SECURITES AND EXCHANGE COMMISSION

SEC FORM 20- IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   _________ Preliminary Information Statement
   ____x____ Definitive Information Statement

2. Name of Registrant as specified in its charter: **PHILIPPINE SEVEN CORPORATION**

3. Country of Incorporation: **PHILIPPINES**

4. SEC Identification Number: **108476**

5. BIR Tax Identification Number: **040-000-390-189**

6. Address of Principal Office:
   7th Floor, The Columbia Tower
   Ortigas Avenue, Mandaluyong City
   1501

7. Telephone Number: **(632) 705-52-00**

8. Date, time and place of the meeting of security holders:

   June 21, 2005 (Tuesday)
   3:00 p.m.
   Amorsolo Ballroom, 4th Floor, Holiday Inn Galleria Suites
   #1 ADB Avenue, Ortigas Center
   Pasig City

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

   May 30, 2005

10. In case of proxy solicitations:

    Name of Person Filing the Statement/Solicitor: ____**N/A**__________________

    Address and Telephone No.: _________________

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sec. 4 & 8 of the RSA:

Title of Each Class	*Number of Shares of Common Stocks Outstanding or Amount of debt Outstanding*
Common	237,252,000
Warrants	-0-

12. Are any or all registrant's securities listed on the Stock Exchange?

    Yes ____**X**____ No ________

Title of each Class	*Listed Shares*	*Stock Exchange*
Common Shares	237,938,250	Philippine Stock Exchange

PHILIPPINE SEVEN CORPORATION

7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City
Tel. Nos. 705-52-00
Fax No. 705-52-09

Notice is hereby given that the annual stockholders meeting of **PHILIPPINE SEVEN CORPORATION** (the "Corporation"), will be held at the **Amorsolo Ballroom, 4th Floor, Holiday Inn Galleria, #1 ADB Avenue, Ortigas Center, Pasig City**, on **Tuesday, 21 June 2005 at 3:00 P.M**. for the purpose of taking up the following:

1. Certification of Quorum and Call to Order
2. Approval of Minutes of the Previous Stockholders Meeting
3. Management Report
4. Ratification of Actions Taken by the Board of Directors, Executive Committee and Management during the Previous Year 2004
5. Election of the Board of Directors for 2005
6. Appointment of External Auditors
7. Other Matters
8. Adjournment

For purposes of the meeting, only stockholders of record as of May 3, 2005 are entitled to vote in the said meeting.

For your convenience in registering your attendance, please have some available form of identification, such as company I.D., passport or driver's license. Registration will start at 2:00 p.m.

EVELYN S. ENRIQUEZ
Corporate Secretary

PART I.

A. GENERAL INFORMATION

This Information Statement is being furnished to stockholders of record of Philippine Seven Corporation as of May 3, 2005 in connection with its annual stockholders' meeting.

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 1. Date, Time and Place of Meeting of Shareholders

Date of Meeting	:	June 21, 2005
Time of Meeting	:	3:00 P.M.
Place of Meeting	:	Amorsolo Ballroom 4th Floor, Holiday Inn Galleria #1 ADB Avenue, Ortigas Center Pasig City
Complete Mailing Address	:	Philippine Seven Corporation 7th Floor, The Columbia Tower Ortigas Avenue, Mandaluyong City 1550

This Information Statement will be first sent or given to security holders on May 24, 2005.

Item 2. Dissenter's Right of Approval

The stockholders of the Company may exercise their right of appraisal against any proposed corporate action which qualifies as an instance under Section 81 of the Corporation Code which gives rise to the exercise of such appraisal right pursuant to and in the manner provided in Section 82 of the Corporation Code.

Item 3. Interest of Certain Persons in Matters to be Acted Upon

None of the members of the Board of Directors or senior management has any substantial interest in the matters to be acted upon by the shareholders in the stockholders meeting, except for the election of directors. The following are the incumbent directors for the year 2004 - 2005 (prior to the June 2005 Annual Stockholders Meeting):

1. Vicente T. Paterno
2. Jose Victor P. Paterno
3. Jorge L. Araneta
4. Chung-Jen Hsu
5. Chien-Nan Hsieh
6. Dianna P. Aguilar
7. Fu-Tang Chen
8. Jui-Tang Chen
9. Kuo-Hsuan Wu
10. Alfredo C. Ramos*
11. Michael B. Zalamea*

* Independent Director

The Board of Directors and senior management, as a group, own 28,157,565 common shares which constitute approximately 11.87% of the issued and outstanding common stock.

The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

Cumulative voting is allowed for the election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of March 31, 2005, there were 237,252,000 shares of the common stock of Philippine Seven Corporation outstanding and entitled to vote for election of directors and matters scheduled for approval at the Annual Meeting. Only holders of the company's stock as of the close of business on record date of May 3, 2005 acting in person or by proxy on the day of the meeting are entitled to notice and to vote at the Annual Meeting to be held on June 14, 2005.

For the purpose of electing the directors, shareholders entitled to vote as of above record date shall vote cumulatively in accordance with Section 24 of the Corporation Code to elect the 11 directors of the company. Each share entitled to vote shall be entitled to 11 votes.

For the purpose of approving the other matters set forth in the Agenda of the Annual Meeting, the shareholders entitled to vote as of above record date shall be entitled to (1) vote for each share entitled to vote.

a) Security ownership of certain record and beneficial owners of more than 5% of registrant's voting securities:

Title of Class	Name and Address of Record/Beneficial Owner	Citizenship	Relationships of the record owner's representative with the issuer and said owner	Amount and Nature of Record/Beneficial Ownership	Percent of Outstanding Common Stock as of April 30, 2004
Common	President Chain Store (Labuan) Holding, Ltd.[1] 7(E), Main Tower, Financial Park, Labuan, Malaysia	Malaysian	Stockholder	134,257,625 (R)	56.59%
Common	Asian Holdings Corporation [2] 4th Floor, Uni-Oil Bldg., Commerce Ave. cor. Acacia St., Madrigal Business Park, Ayala Alabang, Muntinlupa City	Filipino	Stockholder	29,208,750 (R)	12.31%
Common	Vicente T. Paterno 16 Hidalgo Place, Hidalgo Village, Rockwell Makati City	Filipino	Chairman of the Board	5,540,746 (R) 18,839,754 (B)[4] 3,345,177 (B)[5] 27,725,677 (R/B)[6]	11.69%
Common	Progressive Development Corp. [3] 18th Aurora Tower, Cubao Quezon City	Filipino	Stockholder	20,163,079 (R)	8.50%

Footnotes:

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

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

3. Mr. Jorge L. Araneta has the voting power in behalf of Progressive Corp.

4. Shares transferred by Mr. Paterno to his 5 children through cross sale last Dec. 18, 2003, subject to a Voting Trust Agreement.

5. Shares held in individual capacity by immediate family of Mr. Paterno

6. Mr. Paterno has the voting power in behalf of his family

b) Security Ownership of Management as of March 31, 2005

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Vicente T. Paterno	27,725,677[1]	Filipino	11.69%
Common	Jose Victor P. Paterno	425,388[2]	Filipino	.18%
Common	Jorge L. Araneta	1[3]	Filipino	0.00%
Common	Michael B. Zalamea	1[3]	Filipino	0.00%
Common	Dianna P. Aguilar	1,000[2]	Filipino	0.0004%
Common	Alfredo C. Ramos	1[3]	Filipino	0.00%
Common	Chung-Jen Hsu	1[3]	R.O.C.	0.00%
Common	Chien-Nan Hsieh	1[3]	R.O.C.	0.00%
Common	Jui-Tang Chen	1[3]	R.O.C.	0.00%
Common	Fu-Tang Chen	1[3]	R.O.C.	0.00%
Common	Kuo-Hsuan Wu	1[3]	R.O.C.	0.00%
Common	Evelyn Sadsad-Enriquez	1,850[2]	Filipino	0.0008%
Common	Liwayway T. Fernandez	2,642[2]	Filipino	0.0011%
Common	Teodoro S. Wenceslao	1,000[2]	Filipino	0.0004%
TOTAL		28,157,565		11.87%

1 5,540,746 shares directly owned by Vicente T. Paterno, and the 22,184,931 shares also held in individual capacity by immediate family members of VT Paterno (including shares of JVPP of 3,767,951 shares)

[2] Directly 0wned shares
[3] Qualifying shares

c) Voting trust holder of 5% or more

Mr. Vicente T. Paterno holds 18,839,754 shares or 8% under a voting trust or similar arrangement for said shares collectively owned by his children namely, Teresa P. Dickinson – 3, 767,950 shares, Jose Victor P. Paterno – 3,767,951 shares, Paz Pilar Benares – 3,767,951 shares, Ma. Cristina P. Paterno – 3,767,951 shares and Ma. Elena P. Paterno – 3,767,951 shares.

d) Changes in Control

There has been no arrangement which may result in a change in control of the Company. There has been no change in control of the Company since Y2000 or the past 4 years.

Item 5. Directors and Executive Officers of the Registrant

a) *Directors and Corporate Officers*

The Board of Directors is responsible for the overall management and direction of the Corporation. The Board meets at least twice every year or as needed to review and monitor the Corporation's financial position and operation.

