogeo Gate 2, Bagong Nayon, Antipolo
138	163 URBAN	Urban Ave. (Tindalao St.), Makati
139	164 SUPERLINES	EDSA nr cor. New York St. Cubao Quezon City
140	166 COLUMBIA	Columbia Tower, Ortigas Ave., Mandaluyong
141	167 JUPITER	Makati Ave. corner Gil Puyat Ave., Makati
142	168 T.M. KALAW	Kalaw corner A. Mabini St., Ermita, Manila
143	169 BLUMENTRITT 3	Cavite corner Guevarra St., Blumentritt, Manila
144	171 PASONG TIRAD	Kalayaan Ave. corner Pasong Tirad, Makati
145	172 WEST AVENUE	West Ave., cor. Zamboanga Sts., Quezon City
146	173 MARCOS HI-WAY	Marcos Hi-way corner E. Rodriguez, Pasig
147	174 MASANGKAY	Masangkay corner Mayhaligue St., Sta. Cruz, Manila
148	175 BENIN (MCU 2)	EDSA corner Benin St., Caloocan City
149	176 FARMERS	Space 1 and 2, 2nd Level New Farmers Plaza, Cubao, Quezon City
150	177 MARIPOSA	Market Ave. corner Caruncho Ave., Pasig City
151	178 ASTURIAS (franchise)	Dapitan cor. Asturias Sts., Sampaloc, Manila
152	179 STA. MONICA	Mabinicor Sta. Monica, Ermita, Manila
153	180 BATANGAS	P. Panganiban near cor. P. Burgos. Batangas City
154	181 AUTOMATIC	Gen. McArthur Ave., Araneta Center, Cubao, QC
155	182 SAN FERNANDO	SM Annex, SM City Pampanga
156	183 ALABANG JUNCTION	Alabang-Zapote Rd., Alabang, Muntinlupa City
157	184 D. JOSE	Rizal Ave. cor D. Jose, Sta Cruz, Manila
158	185 BETTER LIVING	Doña Soledad Ave., Better Living Parañaque
159	186 GLOBAL PLAZA	Seaside Dr. near cor. Coastal Rd., Tambo, Parañaque
160	187 VIRRA 1 (franchise)	P. Burgos cor Dapo Sts, Makati City
161	188 PANAY	Quezon Ave. cor EDSA, Quezon City
162	189 GEN. TRIAS	Newhall Comm'l Complex, Manggahan, Gen. Trias, Cavite
163	190 SSS	No. 22 East Ave., Dliaman, Quezon City

164	191 BAGUIO	#33 Lower Session Road, Baguio City
165	192 TURBINA	National Highway Brgy. Turbina, Calamba, Laguna
166	193 BAUAN	Brgy. Poblacion, Bauan Batangas
167	194 ANGONO	M.L. Quezon Ave. Angono Rizal
168	195 RFM	RFM Corporate Center, Mandaluyong City
169	196 URDANETA	Brgy. Poblacion, Urdaneta City Pangasinan
170	197 TARLAC	Mac Arthur Highway, Sto. Cristo, Tarlac City
171	198 MATALINO	Matalino St. cor. Malakas St. Diliman Quezon City
172	199 RIZAL MED	Pasig Blvd. cor. Banaag, Penida, Pasig City
173	200 CARMEN	Mac Arthur Highway, Carmen, Rosales, Pangasinan
174	201 EUROVILLA	Villar cor. Agustin St., Salcedo Vill. ,Makati City
175	202 PASEO DE ROXAS	111 Paseo de Roxas Bldg., Paseo de Roxas St. cor. Legaspi St. Legaspi Vill., Makati City
176	203 CIRCLE	Quezon Ave. cor. Scout Reyes, Quezon City
177	204 PRISCILLA	Pasong Tamo Ext.Kayamanan - C, Makati City
178	205 UE RECTO	UE, Claro M. Recto Ave., Manila
179	206 DAGUPAN	Arellano St., Dagupan City
180	207 ZAPOTE	Alabang Zapote Road cor. F. Santos, Las Pinas
181	208 MORONG	T. Claudio, Morong Rizal
182	209 ANGELES	Sto. Rosario cor. Sukdulan St. Angeles City
183	210 SESSION 2	G/F B - 105 Lopez Bldg. Session Rd. Baguio City
185	211 OROSA	MY Orosa nr. cor. TM. Kalaw, Ermita Manila
186	212 LEMERY	Ilustre Ave., nr. cor., P. Burgos St. Lemery, Batangas
187	213 PARKVIEW	Valero St. cor. Salcedo Village Makati City
188	215 CRAME	Leonor street corner Maharlika Hwy, San Pablo, Laguna
189	216 BAC 2	Quirino Ave., Corner Dimasalang st., Baclaran Paranaque City
190	217 NOVA 3	Quirino H-Way cor. Sarmiento St. Novaliches City, Q.C.
191	218 TAYTAY 2	Manila-East Road, Taytay Rizal
192	219 P.CAMPA	Espana cor. P. Campa Sampalok St., Manila
193	223 EASTWOOD	Eastwood cor. E-Commerce Aves., Eastwood City, Quezon City
194	226 LEGARDA	2108 Legarda St., Quiapo, Manila
195	228 BOCAUE	Mc Arthur Highway cor. Gov. F Halili Ave., Binang 2nd, Bocaue, Bulacan