The directors of the Company are elected at the Annual Stockholders meeting to hold office for one (1) year and 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 Citizenship: R.O.C.	76	4	4	• *Chairman* - Uni-President Enterprise Corp.; • *Chairman* - President Chain Store Corporation
VICENTE T. PATERNO Chairman of the Board Citizenship: Filipino	79	22	22	• *Chairman* - Store Sites Holding Inc.; • *Chairman & President* - Philippine Seven Holdings Corporation • *Director* - Cityland Dev. Corp., State Land Investment Inc. and First Philippine Holding Corporation
JOSE VICTOR P. PATERNO President and Director Citizenship: Filipino	37	4 mos.	12	• *Chairman & President* - Convenience Distribution Inc. • *Former Vice-President for Operation*- Philippine Seven Corporation *(Appointed: January 1, 2005)*
YEONG-HSIANG YEH President and Director Citizenship: R.O.C.	43	2 yr & 10 mos.	2 yr & 10 mos.	• *Chairman & Director* – Convenience Distribution, Inc; • *Director* – Store Sites Holding Inc; • *Former Division Manager* – President Chain Store Corp. (*Resigned*: December 31, 2004)
JORGE L. ARANETA Director Citizenship: Filipino	69	17	17	• *Chairman & CEO* - Araneta Center Inc./ Philippine Pizza Inc./ Uniprom Inc./ Progressive Development Corporation
ALFREDO C. RAMOS[1] Director Citizenship: Filipino	61	17	17	• *Chairman & President* – Alakor Corporation/ CHI Realty, Inc./ Filipinas Energy Corp./ National Bookstore, Inc./ NBS Subic, Inc./ The Philodril Corp./ Vulcan Industrial & Mining Corp./ United Paragon Mining Corporation • *Vice Chairman* – LR Publications, Inc./ MRT Development Corp./ Edsa Properties Holdings, Inc. / Metro Rail Transit Corp./ Penta Capital Investment Corp./ Shangri-la Plaza Corporation; • *Chairman of the Board* – Ace Publications, Inc./ Adventurer Illustrated Magazines, Inc./ Anvil Publishing, Inc./ Anglo Philippine Holdings Corporation/ Atlas Lithographic Services, Inc./ Atlas Publishing Group of Companies, Inc./ Cacho Hermanos, Inc./ Capitol Publishing House, Inc./ Carda Features, Inc./ Carmelo & Bauermann Printing Corp./ Convoy

				Consolidated Holdings, Inc./ Dataworld Computer Corp./ Educational Textbooks Corp./ Europhil Fashion, Inc./ Filstar Distributors Corp./ Megastrat, Inc./ The Music One Corp./ Music First Management Corp./ Penta Capita Finance Corp./ Solar Publishing Corp./ Trafalgar Holdings Philipinnes, Inc./ Yasaka (Manila) Industry, Inc. • *President* – Abacus Book and Card Corp./ Atlas Consolidated Mining & Development Corporation/ Business One, Inc./ Crossings Department Store, Corp./ MRT Holdings Corp./ Office One, Inc./ Power Books, Inc./ Zenith Holdings Corp. • *Director* – Chamber of Mines of the Phil./ Central Azucarera de Pilar/ JPM Foundation, Inc./ Kuok Philippine Properties, Inc./ Media One Broadcasting Corp./ MUI Hikari Construction Philippines, Inc./ Penta Capital Holdings Corp./ Philippine Seven Corp./ Philippine Seven Holdings Corp./ Philippine Gaming & Management Corp./ Vulcan Materials Corp. • *Treasurer & Trustee* – Stadium Theologiae Foundation, Inc.
MICHAEL B. ZALAMEA[1] Director Citizenship: Filipino		4 mos.	4 mos.	• *Director* - Philippine Coastal Storage & Pipeline Corp.; Clark Pipeline & Depot Company Inc.; Wespac Holdings, Inc. • *Former Portfolio Manager* - Global Fund, American International Group, Inc. New York, U.S.A.; *(Appointed: January 2005)*
MANUEL U. AGUSTINES[2] Director Citizenship: Filipino	66	17	17	• *Chairman & Chief Executive Officer, Director* - Ramcar Inc.; • *Chairman, President & Director* - Agus Development Corp. *(Resigned December 2004)*
DIANA P. AGUILAR Director Citizenship: Filipino	41	6 yrs. 8 mos.	6 yrs. 8 mos.	• *Director* - Electronic Commerce Payments Network Inc./ Artemis Electronic Systems, Inc./ Philippine Seven Holdings Corp./WenPhil Corporation/ Asian Holdings Corporation/ DAJ Property Holdings Corp./ Gate Distribution Enterprises, Inc./ ERA Philippines, Inc. • *Director & Treasurer* - Land & Housing Dev't. Corporation/ Cable Entertainment Corp. • *Treasurer* - Franchise One Corporation • *Board of Trustee* – De La Salle Santiago Zobel
CHUNG-JEN HSU Director Citizenship: R.O.C.	57	4	4	• *Chairman* - 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./ Books.com.Co.Ltd/ BankPro E-Service Technology Co. Ltd./ Mister Donut Taiwan Co./ MUJI (TAIWAN) Co., Ltd./ T & T Supermarket, Inc./ Uni-President Yi-Lian Art and Culture Corp. • *President* - President Chain Store Corporation/ Ren-Hui Investment Corp. • *Director* – President Transnet Corp./ President Collect Service Co. Ltd./ Uni-President Cold Chain Corp./ Mech President Corp./ Uni-President Oven Bakery Corp./ President Coffee Corp./ Nanlien International Corp./ Uni-President Dream Parks Corp./ Tong-Jeng Development Corp./ Uni-President Takashimaya Co., Ltd./ Shanghai President Coffee Corp./ President Coffee (Cayman) Holdings Ltd./ Digital United, Inc. (Seednet)/ President International Development Corp./ Latin America Development Corp./ Copres Corp./ Tonpal Optoelectronics, Inc./ Dayeh Takashimaya Department Store, Inc./ Century Quick Service Restaurant Corp./ Presiclerc Ltd./ T & T Supermarket, Inc./ Philippine Seven Corp./ President Pharmaceutical Corp. (PPC)/ Tung Ho Development Corp. Ltd./ PresiCarre Corp. (CarreFour)
CHIEN-NAN HSIEH Director Citizenship: R.O.C.	50	4	4	• *Chairman* - President Logistics International Corp./ Retail Support Taiwan Corp. • *Vice-President* - President Chain Store Corporation; • *Director* - Ren-Hui Investment Corp/ Capital Inventory Services Corp./ Duskin Serve Taiwan Ltd. Co./ President Organics Co./ Uni-President Cold Chain Corp./ President Drugstore Business Corp/ Uni-President yellow Hat Corp./ President Information Corp./ Mech-President Corp./ President Transnet Corp./ President Collect Services Corp./ Uni-President Oven Bakery Corp./ Presiclerc Corp. • *Supervisor* - T & T Supermarket Inc../ Bank-Pro E-Service Technology Co. Ltd./ Retail Support International Corp.
JUI-TANG CHEN Director Citizenship: R.O.C.	47	4	4	• *Director* - Unipresident Organics Co./ Wisdom Distribution Service Corp./ Duskon Service Taiwan Ltd. Co./ President Direct Marketing Corp./ Books.com.Co.Ltd./ President Musashino Corp. • *Supervisor* – Retail Support International Corp./ Uni-President Cold-Chain Corp./ Uni-President Oven Bakery Corp./ Uni-President Yi-Lan Art & Culture Corp.
FU-TANG CHEN Director Citizenship: R.O.C.	57	4	4	• *Chief Financial Officer* - President Chain Store Corp; • *Director* - President Investment Trust Corp.; • *Supervisor* - President Direct Marketing Corp./ Capital Inventory Services Corp./ Wisdom Distribution Service Corp./ Books.com.Co. Ltd/ Uni-President Takashimaya Co. Ltd./ President Yi-Lan Art & Culture Center/ Mister Donut Taiwan Corp.

KUO-HSUAN WU Director Citizenship: R.O.C.	50	4	4	• *Vice-President* - President Chain Store Corp.; • *Director* – Ren-Hui Investment Corp./ Capital Inventory Services Corp./ Allianz President General Insurance Co. Ltd./ Mech President Corp./ Philippine Seven Corp./ Uni-President Yellow Hat Co. Ltd./ Mister Donut Taiwan Co./ Uni-President Yi-Lan Art & Culture Corp.
TSUNG-YU LIN Treasurer Citizenship: R.O.C.	36	1 yr. 1 mo.	1 yr. 1 mo.	• *Chief Financial Officer & Treasurer* – Philippine Seven Corp. • *Former Finance Planning Team Manager – President Chairn Store Corporation* *(Appointed: March 10, 2004)*
CHUN-PEI (SAM) LIU Vice-President Citizenship: R.O.C.	38	4 mos.	5 yrs. 4 mos.	• *Former Corporate Planning Manager and Marketing Director* – Philippine Seven Corporation *(Appointed: January 2005)*
EVELYN SADSAD-ENRIQUEZ Corporate Secretary Citizenship: Filipino	41	1 yr. 5 mos.	15 yrs. 1 mo.	• *Corporate Secretary* – Philippine Seven Corporation (*Nov. 2003) • Asst. Corporate Secretary and Head of Legal & Corporate Affairs – Philippine Seven Corporation • Compliance Officer- Philippine Seven Corporation • *Corporate Secretary* - Ferguson Park Tower Condominium Corporation/ Convenience Distribution Inc./ Store Sites Holding, Inc./ • *Asst. Corporate Secretary* - Philippine Seven Holdings Corporation. • *President* – Columbia Owners' Association Inc.

1 Independent Director

b) The Executive Officers

As of April 30, 2005, the Executive Officers and Management of the Corporation were the following:

Executive Officers	**Name**
Chairman of the Board	Vicente T. Paterno
President	Jose Victor P. Paterno
Vice-President	Chun-Pei Liu (appointed January 12, 2005)
Chief Financial Officer; Treasurer	Tsung-Yu Lin (appointed March 10, 2004)
Corporate Secretary; Compliance Officer	Atty. Evelyn S. Enriquez
Marketing Director	Michael Chuaunsu
Comptroller	Rebecca R. Arago
Development Division Manager	Teodoro S. Wencesalo
Operations Division Manager	Liwayway T. Fernandez
Corporate Planning Manager	Eduardo P. Bataclan
HR Division Manager	Violeta B. Apolinario
MIS Division Manager	Jason Jan Ngo
Franchise Division Manager	Francis S. Medina

c) Identify Significant Employees

Other than aforementioned Directors and Executive Officers identified in the item on Directors and Executive Officers in this Information Statement, there are no other significant employees.

d) Family Relationships

i) Mr. Jose Victor P. Paterno, Chairman and President 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) Mr. Raymund Aguilar (Director of Gate Distribution Enterprises, Inc., a supplier of the Company) is the husband of Ms. Diana P. Aguilar

e) 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.

f) Pending Legal Proceedings

The Company is a party to various litigations involving price tag law issues before the 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, 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.

g) 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.

h) 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 and supply arrangement for certain products carried by the stores with Mr. Donut and Gate Distribution Enterprises Inc.

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. 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.

i) Election of Directors

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The following are the nominees to the Board of Directors, as submitted to and pre-screened by the Nominations Committee of the Corporation:

1. Vicente T. Paterno
2. Jose Victor P. Paterno
3. Jorge L. Araneta
4. Chung-Jen Hsu
5. Chien-Nan Hsieh
6. Diana P. Aguilar
7. Fu-Tang Chen
8. Yen-Sen Yang
9. Wen-Ching Lin
10. Alfredo C. Ramos
11. Michael B. Zalamea

j) Independent Directors

As of the date of this report, the nominees for independent directors are Messrs. Alfredo C. Ramos and Michael B. Zalamea. Their nominations were submitted by Mr. Dante G. Santos and National Life Insurance Co., respectively, stockholders of the Corporation, and pre-screened by the Nomination Committee of the Corporation in compliance with SRC Rule 38. They are neither officers nor substantial shareholders of Philippine Seven Corporation nor are they directors or officers of its related companies. A brief description of their respective business experiences is included in Item 5 (a) of this report.

Nomination Procedure:

1. A stockholder may recommend the nomination of a director to the Nomination Committee;
2. The nominating stockholder shall submit his proposed nomination in writing to the Nomination Committee, together with the acceptance and conformity of the would-be nominee.
3. The Nomination Committee shall screen the nominations of directors prior to the stockholders' meeting and come up with the Final List of Candidates.
4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent director.

Item 6. Compensation of Directors & Executive Officers

For the calendar years December 31, 2004 and 2003, the total salaries allowances and bonuses paid to the directors and executive officers are as follows:

(a) Name/Position	(b) Year	(b) Salaries	(d) Bonus	(e) Others
Chairman and Top 4				
Vicente T. Paterno Chairman				
Yeong-Hsiang Yeh President				
Wen-Chi Wu (resigned March 2004) Treasurer Tsung-Yu Lin (elected March 2004) Treasurer				
Chun-Pei Liu Marketing Director				
Teodoro Wenceslao Development Division Manager				
Total	**2005*** **2004** 2003	**4,210,669.08** **5,111,606.76** 4,880,258.76	**4,789,085.92** **1,695,191.68** 1,831,514.98	N/A
All other Officers and Directors as a Group Unnamed	**2005*** **2004** 2003	**2,303,544.00** **4,578,905.54** 3,697,493.41	**1,404,844.15** **1,121,240.73** 598,024.03	N/A

** Estimated compensation of director and executive officers for the ensuing year.*

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 7. Independent Public Accountants

The accounting firm of Joaquin Cunanan & Co. (JCC) was appointed the Company's independent auditor since 2001. The Company has no disagreement with them on any matter relating to accounting principles and practices, financial statement disclosures or auditing scope or procedures. Audit services of JCC for the fiscal year ended December 31, 2003 included the examination of the consolidated financial statements of the Company, preparation of final income tax returns and other services related to filing made with the Securities and Exchange

Commission. The engagement partner assigned is Ms. Jenny Arciga who is now on her 2nd year of assignment with the Corporation. Representative of JCC shall be present during the annual meeting of stockholders. They are also expected to respond at the Annual Stockholders Meeting to appropriate questions from stockholders pertaining to said financial statements as needed.

In its meeting of May 12, 2005, the Executive Committee of the Corporation has recommended the appointment of another audit firm to consolidate the audit activities, tax review and consultancy task with a single audit firm instead of having two audit firms. Sycip Gorres Velayo and Company has been recommended for appointment as external auditor for Year 2005 subject to their appointment by the stockholders in the annual meeting this June 21, 2005.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 11. Financial and Other Information

Copy of the Company's consolidated audited financial statements for fiscal years ended December 31, 2004 and 2003, including Schedules for Property & Equipment, Accumulated Depreciation, Non-trade Receivables and Capital Stock (Schedules A to D of Annex "A"), and Amended Management's Discussion and Analysis for year 2004 are attached hereto as Annexes "A" and "B", respectively. The Company's 2004 Annual Report will be distributed to stockholders of record during the Annual Meeting.

D. OTHER MATTERS

Item 15. Action with respect to Reports

During the scheduled Annual Stockholders meeting, the following reports shall be submitted to the stockholders for approval:

1. Approval of the Minutes of the June 2004 Stockholders Meeting;
2. Approval of the Annual Report of Management and the Audited Financial Statements for the Fiscal Year ending December 31, 2004;
3. Ratification of all Acts and Resolutions of the Board of Directors, Executive Committee and Management during the year 2004 as discussed in the Minutes of the Meetings of the Board of Directors, Executive Committee and Audit Committee, which include the approval of contracts, loans, investments or purchases in the ordinary course of trade or business, management report and financial statements of the Corporation, and appointment of corporate officers, corporate signatories and amendments thereof.

A brief summary of Minutes of the 2004 Annual Stockholders' Meeting and relevant resolutions of the Board of Directors and the Committees for ratification by the stockholders are attached as Annexes "C" and "D."

Item 18. Other Proposed Action

1. Election of Directors including the independent directors
2. Appointment of External Auditors

Item 19. Voting Procedures

Vote required for approval

The vote required for the amendment of the By-laws is the majority of the issued and outstanding capital stock. The affirmative vote of at least a majority of the Board of Directors is also necessary.

For election of directors, a shareholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle to as many candidate as he shall see fit.

Method by which votes will be counted

All matters subject to a vote, except in cases where the By-laws provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. The counting thereof shall be supervised by the external auditors or the transfer agent of the company.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO:

lca@7-eleven.com.ph

or

PHILIPPINE SEVEN CORPORATION
7TH FLOOR, THE COLUMBIA TOWER,
ORTIGAS AVENUE, MANDALUYONG CITY
1501

PART III

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this report is true, complete and correct. This report is signed in the City of Mandaluyong on _________, 2005.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereto authorized.

PHILIPPINE SEVEN CORPORATION
Issuer

By;

EVELYN S. ENRIQUEZ
Corporate Secretary

ANNEX "A"

PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 2004

Report of Independent Auditors

To the Board of Directors and Stockholders of
Philippine Seven Corporation
7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City

We have audited the accompanying consolidated balance sheets of Philippine Seven Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Philippine Seven Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with generally accepted accounting principles in the Philippines.

Makati City
March 31, 2005

JENNY L. ARCIGA
CPA Cert. No. 45415
P.T.R. No. 9438079
Issued on January 5, 2005, Makati City
SEC A.N. (Individual) as general auditors 0056-A
Issued on September 4, 2003
SEC A.N. (Firm) as general auditors 0009-F
Issued on April 3, 2003
TIN No. 112-069-971
BIR A.N. 08-000745-32-2004
Issued on Oct. 12, 2004
Effective until Oct. 11, 2007
BOA/PRC Reg. No. 0142
Issued on October 25, 2004

PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	Notes	2004	2003
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	2, 3	P 265,321,750	P 273,072,264
Receivables, net	2, 4	107,413,986	54,751,859
Inventories	2, 5	303,199,945	217,864,938
Prepayments and other current assets	6	32,338,578	38,015,684
Total current assets		708,274,259	583,704,745
NON-CURRENT ASSETS			
Property and equipment, net	2, 8	637,377,805	561,500,187
Deferred income tax assets	2, 7	84,919,323	91,382,593
Other assets, net	2, 9, 21f	203,563,512	99,937,652
Total non-current assets		925,860,640	752,820,432
Total assets		P1,634,134,899	P1,336,525,177
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		P 472,698,270	P 337,344,438
Loans payable	10	214,000,000	140,031,222
Accrued expenses	11	90,874,399	78,573,735
Income tax payable	2, 7	22,656,462	16,158,349
Other current liabilities	12	82,830,902	66,385,833
Total current liabilities		883,060,033	638,493,577
NON-CURRENT LIABILITIES			
Loans payable	10	125,500,000	70,000,000
Total liabilities		1,008,560,033	708,493,577
OTHER OUTSIDE INTEREST	2, 13	6,000,000	6,000,000
STOCKHOLDERS' EQUITY	14, 15		
Capital stock		237,938,250	237,938,250
Additional paid-in capital		293,525,037	293,525,037
Retained earnings		91,034,825	93,491,559
Treasury stock		(2,923,246)	(2,923,24
Total stockholders' equity		619,574,866	622,031,600
Total liabilities and stockholders' equity		P1,634,134,899	P1,336,525,177

(See accompanying notes to consolidated financial statements)

PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	Notes	2004	2003	2002
CAPITAL STOCK	14, 15	P237,938,250	P237,938,250	P237,938,250
ADDITIONAL PAID-IN CAPITAL, net of excess of cost over issue price of treasury shares	14	293,525,037	293,525,037	293,525,037
RETAINED EARNINGS				
Beginning		93,491,559	84,221,666	140,873,367
Net income (loss) for the year		(2,456,734)	9,269,893	(56,651,701)
End		91,034,825	93,491,559	84,221,666
		622,498,112	624,954,846	615,684,953
TREASURY STOCK	2, 14, 15	(2,923,246)	(2,923,246)	(2,923,246)
Balance at December 31		P619,574,866	P622,031,600	P612,761,707

(See accompanying notes to consolidated financial statements)

PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	Notes	2004	2003	2002
REVENUE FROM MERCHANDISE SOLD	2	P3,941,921,897	P3,240,006,889	P3,013,658,712
COST OF MERCHANDISE SOLD	2, 16, 21	2,708,335,765	2,250,009,449	2,157,002,502
GROSS PROFIT		1,233,586,132	989,997,440	856,656,210
OTHER OPERATING INCOME, net	2, 17, 21	159,578,629	99,105,076	87,391,359
OPERATING EXPENSES	2, 16			
Selling	8, 21	392,309,722	324,827,853	420,230,065
Store operations		676,661,839	510,779,609	355,921,671
General and administrative	8, 19, 21	271,561,404	230,639,912	221,721,501
		1,340,532,965	1,066,247,374	997,873,237
INCOME (LOSS) FROM OPERATIONS		52,631,796	22,855,142	(53,825,668)
FINANCE COSTS, net	2, 10, 18	(23,832,807)	(8,900,645)	(1,166,909)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX		28,798,989	13,954,497	(54,992,577)
PROVISION FOR INCOME TAX	2, 7	30,687,210	4,156,797	1,297,088
NET INCOME (LOSS) BEFORE OTHER OUTSIDE INTEREST		(1,888,221)	9,797,700	(56,289,665)
OTHER OUTSIDE INTEREST	2, 13	(568,513)	(527,807)	(362,036)
NET INCOME (LOSS) FOR THE YEAR		(2,456,734)	P 9,269,893	P (56,651,701)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	2, 20	P (0.01)	P 0.0	P (0.24)

(See accompanying notes to consolidated financial statements)