### **Item 3. Legal Proceedings**

The Company is a party to various litigations involving price tag law issues before Department of Trade and Industry, employees suing for illegal dismissal, back wages and damage claims, claims arising from store operations and as co-respondents with manufacturers on complaints with BFAD, for specific performance and other civil claims; all such cases are in the normal course of business and are not deemed to be considered as material legal proceeding as stated in Part I, Paragraph (C) of "Annex C" of SEC checklist 17-A.

### **Item 4. Submission of Matters to a Vote of Security Holders**

A stockholders meeting was held on June 30, 2003, during which, no matter was submitted to a vote of security holders. No other stockholders meeting was held for the period ending December 31, 2003

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

#### Market Information

The company's common shares were listed in the Philippine Stock Exchange on February 04, 1998. The trading record of the company's shares as of December 31, 2002 and 2003 are as follows:

#### December 31, 2002

Month	Open	High	Low	Close	Volume
1 <sup>st</sup> Quarter	3.90	3.90	3.90	3.90	4,000
2 <sup>nd</sup> Quarter	3.20	3.25	3.20	3.25	3,000
3 <sup>rd</sup> Quarter	3.25	3.25	3.25	3.25	15,000
4 <sup>th</sup> Quarter	3.25	3.25	3.25	3.25	1,000

#### December 31, 2003

Month	Open	High	Low	Close	Volume
1 <sup>st</sup> Quarter	No Transaction				
2 <sup>nd</sup> Quarter	2.50	2.50	2.50	2.50	1,000
3 <sup>rd</sup> Quarter	2.80	2.80	2.80	2.80	486,672
4 <sup>th</sup> Quarter	3.00	3.00	3.00	3.00	18,839,754**
*SBS: July 2, 2003					14,682,617
**Dec. 18, 2003					18,839,754
Latest Trading:					
March 24, 2004	4.45	4.45	4.45	4.45	2,000

#### Stock/Cash Dividends

No stock/cash dividends were declared during the past three years (2001-2003) due to the reservation of retained earnings for the opening /putting up of additional stores which require considerable capital expenditures. Also, there's no restriction that limits the ability of the Company to pay dividends on common equity other than the unavailability of unrestricted retained earnings. Likewise, there was no sale of any unregistered securities.

#### Holders

As of December 31, 2003, there were 20 shareholders of the company's outstanding common shares totaling 237,252,000 shares.

The top 20 shareholders and their corresponding shareholdings as of December 31, 2003 are as follows:

SHAREHOLDER	CITIZENSHIP	SUBSCRIPTION	% HOLDINGS
1. President Chain Store (Labuan) Holdings, Ltd.	Malaysian	134,257,619	56.59%
2. Asian Holdings Corporation	Filipino	29,208,750	12.31%
3. PCD Nominee Corporation	Filipino	28,438,061*	11.99%
4. Progressive Development Corp.	Filipino	20,163,079	8.50%
5. Vicente T. Paterno	Filipino	5,540,746	2.34%
6. Agus Development Corp.	Filipino	4,912,178	2.07%
7. Anglo Philippine Holdings Corporation	Filipino	4,333,380	1.83%
8. Maria Henrietta R. Santos	Filipino	1,051,563	0.44%
9. 7-Eleven Inc.	American	922,876	0.39%
10. Dante G. Santos	Filipino	917,723	0.39%
11. Apex management & Dev't Group, Inc.	Filipino	888,000	0.37%
12. Ma. Cristina P. Paterno	Filipino	825,099	0.35%
13. National Life Insurance Co.	Filipino	774,104	0.33%
14. Ma. Elena P. Paterno	Filipino	714,736	0.30%