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	Notes	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before provision for income tax		P 28,798,989	P 13,954,497	P (54,992,577)
Adjustments for:				
Depreciation and amortization	8, 16	118,608,597	104,684,924	97,468,145
Amortization of computer software	9, 16	2,932,501	2,276,052	2,765,248
Amortization of goodwill	9, 16	4,770,628	-	-
Loss on retirement of equipment and write off of leasehold improvements	17	14,935,101	7,870,416	19,730
Other outside interest		-	-	5,548,612
Other outside interest's share in net income		(568,513)	(527,807)	(362,036)
Provision for doubtful accounts	16	-	626,115	7,396,349
Write-off of other assets		9,310	-	-
Interest expense	18	26,289,819	10,147,915	5,937,117
Interest income	18	(2,457,011)	(1,247,270)	(4,770,208)
Operating income before working capital changes		193,319,421	137,784,842	59,010,380
Changes in working capital:				
Receivables		(52,488,380)	(11,841,035)	(36,128,128)
Inventories		(85,335,007)	(19,105,523)	11,433,518
Prepayments and other current assets		5,539,878	(19,866,619)	(7,159,835)
Trade accounts payable		135,353,832	21,669,346	20,282,745
Accrued expenses		10,949,448	7,116,975	24,733,812
Other current liabilities		16,445,069	9,630,918	24,987,989
Cash generated from operations		223,784,261	125,118,904	97,160,481
Income taxes paid		(17,588,598)	(14,293,807)	(22,197,330)
Net cash from operating activities		206,195,663	110,825,097	74,963,151
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	8	(210,197,242)	(138,965,621)	(69,221,292)
Proceeds from sale of property and equipment		775,926	-	-
Other assets		(111,338,299)	(15,436,961)	(2,951,022)
Interest received		2,283,263	1,247,270	1,370,208
Net cash used in investing activities		(318,476,352)	(153,155,312)	(70,802,106)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable		220,000,000	200,000,000	200,000,000
Repayments of loans payable		(90,531,222)	(111,563,112)	(81,668,994)
Interest paid		(24,938,603)	(10,147,915)	(5,937,117)
Net cash from financing activities		104,530,175	78,288,973	112,393,889
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR		(7,750,514)	35,958,758	116,554,934
CASH AND CASH EQUIVALENTS				
January 1		273,072,264	237,113,506	120,558,572
December 31		P 265,321,750	P 273,072,264	P237,113,506

(See accompanying notes to consolidated financial statements)

PHILIPPINE SEVEN CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 AND 2003
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 2004

Note 1 - Organization and operations

Philippine Seven Corporation (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 29, 1982. The Parent Company and its subsidiaries (the "Group") are primarily engaged in the business of retailing, merchandising, buying, selling, marketing, importing, exporting, franchising, acquiring, holding, distributing, warehousing, trading, exchanging or otherwise dealing in all kinds of grocery items, dry goods, food or foodstuffs, beverages, drinks and all kinds of consumer needs or requirements and in connection therewith, operating or maintaining warehouses, storages, delivery vehicles and similar or incidental facilities. The Group is also engaged in the management, development, sale, exchange, and holding for investment or otherwise of real estate of all kinds, including buildings, houses apartments and other structures.

The Parent Company is controlled by President Chain Store (Labuan) Holdings, Ltd. (an investment holding company incorporated in Malaysia) which owns 56.59% of the Parent Company's outstanding shares. The remaining 43.41% of the shares are widely held. The ultimate parent of the Group is President Chain Store Corporation (PCSC) (incorporated in Taiwan, Republic of China).

The Parent Company has its principal office at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City. Including its subsidiaries, it has 989 and 1,010 regular employees as of December 31, 2004 and 2003, respectively.

Note 2 - Significant accounting policies

The principal accounting policies and practices adopted by the Group in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines (GAAP) under the historical cost convention.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the Philippines requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Basis of consolidation

The consolidated financial statements include the accounts of Philippine Seven Corporation and the following subsidiaries:

	Country of incorporation	Percentage of ownership (Common and Preferred)
Convenience Distribution Inc. (CDI)	Philippines	100
Store Sites Holding, Inc. (SSHI)	Philippines	40

Subsidiaries, which are those entities in which the Parent Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies through interlocking directorships such that substantial benefits from the subsidiaries' activities flow to the Parent Company, are consolidated. SSHI is controlled by the Parent Company. The remaining 60% of the total shares is owned by Philippine Seven Corporation - Employees Retirement Plan through its trustee, BPI-Asset Management and Trust Group (BPI-AMTG).

Intercompany transactions, balances and unrealized losses are eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Parent Company.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

New accounting standards effective in 2004

The Group adopted the following applicable Statements of Financial Accounting Standards/International Accounting Standards (SFAS/IAS) effective January 1, 2004. These new standards have been approved by the Accounting Standards Council (ASC) of the Philippines.

- SFAS 12/IAS 12, Income Taxes, which prescribes the accounting treatment of income taxes and requires recognition of deferred tax liability for taxable temporary differences and deferred tax asset for deductible temporary differences if it is probable that a tax benefit will be realized. As required by the Standard, deferred income taxes were reclassified and presented as non-current assets in the consolidated balance sheets.

- SFAS 17/IAS 17, Leases, which prescribes the accounting policies and disclosures to apply to finance and operating leases.

Except for the reclassification of deferred income taxes as mentioned above, the adoption of the new standards did not result in restatements of prior years' consolidated financial statements nor did it have a material impact on the consolidated financial statements. However, additional disclosures required by the new standards have been included in consolidated financial statements, where applicable.

<u>New Accounting Standards effective in 2005</u>

The ASC approved the issuance of new and revised accounting standards which are based on revised IAS and new International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). These new standards have been renamed Philippine Accounting Standards (PASs) to correspond to adopted IASs while the Philippine Financial Reporting Standards (PFRSs) correspond to adopted IFRSs. Other SFAS and SFAS/IAS not included in the enumeration below will be renamed PASs once the consequential amendments due to improvements project of the IASB/ASC are made. The new Standards are effective for annual periods beginning on or after January 1, 2005.

The Group will adopt the following applicable revised and new accounting standards effective January 1, 2005:

- PAS 1 Presentation of Financial Statements
- PAS 2 Inventories
- PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- PAS 10 Events after the Balance Sheet Date
- PAS 16 Property, Plant and Equipment
- PAS 17 Leases
- PAS 19 Employee Benefits
- PAS 21 The Effects of Changes in Foreign Exchange Rates
- PAS 24 Related Party Disclosures
- PAS 27 Consolidated and Separate Financial Statements
- PAS 28 Investments in Associates
- PAS 32 Financial Instruments: Disclosure and Presentation
- PAS 33 Earnings per Share
- PAS 36 Impairment of Assets
- PAS 38 Intangible Assets
- PAS 39 Financial Instruments: Recognition and Measurement

The impact of the adoption of PAS 21, 32, and 39 could not be reasonably estimated as of December 31, 2004. Except for PAS 19, 36 and 38, the adoption of the other PASs mentioned above is not expected to result in substantial changes to the Group's accounting policies. In summary:

- PAS 1 - requires presentation of other outside interest in the consolidated balance sheet within equity, separately from the Parent Company's stockholders' equity
  - requires that the criteria for classifying liabilities as current or non-current be based solely on the conditions existing at the balance sheet date;

- prohibits the presentation of items of income and expenses as extraordinary items; and
- requires disclosures of: (a) critical judgments made by management in applying the accounting policies; and (b) those assumptions made by management that are important in determining accounting estimates that could cause material adjustment to the carrying amounts of assets and liabilities.

- PAS 2 - eliminates last-in first-out as a valuation method for inventories.

- PAS 8 - generally requires a retrospective/retroactive application of voluntary changes in accounting policies and retrospective/retroactive restatement to correct all material prior period errors (previously referred to as fundamental errors).

- PAS 10 - requires the disclosure of the date of the authorization for issue of the financial statements and also prescribes the accounting and disclosures related to adjusting and non-adjusting subsequent events.

- PAS 16 - generally requires measurement of an item of property, plant and equipment acquired in exchange for a monetary or non-monetary asset at fair value.

- PAS 17 - clarifies that land and building elements of a lease of land and building need to be considered separately.

- PAS 19 - covers a much broader scope and categorizes employee benefits as follows: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; and (d) termination benefits; and only allows Projected Unit Credit Method to measure retirement obligations and costs.
  - upon adoption of the standard in 2005 and as permitted by PFRS 1, any decrease in transitional retirement cost liability will be immediately recognized. The impact of this adjustment alone, without considering the other adjustments that may be necessary based on the entire PFRS 1, is to increase retained earnings by P16,972,984, reduce current liabilities by P24,960,271 and reduce deferred income tax assets by P7,987,287, with retroactive effect on the earliest year presented in the financial statements (Note 19).

- PAS 21 - no longer permits capitalization of foreign exchange losses; upon adoption in 2005, any undepreciated capitalized foreign exchange losses will be adjusted against retained earnings and prior years' consolidated financial statements presented will be accordingly restated.

- PAS 24 - expands the definition of related parties and the disclosure requirement for related parties. In particular, the Standard requires disclosure of compensation of key management personnel by benefit type.

- PAS 27 - provides that consolidation, if required, is done regardless of the nature of the entity. Thus, the requirement to consolidate controlled subsidiaries applies to parents that are venture capital organizations, mutual funds, unit trusts and similar entities; and
  - requires that investments in subsidiaries, jointly controlled entities and associates, when an entity elects to present separate financial statements, are to be accounted for at cost or in accordance with PAS 39.

- PAS 28 - requires that when financial statements of an associate used in applying the equity method are prepared as of a reporting date that is different from that of the investor, the difference must not be greater than three months; and
  - provides exemptions from application of the equity method similar to those provided for certain parents not to prepare consolidated financial statements. These exemptions include when the investor is also a parent exempt in accordance with PAS 27 from preparing consolidated financial statements, and when the investor, though not such a parent, can satisfy the same type of conditions that exempt such parents.

- PAS 32 - covers the disclosure and presentation of all financial instruments.
  - requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements.

- PAS 33 - provides additional guidance and illustrative examples on complex matters related to earnings per share.

- PAS 36 - requires annual impairment test for goodwill acquired in a business combination.

- PAS 38 - removes the rebuttable presumption that intangible assets should have a maximum life of 20 years. The Standard requires that an intangible asset with a finite useful life be amortized on a systematic basis over its useful life.
  - requires that an intangible asset with an indefinite useful life not be amortized but tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired.

- PAS 39 - The requirements for presenting and disclosing information about financial instruments are set out in PAS 32. PAS 39, on the other hand, establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In particular, PAS 39 provides guidance on derecognition, when financial assets and financial liabilities may be measured at fair value, how to assess impairment, and how to determine fair value and hedge accounting. The adoption of PAS 39 will result in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss. PAS 39, however, does not require classification of financial assets at fair value through profit or loss of previously recognized financial assets. PAS 39 requires simultaneous adoption with PAS 32.

New Philippine Financial Reporting Standards (PFRS)

PFRS 1 First-time Adoption of PFRS

PFRS 1 applies when an entity adopts PFRS for the first time, by an explicit and unreserved statement of compliance with PFRSs. In general, PFRS 1 requires an entity adopting PFRS for the first time (a first-time adopter) to comply with each PFRS that has come into effect at the reporting date for its first PFRS financial statements. PRFS 1 requires that a first-time adopter prepare an opening PFRS balance sheet at the date of transition to PFRSs (the beginning of the earliest period for which it presents full comparative information under PFRS in its first PFRS financial statements). PFRS 1 grants limited exemptions from these requirements in specified areas where the cost of complying with them would likely exceed the benefits to users of financial statements. PFRS 1 also prohibits retrospective application of PFRSs in some areas, particularly where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known. Further, PFRS 1 requires disclosures that explain how the transition from previous GAAP to PFRSs affected the entity's reported financial position, financial performance and cash flows. The impact of adoption of the Standard could not be reasonably estimated as of December 31, 2004.

PFRS 2 Share-based Payment

The PFRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. In particular, PFRS 2 requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees. Based on current circumstances, the Group does not believe the effect of adoption of the Standard will be material.

PFRS 3 Business Combinations

This PFRS:

(a) requires all business combinations within its scope to be accounted for by applying the purchase method;
(b) requires an acquirer to measure the cost of a business combination as the aggregate of: the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the combination;
(c) requires an acquirer to recognize separately, at the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities subject to certain criteria, regardless of whether they had been previously recognized in the acquiree's financial statements;
(d) requires goodwill acquired in a business combination to be recognized by the acquirer as an asset from the acquisition date, initially measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognized in accordance with (c) above;
(e) prohibits the amortization of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with PAS 36;
(f) requires the acquirer to reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination if the acquirer's interest in the net fair value of the items recognized in accordance with (d) above exceeds the cost of the combination. Any excess remaining after that reassessment must be recognized by the acquirer immediately in profit or loss.

Generally, PFRS 3 shall apply to the accounting for business combinations for which the agreement date is on or after March 31, 2004. This PFRS shall also apply to the accounting for:

(a) goodwill arising from a business combination for which the agreement date is on or after March 31, 2004; or
(b) any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination for which the agreement date is on or after March 31, 2004.

The adoption of PFRS 3, PAS 36 and PAS 38 will result in a change in the accounting policy for goodwill. Until December 31, 2004, goodwill is:

– Amortized on a straight-line basis over a period of 10 years; and

- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of PFRS 3:
- The Group will cease amortization of goodwill from January 1, 2005;
- Accumulated amortization as at December 31, 2004 amounting to P4,770,628 will be eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended December 31, 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Receivables

Receivables are carried at anticipated net realizable value. A provision is made for doubtful accounts based on a review of all outstanding amounts at year-end and is based on an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off against related provision during the period in which they are identified.

Inventories

Inventories are stated at the lower of cost or net realizable value. The Parent Company is using the retail method in measuring the cost of its store merchandise inventory. Under this method, cost is determined using the average gross profit and is reviewed on a regular basis to ensure that it approximates actual costs. Cost of warehouse merchandise is determined using the first-in first-out method. Allowance for slow-moving and obsolete inventories is set up if necessary, based on the review of inventory movement and the current condition of each inventory item.

Property and equipment

Property and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. Cost of capital projects in progress are accumulated in the accounts until these projects are completed upon which these are classified to the appropriate property accounts.

Repairs and maintenance are charged to operations as incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful lives of the related assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the lease, whichever is shorter. The following are the estimated useful lives of these assets:

Type of asset	Estimated useful life in years
Leasehold improvements	3 to 15
Store furniture and equipment	5 to 10

Buildings and improvements	10 to 12
Office furniture and equipment	3 to 5
Transportation equipment	3 to 5
Computer equipment	3

When assets are sold or otherwise disposed of, its cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Software and program costs

Software and program costs, which are not specifically identifiable and integral to a specific computer hardware, are shown as part of other assets. These are carried at cost, less amortization which is computed on a straight line method over their estimated useful lives of five years.

Impairment of assets

Property and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating unit).

Deferred income tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, carry forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (minimum corporate income tax or MCIT) to the extent that it is probable that future, taxable income will be available against which the temporary differences can be utilized. Currently enacted tax rates are used on the determination of deferred income tax.

The Group reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax asset.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the businesses acquired. Goodwill included in other assets is amortized on a straight-line basis over a period of ten years. Management determines the estimated useful life of goodwill by considering factors such as existing market share, potential growth and other factors inherent in the acquired product line.

Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved and declared by SSHI's Board of Directors.

Revenue and expense recognition

Revenue from merchandise sold is recognized at the time the goods are delivered to and accepted by the customers. Commission on services is recognized upon the sale of consigned goods. Franchise income is recognized when earned. Rental income is recognized on a straight-line basis over the period of the lease. Other income is recognized when earned.

Cost and expenses are charged to operations when incurred.

Pension costs

Pension costs are actuarially determined using the Projected Unit Credit (PUC) Method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The unrecognized experience adjustments and past service costs are amortized over the expected average remaining working lives of the covered employees.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Foreign currency transactions and translations

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group ("the functional currency"). The financial statements are presented in Philippine Peso, which is the functional currency of the Group.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rates prevailing at balance sheet dates. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of outstanding foreign currency denominated monetary assets and liabilities are credited or charged to operations.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Contingent rents, including those based on a percentage of net sales, are recognized once the contingency is resolved.

Provisions

Provisions are recognized when the Group has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amount can be made.

Basic earnings per share

Basic earnings per share is calculated by dividing the net income or loss for the year attributable to common shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares. Diluted earnings per share is calculated by dividing the net income or loss attributable to common shareholders by the weighted average number of shares outstanding, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In both cases, the effect of stock dividends, if any, is retroactively accounted for.

Treasury stock

Treasury stock is stated at acquisition cost.

Note 3 - Cash and cash equivalents

Cash and cash equivalents at December 31 consist of:

	2004	2003
Cash on hand and in banks	P254,321,750	P197,925,190
Short-term placement	11,000,000	75,147,074
	P265,321,750	P273,072,264

Note 4 - Receivables

Receivables at December 31 consist of:

	Notes	2004	2003
Receivables from suppliers		P 97,746,284	P 46,930,087
Receivables from employees		5,551,202	6,535,076
Notes receivable	10	4,800,000	-
Receivables on subleased spaces	21g	3,377,882	4,308,545
Insurance		1,325,929	142,636
Due from franchisee, net	21c	1,032,499	-
Receivable from PCSC	21e	-	3,953,026
Others		1,196,531	2,330,537
		115,030,327	64,199,907
Less - allowance for doubtful accounts		7,616,341	9,448,048
		P107,413,896	P 54,751,859

Note 5 - Inventories

Inventories at December 31 consist of:

	2004	2003
Store merchandise	P167,005,532	P141,096,219
Warehouse merchandise and others	136,194,413	76,768,719
	P303,199,945	P217,864,938

Note 6 - Prepayments and other current assets

Prepayments and other current assets at December 31 consist of:

	2004	2003
Rent	P 15,349,889	P 11,217,295
Creditable withholding taxes	8,798,574	5,953,246
Advances for expenses	4,868,548	2,757,531
Supplies	1,725,454	765,524
Insurance	367,696	980,014
Prepaid tax	-	917,222
Input value-added tax (VAT)	-	14,587,895
Others	1,228,417	836,957
	P 32,338,578	P 38,015,684

Note 7 - Deferred income tax assets and liabilities; provision for income tax

The components of deferred income tax assets (liabilities) at December 31 follow:

	2004	2003
Minimum corporate income tax (MCIT)	P 60,522,817	P 54,194,316
Net operating loss carry over (NOLCO)	12,212,598	25,435,035
Accrued pension cost	11,304,629	10,403,864
Allowance for doubtful accounts	2,437,229	3,023,375
Unamortized past service cost	1,594,727	1,954,952
Advance rental	48,032	104,256
Unamortized capitalized interest	(3,200,491)	(3,733,205)
Unrealized foreign exchange gain	(218)	-
	P 84,919,323	P 91,382,593

The Parent Company and CDI's available NOLCO at December 31which can be carried over as a deduction from gross income for the three succeeding taxable years immediately following the year of such loss are as follows:

Taxable year	Expiration year	2004	2003
Parent			
2001	2004	P -	P41,635,003
2002	2005	37,676,181	37,676,181
CDI			
2003	2006	173,301	173,301
2004	2007	314,887	-
		P38,164,369	P79,484,485

During the year, the Parent Company utilized in part its NOLCO from 2001 amounting to P28,376,970. No deferred income tax asset is recognized for the Parent Company's remaining NOLCO from 2001 amounting to P13,258,033 which has already expired.

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Group's ability to generate future taxable income within which the deferred income tax assets and liabilities are expected to be recovered or settled. The Group has considered these factors in assessing the portion of the deferred income tax assets which is likely to be realized and therefore recorded.

Details of provision for income tax, as shown in the consolidated statements of income for the years ended December 31, follow:

	2004	2003	2002
Current	P 109,783	P 240,210	P 563,606
Deferred:			
Temporary differences	12,791,771	3,916,587	(17,071,844)
MCIT written off	17,785,656	-	-
Unrecoverable MCIT	-	-	17,805,326
	P30,687,210	P 4,156,797	P 1,297,088

Income tax payable as of December 31, 2004 and 2003 were based on the application of MCIT which was higher than the amount determined by applying the statutory income tax rate on the 2004 and 2003 taxable income. The MCIT can be carried forward on an annual basis and credited against normal income tax payable within three immediately succeeding years from the period when the MCIT was paid.