15. Paz Pilar P. Benares	Filipino	714,735	0.30%
16. PCD Nominee Corporation	Non-Filipino	527,721	0.22%
17. Ma. Theresa P. Dickinson	Filipino	489,934	0.21%
18. Jose Victor P. Paterno	Filipino	425,388	0.18%
19. Manuel U. Agustines	Filipino	421,140	0.18%
20. Socorro Paz P. Paterno	Filipino	175,285	0.07%

\*Note: Transfer of 18,839,754 PSC shares of Mr. Paterno to his 5 children last Dec. 18, 2003 were lodged in PCD Nominee Corp. (Fil.) and were reflected only last Feb. 24, 2004 in names of Mr. Paterno's 5 children. Said transfers are subject to a Voting Trust Agreement executed by his children in favor of Mr. Vicente T. Paterno.

#### Item 6. Management's Discussion and Analysis or Plan of Operation.

Management's Discussion and Analysis of 2003 Operations is attached hereto as Appendix A.

#### Item 7. Financial Statements

The audited financial statement for the year ending December 31, 2003 is attached hereto as Appendix B.

#### Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in or disagreements with accountants on accounting and financial disclosures.

### PART III – CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the Registrant

##### a) Directors and Corporate Officers

The directors of the Company are elected at the Annual Stockholders meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. The members of the Board of Directors and corporate officers of the Company are the following:

NAME	AGE	Term of Present Position	No. of Year(s) In Service	Business Experience
CHIN-YEN KAO Honorary Chairman of the Board	75	3	3	<ul style="list-style-type: none"> <li>• <i>Chief Executive Officer</i> - Uni-President Group;</li> <li>• <i>Vice Chairman</i> - Uni-President Enterprise;</li> <li>• <i>Chairman</i> - President Chain Store Corporation</li> </ul>
VICENTE T. PATERNO Chairman of the Board	78	21	21	<ul style="list-style-type: none"> <li>• <i>Chairman</i> - Store Sites Holding Inc.;</li> <li>• <i>Chairman &amp; President</i> - Philippine Seven Holdings Corporation</li> <li>• <i>Director</i> - Cityland Dev. Corp., State Land Investment Inc. and First Philippine Holding Corporation</li> </ul>
YEONG-HSIANG YEH President and Director	42	1 yr & 10 mos.	1 yr & 10 mos.	<ul style="list-style-type: none"> <li>• <i>Chairman &amp; Director</i> - Convenience Distribution, Inc.;</li> <li>• <i>Director</i> - Store Sites Holding Inc.;</li> <li>• <i>Former Division Manager</i> - President Chain Store Corp.</li> </ul>
JORGE L. ARANETA Director	68	16	16	<ul style="list-style-type: none"> <li>• <i>Chairman &amp; CEO</i> - Araneta Center Inc./ Philippine Pizza Inc./ Uniprom Inc./ Progressive Development Corporation</li> </ul>
ALFREDO C. RAMOS <sup>1</sup> Director	60	16	16	<ul style="list-style-type: none"> <li>• <i>Chairman &amp; President</i> - National Bookstore, Inc./ The Philodril Corp./ Vulcan Industrial &amp; Mining Corp./</li> <li>• <i>Vice Chairman</i> - Edsa Properties Holdings, Inc. / Shangri-la Plaza Corporation;</li> </ul>