Details of MCIT are shown below:

Year paid	Expiration year	Note	2004	2003
Parent Company				
2001	2004	6	P -	P 17,785,656
2002	2005		17,992,660	17,992,660
2003	2006		18,329,342	18,329,342
2004	2007		23,976,929	-
			60,298,931	54,107,658
CDI				
2003	2006		86,658	86,658
2004	2007		137,228	-
			223,886	86,658
			P60,522,817	P 54,194,316

The reconciliation of the provision for income tax for the years ended December 31 computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of income follows:

	2004	2003	2002
Provision at statutory income tax rate	P 9,215,676	P4,465,439	P(17,597,625)
Add (deduct):			
Income already subjected to final tax at a lower rate	(574,477)	(474,181)	(489,278)
MCIT written off	17,785,656	-	17,805,326
Expired NOLCO	4,242,572	-	-
Other permanent differences	17,783	165,539	1,578,665
Provision for income tax	P30,687,210	P4,156,797	P 1,297,088

Note 8 - Property and equipment

Details of property and equipment at December 31 consist of:

	Land	Leasehold improvements	Store furniture and equipment	Buildings and improvements	Office furniture and equipment	Transportation equipment	Computer equipment	Construction in progress	Total
Cost									
January 1, 2004	P39,866,864	P299,456,402	P281,929,880	P110,121,264	P112,154,408	P11,157,426	P43,179,431	P 7,316,072	P 905,181,747
Additions	-	27,389,655	69,661,081	48,000	34,143,516	374,999	15,801,459	62,778,532	210,197,242
Disposals	-	(20,791,431)	(2,805,967)	(28,357)	(3,399,162)	-	(534,516	-	(27,559,433)
Reclassification	-	68,648,161	88,841	272,727	45,328	(20,909)	40,456	(69,074,604	-
December 31, 2004	39,866,864	374,702,787	348,873,835	110,413,634	142,944,090	11,511,516	58,486,830	P 1,020,000	1,087,819,556
Accumulated depreciation									
January 1, 2004	-	58,519,253	158,991,253	30,206,137	71,364,714	7,586,165	17,014,038	-	343,681,560
Depreciation	-	49,840,658	32,670,154	4,942,510	14,629,622	1,781,885	14,743,768	-	118,608,597
Disposals	-	(6,561,616)	(1,926,886)	(7,771)	(2,884,200)	-	(467,933	-	(11,848,406)
Reclassification	-	17,049	(15,196)	-	(2,401)	(1,743)	2,291	-	-
December 31, 2004	-	101,815,344	189,719,325	35,140,876	83,107,735	9,366,307	31,292,164	-	450,441,751
Net book values at									
December 31, 2004	P39,866,864	P272,887,443	P159,154,510	P 75,272,758	P 59,836,355	P2,145,209	P27,194,666	P 1,020,000	P637,377,805
December 31, 2003	39,866,864	240,937,149	122,938,627	79,915,127	40,789,694	3,571,261	26,165,393	7,316,072	561,500,187

Depreciation and amortization charged to operations and to franchise for the years ended December 31 follow:

	2004	2003	2002
Selling	P 91,799,291	P 82,963,812	P 74,012,533
General and administrative	25,165,833	21,721,112	23,455,612
Franchise	1,643,473	-	-
	P118,608,597	P104,684,924	P97,468,145

Note 9 - Other assets, net

Other assets, net at December 31 consist of:

	Note	2004	2003
Goodwill, net of amortization of P4,770,628	2	P 65,408,264	P -
Deposits			
Rental	21f	78,587,421	63,479,981
Utilities		21,066,787	17,550,196
Suppliers		14,170,930	5,239,656
Notes receivable		13,288,602	-
Computer software, net		4,464,697	7,208,869
Investments, telephone rights and other assets		6,576,811	6,458,950
		P203,563,512	P99,937,652

On March 22, 2004, the Parent Company purchased the leasehold rights and store assets of Jollimart Philippines Corporation for a total consideration of P130 million. The excess of the acquisition cost over the fair value of the assets acquired was recorded as goodwill.
Notes receivable pertains to the long-term portion of a secured, interest-bearing receivable from an armored car service provider for stolen collections (Note 4).

Computer software, net at December 31 consist of:

Cost	
January 1, 2004	P16,591,708
Additions	188,329
December 31, 2004	16,780,037
Accumulated amortization	
January 1, 2004	9,382,839

Amortization during the year	2,932,501
December 31, 2004	12,315,340
Net carrying values	
December 31, 2004	P 4,464,697
December 31, 2003	7,208,869

Note 10 - Loans payable

Current loans payable represent short-term borrowings from various local banks, payable in lump sum in 2005 with annual interest rates ranging from 8.3% to 9.5% (2003 - 8.4%).

The maturity and the effective interest rates of the non-current loans payable are as follows:

	Effective interest rate	2004	2003
Between 1 and 2 years	11.7%	P 32,500,000	P -
Between 2 and 3 years	10.5% to 11%	93,000,000	70,000,000
		P125,500,000	P70,000,000

The non-current loans payable are unsecured except for the P56 million loan guaranteed by the Parent Company's ultimate parent company, PCSC in Taiwan.

As of December 31, the Parent Company has the following undrawn borrowing facilities from local banks:

	2004	2003
Short-term loan facilities	P 55,000,000	P 40,000,000
Long-term loan facilities	10,000,000	110,000,000

Note 11 - Accrued expenses

Accrued expenses at December 31 consist of:

	Note	2004	2003
Pension	19	P 36,436,409	P 33,122,050
Marketing		14,398,643	11,300,772
Utilities		9,423,028	7,893,163
Employee benefits		7,298,493	4,445,825
Security services		3,743,330	3,750,177
Interest and bank charges		2,836,944	1,274,970
Preventive maintenance		1,817,351	889,429
Rentals		1,737,757	450,345
Legal costs and employees' council		1,291,616	-
Trucking fees		1,628,750	1,511,499
Warehouse contract fees		1,440,287	1,492,688
Insurance		636,800	3,200,252
Others		8,184,991	9,242,565
		P 90,874,399	P 78,573,735

Note 12 - Other current liabilities

Other current liabilities at December 31 consist of:

	Notes	2004	2003
Deposits payable		P36,081,319	P 13,743,667
Non-trade accounts payable		18,048,708	24,369,432
Withholding taxes payable		9,562,386	7,044,048
Royalty payable	21a	5,899,610	6,635,466
Payable to PCSC	21b	5,056,827	3,038,240
Retention payable		2,001,434	3,081,809
Output VAT		1,615,580	578,750
Dividends payable		574,560	527,807
Advance lease rentals	21g	150,100	325,800
Payable to franchisees, net	21c	-	4,183,385
Others		3,840,378	2,857,429
		P82,830,902	P 66,385,833

Note 13 - Other outside interest

Other interest represents the share of Philippine Seven Corporation - Employees Retirement Plan (PSC - ERP) through its trustee, BPI-Asset Management and Trust Group, in SSHI's net assets pertaining to preferred shares. PSC - ERP is entitled to an annual "Guaranteed Preferred Dividend" in the earnings of SSHI starting April 5, 2002, the date when the 25% of the subscription on preferred shares have been paid, in accordance with the Corporation Code.

The guaranteed annual dividends shall be calculated and paid in accordance with the Shareholder's Agreement dated November 16, 2000 which provides that the dividend shall be determined by the Board of Directors of SSHI using the prevailing market conditions and other relevant factors.

Note 14 - Capital stock; additional paid-in capital

Details of issued and outstanding capital stock at December 31, 2004 and 2003 follow:

	No. of shares	Amount
Authorized - P1 par value	400,000,000	P400,000,000
Issued	237,938,250	P237,938,250
Less - treasury stock	686,250	2,923,246
Issued and outstanding	237,252,000	P237,252,000

The retained earnings is restricted for dividend declaration in the amount of P2,923,246, representing the cost of shares held in treasury.

On January 9, 1998, the SEC approved the registration of the following:

a. The 237,938,250 common shares which consist of:

	No. of shares
Outstanding common shares (include underlying shares for the 122,882 warrant units)	166,556,250
Initial public offering	47,000,000
Private placement	24,382,000
	237,938,250

On February 4, 1998, the Parent Company offered for sale 71,382,000 common shares, consisting of 47,000,000 shares for public offering and 24,382,000 shares for private placement both at an offer price of P4.40 per share. Net proceeds generated from the offering amounted to about P288.3 million. The excess of cost of common shares over the net proceeds amounting to P216.9 million was credited to "additional paid-in capital".

b. The 122,882 units 5-year warrants with attached 4% perpetual income bonds.

On June 13, 2000, the Board of Directors approved a resolution authorizing the issuance of the Parent Company's shares ("Optional Shares") for the exercise of the 122,882 warrants with attached 4% perpetual income bonds consisting of 18,432,300 common shares to be taken from unissued portion of the authorized capital stock and 12,288,200 treasury shares or a total of 30,720,500 shares pursuant to their registration with the SEC. Moreover, upon the actual exercise of the warrants and purchase of the Optional Shares, the Parent Company was authorized to list the 30,720,500 shares with the Philippine Stock Exchange (PSE).

During the period of September 15 to 25, 2000, all of the Parent Company's warrants were exercised and the corresponding shares of 30,720,500 were issued at a price of P1.732 per share resulting in an additional paid-in capital of P13,492,444. The excess of cost over re-issue price of treasury shares amounting to P27,902,091 is presented as deduction against additional paid-in capital in the statements of changes in stockholders' equity. Consequently, on September 28, 2000, the Parent Company listed the 30,720,500 with the PSE and delisted the corresponding 122,882 warrants.

On November 16, 2000, a total of 162,520,072 shares were tendered by the Parent Company's shareholders to PCSC of which 119,575,008 shares were purchased by its assignee, President Chain Store (Labuan) Holdings, Ltd., a wholly-owned investment holding company of PCSC incorporated in Malaysia, at the price of P8.30 per share.

Note 15 - Employee stock purchase plan

The Parent Company has an Employee Stock Purchase Plan (ESPP) which allows all full-time and regular employees, who have rendered at least two years of service to the Parent Company as of December 31, 1996, to purchase the Parent Company's shares in the offering at a purchase price of P4.40 per share. Each eligible employee can purchase a minimum of 1,000 shares and a maximum number of shares with a purchase price equivalent to 1 ½ months basic salary or, in the case of a manager, up to 3 months basic salary.

On the stock purchase date, the Parent Company granted interest-free loans to the participants equivalent to the purchase price of the stock. The loans are collectible over a period of 24 months and are secured by the purchased shares pledged in favor of the Parent Company.

Under the provisions of the ESPP, the Parent Company has the right to vote the pledged shares until full payment of the loan and the participants have the right to receive all cash dividends, but stock dividends shall be held in escrow until full payment of the loan.

In 1998, 997,000 shares were subscribed by the employees under the ESPP and the unsold shares were taken by the lead underwriter as part of the offering to the public.

In 2001, 686,250 shares were withdrawn by the employees and returned to the Parent Company and accounted for as treasury shares.

Note 16 - Cost of merchandise sold and operating expenses

Details of cost of merchandise sold and operating expenses for the years ended December 31 follow:

	Notes	2004	2003	2002
Cost of merchandise sold Changes in inventories		P2,708,335,765	P2,250,009,449	P2,157,002,502
Operating expenses				
Salaries and allowances		267,067,405	235,205,180	221,111,943
Communications, light and water		238,537,894	185,112,479	169,763,210
Rental	21b, 21f	235,770,019	182,276,761	163,768,768
Outside services		123,388,609	90,599,365	84,582,276
Depreciation and amortization	2, 8	116,965,124	104,684,924	97,468,145
Supplies		49,620,514	34,842,575	31,857,577
Inventory variation and bad merchandise	2	46,257,278	27,979,429	16,559,522
Taxes and licenses		42,213,867	39,376,165	41,097,113
Royalties	21a	40,136,325	32,644,375	31,534,679
Repairs and maintenance	2	31,041,100	25,452,854	25,614,311
Employee benefits		20,750,083	22,437,196	20,517,358
SSS, Medicare and Pag-ibig contributions		19,186,455	16,176,450	14,123,232
Transportation and travel		7,273,626	5,816,583	4,777,725
Bank charges		6,496,189	3,334,917	5,556,016
Insurance		4,937,192	3,777,397	8,137,189
Amortization of goodwill	2, 9	4,770,628	-	-
Meals		3,921,104	3,033,360	3,073,283
Representation and entertainment		3,801,443	1,954,325	1,402,975
Health insurance		3,204,990	3,113,179	1,929,368
Amortization of computer software	2, 9	2,932,501	2,276,052	2,765,248
Dues and subscription		2,240,629	1,655,658	1,678,345
Pension costs	2, 19	3,065,616	8,528,800	9,837,300
Fringe benefits		204,484	1,520,263	463,750
Provisions for doubtful accounts	2	-	626,115	7,396,348
Others	21d	66,749,890	33,822,972	32,857,556
		1,340,532,965	1,066,247,374	997,873,237
		P4,048,868,730	P3,316,256,823	P3,154,875,739

Note 17 - Other operating income, net

Details of other operating income (costs) for the years ended December 31 follow:

	Notes	2004	2003	2002
Commission on services	2, 21e	P 43,575,945	P 44,574,03	P 53,301,44
Rental income on subleased spaces	2, 21g	27,159,424	26,460,74	27,251,80
Franchise fee, net	2, 21c, 21d	20,454,500	11,224,47	4,022,89
Loss on retirement of equipment and write off of leasehold improvements	8	(14,935,101	(7,870,41	(19,73
Dividend income		-	8,58	157,41
Others		83,323,861	9,496,24	2,677,53
		P159,578,629	P 99,105,07	P 87,391,35

Other income mainly consists of actual promotional discounts and display allowances granted by suppliers, and income from exclusivity agreements with the latter.

Note 18 - Finance income (costs)

Details of finance income (costs) for the years ended December 31 follow:

	Notes	2004	2003	2002
Interest expense	2, 10	P(26,289,819)	P(10,147,915)	P (5,937,117)
Interest income	2	2,457,012	1,247,270	4,770,208
		P 23,832,807	P (8,900,645)	P (1,166,909)

Note 19 - Pension plan

The Parent Company and CDI maintain a trusteed, non-contributory retirement plan covering all their regular and full-time employees. Under the plan, the normal retirement age is 60 years old. Normal retirement benefit is equivalent to 15 times the final daily salary, cash equivalent of 5 days and 1/12 of 13th month pay per year of credited service paid in lump-sum. An employee who has reached the age of 50 and has at least 5 years of credited service may retire with the Parent Company and CDI's approval and be entitled to reduced benefits in accordance with the provisions of the plan.

The latest actuarial valuation as of December 31, 2004 was obtained from an independent actuary using the "projected unit credit" (PUC) method. Under the PUC cost method, the annual normal cost for an individual member is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The principal actuarial assumptions used to determine retirement benefits were a salary increase rate of 7% (2003 and prior years – 10%) and a return on plan assets of 10.4%. Valuation is made every year to update the plan costs and adjust the amounts of contributions.

Based on the latest actuarial valuations as of December 31, 2004, the actuarial value of plan assets amounted to P10,478,737 while the estimated actuarial accrued liability was P12,878,239. The actuarial gain, resulting from change in actuarial assumption for salary increase rate, amounting to P24,960,271 is amortized over the average remaining working lives of the employees in accordance with SFAS 24 - Retirement Benefits Costs.

Pension costs charged to operating expenses amounted to P3,065,616 (2003 - P8,528,800 and 2002 - P9,837,300) (Note 16).

Note 20 - Earnings (loss) per share

Earnings (loss) per share is computed as follows:

	Note	2004	2003	2002
Net income (loss) for the year available to common shares		P (4,061,686)	P 9,269,893	P (56,651,701)
Average number of common shares	14	237,252,000	237,252,000	237,252,000
Per share		P (0.02)	P 0.04	P (0.24)

There are no dilutive potential common shares, therefore, the amounts reported for basic and diluted earnings (loss) per share are the same.

Note 21 - Related party transactions; agreements

In the normal course of business, the Parent Company transacts with companies which are considered related parties under SFAS No. 24/IAS 24 "Related Party Disclosures". In 2004, amounts paid to directors of the Group representing salaries, bonuses and directors' fees amounted to P2.16 million (2003 - P4.35 million). Transactions with related parties are consummated at competitive market rates as though the parties are unrelated. Settlement of outstanding related party receivables and payables is generally made within 20 days from date of each transaction.

Agreements

The Parent Company and its subsidiaries are parties to the following agreements:

Related parties

a. Parent Company's licensing agreement with Seven Eleven Inc. (SEI), a related company organized in Texas, U.S.A., which grants the Parent Company the exclusive right to use the 7-Eleven System in the Philippines. In accordance with the agreement, the Parent Company pays, among others, royalty fee to SEI based on a certain percentage of monthly gross sales net of gross receipts tax (Note 16).

b. Rental of post-mix machines from PCSC whereby the Parent Company pays the latter 1% of sales (as defined in the agreement) from the said machines in 2002 and 5% thereafter from January 1, 2003. Payments shall be made quarterly before the 20th day of January, April, July and October. Total related rent expense for the years ended December 31, 2004, 2003 and 2002 amounted to P8,603,475, P3,732,062 and nil, respectively.

Third parties

c. Parent Company's various store franchise agreements with third parties for the operation of certain stores including lease of the store and equipment operated in a manner which will enhance the 7-Eleven Image and pursuant to the 7-Eleven System provided for in item (a) above. In consideration thereof, a franchise fee agreed upon by the parties shall be paid to the Parent Company.

d. Parent Company's service management agreements with third parties for the management and operation of certain stores. In consideration thereof, the store operator is entitled to a management fee based on a certain percentage of the store's gross profit and operating expenses as stipulated in the service management agreement.

e. Parent Company's agreement with its phonecards suppliers effective January 1, 2000. Under the arrangement, the Parent Company earns commission as the consignee of the phonecard items based on a certain percentage of phonecard sales.

f. Parent Company's various lease agreements with third parties relating to its store operations. Certain agreements provide for the payment of rental expense based on various schemes such as an agreed percentage of net sales for the month and fixed monthly rate.

   CDI leases the warehouse premises it presently occupies for a period of five years commencing on December 1, 2000 and expiring on November 30, 2005.

   Under the terms of the covering lease agreements, the Parent Company and CDI are required to make advance deposits which are shown as part of "other assets, net" in the consolidated balance sheets.

   Rental expense for the years ended December 31, 2004, 2003 and 2002 under the above leases amounted to P217,620,217, P171,279,812 and P153,997,120, respectively.

   The future annual minimum rental commitments are as follows:

Not later than 1 year	P235,233,340
Later than 1 year but not later than 5 years	942,415,914
Later than five years	319,498,900

g. Parent Company's various sublease agreements with third parties which provide for lease rentals based on an agreed fixed monthly rate or as agreed upon by the parties.

Note 22 - Contingencies

The Group is a defendant/respondent to various legal cases and assessments that are either pending in courts or under protest, the outcomes of which are not presently determinable. Management and its legal counsel believe that the liability, if any, that may result from the outcome of these cases and investigation will not materially affect their financial position or results of operations.

Note 23 - Approval of consolidated financial statements

The consolidated financial statements have been approved for issue by the Executive Committee as authorized by the Parent Company's Board of Directors on March 31, 2005

ANNEX "B"

Year 2004
Management Discussion and Analysis of Financial Condition and Results of Operations

In 2004, the Company maintained its leadership in the convenience store business with a total of 257 outlets nationwide, occupying 47% of the total market.

On March 22, 2004, the company acquired 35 Bingo Stores from Jollimart Philippines Corporation, including leasehold rights, improvements, and store equipment for P130 million. All but one of the Binggo stores were converted to 7-Elevens in the 2nd quarter of 2004. Aside from the acquired Binggo stores, we opened 9 franchise stores and 22 corporate stores. 3 underperforming stores were closed in the 2nd quarter, yielding a net increase of 62 stores or 32% more than last year, this being one of the company's key performance indicators (KPI).

Another KPI is average sales per store. Rapid expansion resulted in a decline in average sales per store of 4% versus 2003. We are encouraged, however, that same store sales showed slightly positive growth in the 3rd and 4th quarters.

SALES, REVENUES AND GROSS MARGINS

Total revenue from merchandise sold in 2004 reached P3.9 billion. The 22% growth in sales lagged the 26% increase in store months due to the disappointing performance of newly opened stores and the continual decrease of same store sales over the last two years.

This trend reversed itself, however, in the second half of the year. Same store sales grew 0.7%, vs. a 4% decline in the first 6 months. A focus on ordering properly so as to reduce out of stock situations on the shelf and the standardization of product mix across all stores are credited with the sales increase. To allow the organization to focus on these basic but critical tasks, other promotional and cost-saving activities were suspended.

Growth categories were bread, magazines, fastfood, and cup drinks. Health and beauty, juices and dairy declined, while other categories remained flat.

Products in the services category, which form part of the company's operating income, are prepaid phone cards and internet cards. Commission earned from these prepaid services declined 2.2% from the previous year, to P43.6 million in 2004. Although the telecom industry represented by these products continues to grow, competition among retailers has outpaced growth. In 2004, there were over a million retailers of these products, the result of an innovation begun in 2003 that allowed the retail of prepaid airtime from a cellular phone. Management expects this decline to continue next year.