				<ul style="list-style-type: none"> <li>• <i>Chairman of the Board</i> - Anglo Philippine Holdings Corporation;</li> <li>• <i>President</i> - Atlas Consolidated Mining &amp; Development Corporation;</li> <li>• <i>Vice-Chairman</i> - MRT Development Corporation.</li> </ul>
MANUEL U. AGUSTINES <sup>1</sup> Director	65	16	16	<ul style="list-style-type: none"> <li>• <i>Chairman &amp; Chief Executive Officer, Director</i> - Ramcar Inc.;</li> <li>• <i>Chairman, President &amp; Director</i> - Agus Development Corp.</li> </ul>
DIANA P. AGUILAR Director	40	5 yrs. 8 mos.	5 yrs. 8 mos.	<ul style="list-style-type: none"> <li>• <i>Director</i> - WenPhil Corporation/ Asian Holdings Corporation;</li> <li>• <i>Treasurer</i> - Cable Entertainment Corp.;</li> <li>• <i>Director &amp; Treasurer</i> - Land &amp; Housing Dev't. Corporation;</li> <li>• <i>Executive Director</i> - Electronic Commerce Payments Network Inc.;</li> <li>• <i>Treasurer</i> - Franchise One Corporation</li> </ul>
CHUNG-JEN HSU Director	56	3	3	<ul style="list-style-type: none"> <li>• <i>Chairman</i> - President Packaging Co., Ltd./ Duskin Serve Taiwan Ltd. Co./ Presidential Direct Marketing Corp./ Ren-Hui Investment Corp./ President Information Corp./ Capital Inventory Services Corp./ Wisdom Distribution Service Corp./Retail Support International Corp./Uni-President Yellow Hat Corp./President Drugstore Business Corp./ President MUsashino Corp./President Yamako Corp./ Books.com.Co.Ltd/ President Technology Corp./ President Engineering Technology Corp./ BankPro E-Service Technology Co. Ltd.</li> <li>• <i>President</i> - President Chain Store Corporation/ Ren-Hui Investment Corp.</li> <li>• <i>Director</i> - Tonpal Optoelectronic Inc./ President Coffee Corp./ Mech-President Co./ Uni-President Cold Chain Corp./ President Transnet Corp./ Nanlien Int'l Corp./ President Int'l Dev't Corp./ Latin America Dev't Corp./ Copres Corp./ Dayeh Takashimaya Dept. Store Inc./ President Collect Services Corp./ Uni-President Oven Bakery Corp./ Uni-President Takashimaya Co. Ltd./Shanghai President Coffee Corp./ Presiclrc Corp./ T &amp; T Supermarket Inc./ President Pharmaceutical Corp./eASPnet Inc.</li> </ul>
CHIEN-NAN HSIEH Director	49	3	3	<ul style="list-style-type: none"> <li>• Chairman of President Logistics International Corp./ Retail Support Taiwan Corp.</li> <li>• <i>Vice-President</i> - President Chain Store Corporation;</li> <li>• <i>Director</i> - President Packaging Co. Ltd./ Ren-Hui Investment Corp/ Capital Inventory Services Corp./ Duskin Serve Taiwan Ltd. Co./ President Organics Co./ Presidential Direct Marketing Corp./ Wisdom Distribution Service Corp./ Uni-President Cold Chain Corp./ President Drugstore Business Corp/ Retail Int'l Corp./ Uni-President yellow Hat Corp./ President Information Corp./ Mech-President Corp./ President Transnet Corp./ President Collect Services Corp./ Uni-President Oven Bakery Corp./ President Technology Corp./ President Engineering Technology Corp./ Presiclrc Corp.</li> <li>• <i>Supervisor</i> - T &amp; T Supermarket Inc.</li> </ul>
JUI-TANG CHEN Director	46	3	3	<ul style="list-style-type: none"> <li>• <i>Chief Marketing Officer</i> - President Chain Store Corporation;</li> <li>• <i>Director</i> - President Organics Co./ Wisdom Distribution Service Corp./ Duskin Serve Taiwan Ltd. Co./ President Direct Marketing Corp./ Uni-President Oven Bakery Corp./ Books.com.Co.Ltd.</li> <li>• <i>Supervisor</i> - Retail Support International Corp./ Uni-President Cold-Chain Corp./ President Musashino Corporation/ President Yamako Corp.</li> </ul>

FU-TANG CHEN Director	56	3	3	<ul style="list-style-type: none"> <li>• <i>Chief Financial Officer</i> - President Chain Store Corp;</li> <li>• <i>Director</i> - President Investment Trust Corp.;</li> <li>• <i>Supervisor</i> - President Direct Marketing Corp./ Capital Inventory Services Corp./ Wisdom Distribution Service Corp./ Uni-President Oven Bakery Corp./ Books.com.Co. Ltd/ President Technology Corp.</li> </ul>
KUO-HSUAN WU Director	49	3	3	<ul style="list-style-type: none"> <li>• <i>Vice-President</i> - President Chain Store Corp.;</li> <li>• <i>Director</i> - Allianz President General Insurance Co. Ltd./ Uni-President Cold-Chain Corp./ Ren-Hui Investment Corp./ Capital Inventory Services Corp./ Wisdom Distribution Service Corp./Mech-President Corp./ President Musashino Corp./ President Transnet Corp. President Yamako Corp./ President Engineering Technology Corp.</li> </ul>
WEN-CHI WU Treasurer	34	3	3	<ul style="list-style-type: none"> <li>• <i>Former Financial Planning Manager</i> - President Chain Store Corp.</li> </ul>
EVELYN SADSAD-ENRIQUEZ Corporate Secretary	40	*1 mo. 14 yrs.	*1 mo. 14 yrs.	<ul style="list-style-type: none"> <li>• <i>Corporate Secretary</i> - Philippine Seven Corporation (*Nov. 2003)</li> <li>• <i>Asst. Corporate Secretary</i> - Philippine Seven Corporation</li> <li>• <i>Compliance Officer</i>- Philippine Seven Corporation</li> <li>• <i>Corporate Secretary</i> - Ferguson Park Tower Condominium Corporation/ Convenience Distribution Inc./ Store Sites Holding, Inc./</li> <li>• <i>Asst. Corporate Secretary</i> - Philippine Seven Holdings Corporation.</li> </ul>

<sup>1</sup> *Independent Director*

*b) Family Relationships*

- i) Mr. Jose Victor P. Paterno (President and Director of Convenience Distribution Inc. (CDI), which is a wholly owned subsidiary of PSC) is the son of PSC Chairman of the Board, Mr. Vicente T. Paterno.
- ii) Ms. Dianna P. Aguilar (director of PSC) is related to PSC Chairman, Mr. Paterno by affinity within the 3rd degree.
- iii) Ms Wen-Chi Wu (Treasurer of PSC) is the wife of CDI Treasurer, Mr. Ching-Chung Wu.
- iv) Mr. Raymund Aguilar (Director of Gate Distribution Enterprises, Inc., a supplier of the Company) is the husband of Ms. Diana P. Aguilar

*c) Litigation*

To the knowledge and/or information of the Company, the above-named directors of the Company, the present members of its Board of Directors and its Corporate Officers are not, presently or during the past 5 years, involved or have been involved in any material legal proceeding affecting/involving themselves or their property before any court of law or administrative body in the Philippines or elsewhere. Likewise, to the knowledge and/or information of the Company, the said persons have not been convicted by any final judgment of any offense punishable by the laws of the Republic of the Philippines or the laws of any nation/country.

*d) Qualification of Directors*

To the knowledge and/or information of the Company, the above-named directors have all the qualifications and none of the disqualifications as provided in the Company's Manual on Corporate Governance.

## Item 10. Executive Compensation

	Salary			Bonuses			2004 Estimate	
	2001	2002	2003	2001	2002	2003	Salary	Bonus
Vicente T. Paterno -- Chairman Yeong-Hsiang Yeh (2002) -- Pres. Wen Chi Wu - Chief Financial Officer Sam P. Liu - Marketing Director Teodoro S. Wenceslao- Development Division Manager	6,038,400	5,178,910	4,880,258.76	754,800	685,606.76	1,831,514.98	5,111,606.76	1,695,191.68
All other officers and directors as a group	5,786,400	3,778,216	3,697,493.41	711,750	498,419	598,024.03	4,578,905.54	1,121,240.73

The company has certain standard arrangements with respect to compensation and profit sharing. Per diems of ₱ 5,000 (as may be fixed by the Board from time to time) are given for every regular or special meeting of the Board or Executive Committee attended.

In addition to per diems, profit sharing is provided in the Code of By-laws in an amount not exceeding 15% of the net profits of the corporation (after tax), which shall be distributed to the members of the Board of Directors and Executive Committee members and officers of the corporation in such amounts and manner as the Board may determine. Profit share exceeding 15% of net profits after tax of the corporation shall be submitted to stockholders for approval. The last profit sharing in 1996 was set at 5% of net income after tax thereon. The directors and the executive officers did not receive any profit sharing in the years after 1996.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 1. Security Ownership of Certain Record and Beneficial Owners.

As of December 31, 2003 the following are the record and beneficial owners of more than 5% of registrant's voting securities:

Title of Class	Name and Address of Record/Beneficial Owner	Amount and Nature of Record/Beneficial Ownership	Percent of Outstanding Common Stock as of Dec. 31, 2003
Common	President Chain Store (Labuan) Holding, Ltd. <sup>1</sup> 7(E), Main Tower, Financial Park, Labuan, Malaysia	134,257,625 (R)	56.59%
Common	Asian Holdings Corporation <sup>2</sup> 4 <sup>th</sup> Floor, Uni-Oil Bldg., Commerce Ave. cor. Acacia St., Madrigal Business Park, Ayala Alabang, Muntinlupa City	29,208,750 ( R )	12.31%
Common	PCD Nominee Corporation (Filipino) Grnd. Flr., Makati Stock Exchange Bldg., Ayala Ave., Makati City	9,598,307 (R ) <u>18,839,754 (R)</u> <sup>4</sup> <b>28,438,061</b>	11.99%
Common	Vicente T. Paterno 16 Hidalgo Place, Hidalgo Village, Rockwell Makati City	5,540,746 ( R ) 18,839,754 (B) <sup>4</sup> <u>3,345,177 (B)</u> <sup>5</sup> 27,725,677 (R/B) <sup>6</sup>	11.68%
Common	Progressive Development Corp. <sup>3</sup> 18 <sup>th</sup> Aurora Tower, Cubao Quezon City	20,163,079 ( R )	8.50%

#### Footnotes:

<sup>1</sup> Mr. Chien-Nan Hsieh, Vice President of President Chain Store ( Labuan) Holding, Ltd. has the voting power in behalf of the Corporation

<sup>2</sup> Ms. Elizabeth Orbeta & Ms. Diana P. Aguilar has the voting power in behalf of Asian Holdings Corp.

<sup>3</sup> Mr. Jorge L. Araneta has the voting power in behalf of Progressive Corp.

<sup>4</sup> Shares transferred by Mr. Paterno to his 5 children through cross sale last Dec. 18, 2003, subject to a Voting Trust Agreement. Said shares were lodged in PCD Nominee Corp. (Fil.) and were reflected under their names last Feb. 24, 2004 due to delayed posting.

<sup>5</sup> Shares held in individual capacity by immediate family of Mr. Paterno

<sup>6</sup> Mr. Paterno has the voting power in behalf of his family

## 2. Security Ownership of Management as of December 31, 2003

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Common	Vicente T. Paterno	27,725,677 <sup>1</sup>	11.68%
Common	Yeong-Hsiang Yeh	1 <sup>3</sup>	0.00%
Common	Jorge L. Araneta	1 <sup>3</sup>	0.00%
Common	Manuel U. Agustines	421,140 <sup>2</sup>	0.18%
Common	Dianna P. Aguilar	1,000 <sup>2</sup>	0.0004%
Common	Alfredo C. Ramos	1 <sup>3</sup>	0.00%
Common	Chung-Jen Hsu	1 <sup>3</sup>	0.00%
Common	Chien-Nan Hsieh	1 <sup>3</sup>	0.00%
Common	Jui-Tang Chen	1 <sup>3</sup>	0.00%
Common	Fu-Tang Chen	1 <sup>3</sup>	0.00%
Common	Kuo-Hsuan Wu	1 <sup>3</sup>	0.00%
Common	Evelyn Sadsad-Enriquez	1,850 <sup>2</sup>	0.0008%
Common	Liwayway T. Fernandez	2,642 <sup>2</sup>	0.0011%
Common	Teodoro S. Wenceslao	1,000 <sup>2</sup>	0.0004%
TOTAL		28,153,317	

<sup>1</sup> 5,540,746 shares directly owned by Vicente T. Paterno, 18,839,754 shares lodged in PCD Nominee (Fil.) held by his 5 children, subject to a Voting Trust Agreement and the 3,345,177 shares also held in individual capacity by immediate family members of VT Paterno.

<sup>2</sup> Directly owned shares

<sup>3</sup> Qualifying shares

## Item 12. Certain Relationships and Related Transactions

The company has lease and/or sublease agreements with Wenphil Corporation, Foodfest Inc. and Progressive Development Corporation for the lease or sublease of certain areas in excess of the requirements of the company for its 7-Eleven stores. Ms. Diana P. Aguilar, director of the company, is a director of Wenphil Corporation (holder of Wendy's Philippine franchise), she is also the wife of Mr. Raymund Aguilar, a director of Gate Distribution Enterprises Inc., which is a supplier of physical and electronic phone cards of the company while, Mr. Manuel U. Agustines is the Chairman of Foodfest, Inc. and QSR Corporation (holder of KFC and Mister Donut franchise in the Philippines, respectively). Mr. Jorge L. Araneta, also a director of the company is the Chairman and President of Progressive Development Corporation (owner of Pizza Hut Philippine franchise).

The company has warehousing and distribution management contract with Convenience Distribution Inc. (CDI), a wholly-owned subsidiary of PSC. The President of CDI, Mr. Jose Victor Paterno, is the son of Mr. Vicente Paterno, the Chairman of the Board of PSC. CDI Treasurer, Mr. Dennis Wu is the spouse of PSC treasurer, Ms. Wen-Chi Wu.

The company, from time to time, makes purchases of equipment from President Chain Store Corporation (and its subsidiaries/affiliates), which is the parent company of President Chain Store (Labuan) Holding Ltd., holding 56.59% of PSC's outstanding shares. Certain products are also purchased from Uni- President Corporation which is the parent company of President Chain Store Corporation.

## PART IV – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

Copies of the reports listed below were submitted to SEC:

<u>Date</u>	<u>Items Reported</u>
January 22, 2003	Item 4: Resignation of Director and Officer
February 10, 2003	Item 4: Designation of Compliance Officer
May 8, 2003	Item 9: Other Events ( Notice of Postponement of Annual Stockholders' Meeting
July 4, 2003	Item 9: Other Events ( Purchase of additional shares by PCSLH)
July 7, 2003	Item 4: Election of Registrant's Directors
October 14, 2003	Item 9: Other Events ( Changes of PSC Trunkline Numbers)
November 25, 2003	Item 4: Designation of Director and Officer
December 22, 2003	Item 9: Other Events (Transfer of some shares by Mr. Paterno to his children)
December 30, 2003	Item 9: other Events ( Attendees of the PSC Directors in compliance with the Corp. Governance manual)

**SIGNATURES**

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mandaluyong on \_\_\_\_\_,2004.

**PHILIPPINE SEVEN CORPORATION**  
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capabilities and on the dates indicated.

By:  
Board of Directors

**VICENTE T. PATERNO**  
Chairman of the Board

**YEONG-HSIANG YEH**  
President and Director

**WEN-CHI WU**  
Chief Financial Officer and Treasurer

**EVELYN S. ENRIQUEZ**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2004 affiants exhibiting to me their Community Tax Certificates No./Passport No., as follows:

NAME	COMM. TAX CERT. NO./ PASSPORT NO.	DATE/PLACE OF ISSUE
Vicente T. Paterno		
Yeong-Hsiang Yeh	M130984581	Dec. 8, 2000/Taiwan
Wen-Chi Wu	133267866	April 11, 2002/Taiwan
Evelyn S. Enriquez	14183216	Jan. 13, 2004/Mandaluyong

Doc. No. \_\_\_\_;  
Page No. \_\_\_\_;  
Book No. \_\_\_\_;  
Series of 2004.

NOTARY PUBLIC

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of Philippine Seven Corporation is responsible for all information and representations contained in the financial statements for the years ended December 31, 2003, 2002 and 2001. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors or the Executive Committee, as authorized by the Board, reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Joaquin Cunanan & Company, the independent auditors appointed by the Stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors or Executive Committee and Stockholders.

**VICENTE T. PATERNO**  
Chairman of the Board

**YEONG-HSIANG YEH**  
President

**WEN-CHI WU**  
Chief Financial Officer and Treasurer

## **Year 2003**

### **Management Discussion and Analysis of Financial Condition and Results of Operations**

2003 was a good year for PSC, amidst continued heating up of competition in the C-store business, predominantly in metropolitan area where convenience stores are clustered, and the seemingly uninterrupted economic jitters. During the year, 32 stores were opened, inclusive of 1 franchised store, and closed 5 unprofitable stores, bringing the total number of operational stores from previous year-end with 168 to 195, and registering a robust increase in store days, 9.0% more than last year. The company did not attain its projected number of stores for 2003 but in addition to the number of stores it opened, the contracts for 4 new strategic sites were signed toward the end of 2003 and have already undergone construction so they would be operational by 1Q 2004.

The prolonged economic slump experienced by the country continued to erode the consumer purchasing power. Although experiencing a modest 1.6% year-on-year increase in the size of average customer purchase of merchandise, the average customer count per store day fell to 94.3% of the previous year. Thus, average sales per store day was 4.2% lesser than in last year.

#### **SALES REVENUES AND GROSS MARGINS**

Total sales for the year reached ₱3.2 billion, up 7.5% from end-2002's ₱3.0 billion mainly due to increased store days. Merchandise sales grew in certain product categories such as fastfood, hot foods, confectioneries, donuts, hot drinks, and slurpee, but declined in other categories usually considered as traditional grocery items.

Commission earned from phone cards, which is another component of revenue, continued to slid from ₱53.3 million in 2002 to ₱ 44.6 during 2003. The successful launching of a low denomination prepaid phone card – Globe 100 - helped stem the decline in commissions earned. However, the company continues to face the challenges brought about by proliferation of phone card outlets that sell cards at discounts and more recently, the shifting of cell phone users from pre-paid to post paid accounts.

Gross profit rate for 2003 is better than last year, raising the total gross profit pesos to ₱990 million, or by 15.6% year-on-year, higher than last year's ₱857 million.

#### **EXPENSES**

Store selling expenses accounted for 10.0% of total sales in 2003, the ratio was much lesser than last year's 13.9%. Depreciation/amortization expenses were expected to rise because there were more operating stores, posted a 2.9% increase per store month. Rental expenses were held to a 11.2% increase over the previous year by reason of considerable increase in store months by 9.0% apart from fixed escalation rates stipulated on the lease contracts. These resulted in 4.2% year-on-year growth in rental expenses per store month.

Store Operating Expenses, which accounted for 11.8% of total sales in 2002, went up to 15.8% of total sales in 2003. Tighter labor scheduling resulted in minimal decrease in manpower related expenses

despite the large increase in number of operating stores. Security services were constantly monitored and controlled, lowering their cost by 24.1% per store month. The energy conservation program by Operations and Engineering personnel, which aim to reduce the kilowatt-hours consumed per store, led to minimal reduction in utility charges per store month. The substantial favorable variances arising from decreases in major expense accounts offset the unfavorable increases in inventory variation and bad merchandise accounts. Operations management has already established measures to better control the two accounts.

A significant rise in other income, which was given a boost by income from franchise activities, offset the substantial increase in interest expenses.

In 2003, the company returned to profitability after three years of consecutive losses. It posted a strong jump in profit in the last quarter of the year. In addition, effective management of cost and expenses helped the company reverse the downward trend in bottom lines since 2000. Thus, the company returned to full-year profit, amounting to ₱9.3 million.

### **FINANCIAL CONDITION**

Net cash provided by operating activities for the year was ₱110.8 million, greater than in 2002. Higher depreciation/amortization expenses and improved bottom line accounted for the increase.

Net cash used in investing activities substantially increased to ₱153.2 million in 2003, from ₱76.8 million in the previous year. Capital expenditures for each of the periods were used for construction of new stores, renovation of older stores, and store equipment.

Net cash provided by financing activities was ₱78.3 million representing bank loans. These borrowings supplemented internal cash generation in funding construction of new stores. From ₱120.0 million in 2002, bank loans in 2003 totaled ₱210.0 million, inclusive of ₱70.0 million long-term loan, part of which was placed in short-term investments, which would settle short-term loans as these mature. During the latter part of the year, the company thus started converting some short-term loans into long-term loans.

The company's available credit facilities at the end of the year consisted of ₱40.0 million 360-day revolving credit and ₱110.0 million long-term credit facility from various banks.

Overall, cash and cash equivalents at the end of 2003 increased to ₱273.1 million from ₱237.1 million at the beginning of the year.

Total current assets had been increased due to significant growth in all accounts. The improved merchandise procurement and distribution system reduced inventory per store. Receivables represented marketing support funds extended by suppliers for advertising and promotional activities. Despite operating losses, as in previous years, the company was subjected to income tax obligations based on 2% of gross margins. This was carried as a prepaid expense in the consolidated balance sheet and applicable to future income taxes payable within the next three years.

Total current liabilities also expanded due to higher trade purchases. Current ratio stood at 1.03 to 1, higher than in previous year.

Property and equipment, net of accumulated depreciation increased 4.9%, to ₱561.5 million.

Stockholders' equity during the year accounted for 46.5% of total assets compared to 51.1% in 2002. Debt-to-equity ratio increased to 1.14 to 1, from 0.95 to 1 at the previous year-end.

### **PLANS FOR 2004**

For year 2004, PSC will continue to dominate the C-store business thru aggressive opening of profitable stores in strategic locations, including non-traditional areas.

The company will pursue its dedication of improving the assortment of products and ensure that high-demand products are always available in all stores. Other activities geared to promoting sales and expanding its market base will be aggressive product launches and promotional activities. Likewise, capitalizing on co-merchandising opportunities with multinational manufacturing companies will be continued in order to introduce more products to the public that are first, best and available only at 7-Eleven.

The company has already developed and improved its infrastructures and business processes. Next year, it will also focus on developing and improving the competencies and skills of its employees.

Moreover, tight monitoring and controlling of expenses will be continued.

PSC expects sales to grow at a reasonable rate of 4.4% and looks forward to achieving another profitable bottom line in 2004.

**Yeong-Hsiang Yeh**  
**President**