Another component of company's operating income is marketing-related other income, which increased quite significantly to P78 million in 2004. This refers to promotional discounts, exclusivity agreements and display allowances provided by suppliers.

Finally, gross profit margins, another KPI, increased to 31.3% from 30.5% last year, due to our enhanced bargaining position and the growth of higher margin categories like fastfood and cup drinks.

EXPENSES

Operating expenses in 2004 totaled P1.3 billion or 34% of the year's total sales revenue, vs. 33% two years prior (Y2003 and Y2002). The increased share of expenses to sales was largely due to the decrease in per store sales discussed earlier.

More specifically, store operating expenses increased from 12% of sales in 2002 to 16% of sales in 2003~~previous year~~ to 17% in 2004. An increase in supplies expense, inventory variation and bad merchandise, and utilities contributed to a 5% increase over 2003 in store operating expense, computed on a per store basis. Of note was the 22% rate hike in the cost of electricity effected in the 4th quarter. Except for electricity, all increases in expense were brought under control by year end.

Significantly, the largest component of operating expense, employee-related expenses, was reduced despite a P20 wage hike in July. This savings is due largely to the conversion throughout the year of 21 company-operated stores to Service Agreement (SA) operated stores, bringing the total number of SA stores at yearend to 37.

SA stores function much like a franchise. In return for a share of the gross profit, the SA store operator is responsible for all store operating expenses (except for utilities, which are split 50-50 with the company). It relies on entrepreneurial efficiency to generate savings and revenue from which both company and operator benefit. The SA differs from our traditional franchise in the amount of investment required (and the commensurate amount of gross profit split); many of our SA store operators are former employees.

Selling expense, which is composed primarily of rent expense, amortization and depreciation, and taxes and licenses, was maintained at 10% of sales and fell by 4% on a per store basis. This was due largely to a 10% decrease in depreciation and amortization, which offset a 2% increase in rental, all on a per-store basis.

Lastly, general and administrative expenses were reduced from 7.4% of sales in 2002 to 7.1% of sales in 2003 to 6.9% of sales in 2004 as the store base grew.

In 2004, income before provision for income tax reached P28.3 million. The 2004 provision for income tax includes the write-off of a 17.8M tax credit which expired this year. Net loss after tax was P2.5 million in 2004. No significant element of the company's income arose from sources other than the company's continuing operations.

FINANCIAL CONDITION

Net cash provided by operating activities for the year was P206.2 million, 86% higher compared last year and higher by 175% compared with Y2002. A 22% increase in sales and an 83% increase in other operating income accounted for the increase from 2003 to present.

Net cash used in investing activities increased from 70.8 million in 2002 to P153.2 million in 2003 to 318.5 million in 2004. Cash was used for the, acquisition of leasehold rights and store assets of Binggo stores, the construction of new stores, and remodeling of old stores.

Majority of the company's commitments for capital expenditures for next year are for new stores construction and renovations plus acquisition of POS machines. Funds for these expenditures are expected to come from the anticipated increase in revenues/cash flows and from additional borrowings if the need for such may arise. Austerity measures had also been put in place for the company to maximize the use of its resources.

Net cash provided by financing activities was P104.5 million. Proceeds from loans in 2004 reached P220M. P130M was used in the acquisition of Binggo Stores and the remaining balance was used to pay other maturing loans.

Overall cash and cash equivalents at the end of 2004 decreased to P265.3 million from P273.1 million at the beginning of the year.

Total current assets increased by 21.3%. This is attributable to a significant increase in Receivables from suppliers representing marketing-related other income. Inventories also increased by 39.2%.

Total current liabilities are up by 38.3%. This is primarily due to increase in trade purchases and increase in loans payable. Current ratio stood at 0.8 to1.

There are no known trends or events of uncertainties that may have a material impact on the company's liquidity.

Property and Equipment, net of accumulated depreciation increased by P75.9 million or 13.5%. Other Assets increased from 84.8 million to 190.5 million. Increases are primarily due to acquisition of store assets, leasehold rights and resulting goodwill of Binggo Stores

Stockholders' equity during the year accounted for 37.9% of total assets compared to 46.5% in 2003. Debt to equity ratio is 1.63 to 1, from 1.14 to 1 in 2003.

PLANS FOR 2005

For year 2005, PSC will protect its lead in the C-store business by opening profitable stores in strategic locations.

Management shall in 2005 build on the success of this year's franchising efforts, and will reorganize itself to support this thrust. It fully understands that the two franchise packages it offers are the keys to profitable and scaleable expansion, but also recognizes that such a business model demands increased levels of excellence on much of the organization.

It is expected that the increase in same-store sales that began in the second half of the year will accelerate in 2005. The philosophy of identifying only the most important initiatives and focusing on them relentlessly will be built on and extended to other areas of operation throughout the year.

While it expects the electricity rate hike implemented in the 4th quarter 2005 to continue through 2005, management will contain other operating costs for its corporate stores, and reduce some controllable expenses such as inventory variation and bad merchandise.

The company will have POS machines (point of sale) in every store before year end, and is preparing the organization to make use of the information that will be generated to improve the quality of its business decisions.

Finally, management will arrest the decline in services brought about by trends in the prepaid market by rolling out a new product. Bills Payment, which is highly successful in other countries, is targeted to be fully operational across all stores in 2005.

Even as it changes to position itself for future growth, by increasing sales and controlling costs in a challenging environment, the company looks forward to a continuation of positive results in 2005.

Jose Victor Paterno
President

A. Description of the general nature and scope of business of the Company and its Sunsidiaries

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.

At year end, PSC is operating 257 stores, 15 of which are franchise stores, 37 stores are operated under a service agreement, and the rest are company-owned stores. The store franchise and service agreements have a minimum 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
214 SAN PABLO HIWAY	Maharlika Highway corner Leonor Street, San Pablo City, Laguna
274 FIELDS	Fields Ave., Balibago, Angeles City
276 HANSEL	Auroral Blvd. corner Imperial, Cubao, QC
281 TOMAS MORATO	#184 Tomas Morato corner Scout Castor, Quezon City
282 GATCHALIAN	Dr. A Santos cor Palanyag St, Pque City
284 BURGUNDY	One Burgundy Plaza, Katipunan Ave. near corner Rosa alvaro, Loyola Heights, QC
286 APACIBLE	Taft Ave cor Apacible St., Ermita, Manila
288 SAN FERNANDO 2	Olongapo Gapan Road, Brgy. Dolores, San Fernando, Pampanga
289 KARUHATAN	McArthur Highway corner Ge. T. de Leon Street, Karuhatan, Valenzuela

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, 2004, in terms of number of C-store outlets in Metro Manila and adjacent provinces, as follows:

	Number of C- stores	*Market Share (as of 31 Dec 2004)*
7-Eleven	**257**	**47%**
Mercury Self-Serve (24 hours)	180	33%
Ministop	111	22%
TOTAL	548	100%

The majority shareholder, PCSC, has hands-on experience and know how in operating more than 3735 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 1,162 per day per store with an average purchase transaction of about ₱ 41.69. 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 :

Trademarks	Description of Product	Application Date	Status
1. Slurpee	Frozen carbonated beverage, prepared with a variety of high-quality syrups, properly brixed, 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:

Trademarks	Description of Product	Application Date	Status
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 81.72% and Services at 18.28%.

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, Selecta Walls, Inc., Universal Robina Corporation, Philip Morris Philippines, Seven Dragons Food Galore, Food Series, Inc. (Mister Donut) Pepsi Cola Bottlers, Inc. Gardenia Bakeries Phils. and Unilever Philippines, Inc.

B. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters

1) 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, 2003 and 2004 are as follows:

December 31, 2003

Month	Open	High	Low	Close	Volume
1st Quarter	No Transaction				
2nd Quarter	2.50	2.50	2.50	2.50	1,000
3rd Quarter	2.80	2.80	2.80	2.80	486,672
4th 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

December 31, 2004

Month	Open	High	Low	Close	Volume
1st Quarter	3.00	4.45	3.00	4.45	527,721
2nd Quarter	5.00	5.00	5.00	5.00	2,000
3rd Quarter	3.55	3.55	2.14	2.14	3,000
4th Quarter	No Transaction				
Latest Trading					
February 28, 2005	1.9	1.9	1.9	1.9	12,000

2) Holders

As of March 31, 2005, the following were the top 20 shareholders of the company's outstanding common shares totaling 237,252,000 shares.

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. Progressive Development Corp.	Filipino	20,163,079	8.50%
4. PCD Nominee Corporation *	Filipino	10,126.085	4.27%
5. Vicente T. Paterno	Filipino	5,540.746	2.34%
6. Agus Development Corp.	Filipino	4,912,178	2.07%
7. Ma. Cristina P. Paterno	Filipino	4,593,050	1.94%
8. Anglo Philippine Holdings Corporation	Filipino	4,333,380	1.83%
9. Ma. Theresa P. Dickinson	Filipino	4,257,884	1.79%
10. Jose Victor P. Paterno	Filipino	3,767,951	1.59%
10. Ma. Elena P. Locsin	Filipino	3,767,951	1.59%
10. Paz Pilar P. Benares	Filipino	3,767,951	1.59%
11. Maria Henrietta R. Santos	Filipino	1,051,563	0.44%
12. 7-Eleven Inc.	American	922,876	0.39%
13. Dante G. Santos	Filipino	917,723	0.39%
14. Apex Management & Dev't Group, Inc.	Filipino	888,000	0.37%
15. National Life Insurance Co.	Filipino	774,104	0.33%
16. Ma. Elena P. Paterno	Filipino	714,736	0.30%
17. Paz Pilar P. Benares	Filipino	714,735	0.30%
18. Jose Victor P. Paterno	Filipino	425,383	0.18%
19. Manuel U. Agustines	Filipino	421,140	0.18%
20. Socorro Paz P. Paterno	Filipino	170,000	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 reflected 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.**

3) 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.

C. Description of the Common Shares of the Registrants

All of the registrant's 237,252,000 common shares are voted together as a single class and each common share entitles the holder thereof to one vote at any meeting of the stockholders of the Registrant, except that common shareholders have cumulative voting rights for the election of directors.

D. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

1. Election of independent Directors
   Since April, 2002 the Company has disclosed to the SEC that it has complied with the requirement to elect independent directors.

2. Manual of Corporate Governance
   On August 2002, the Board of Directors approved the adoption of its Manual of Corporate Governance.

3. Creation of Board Committees: Audit, Nomination and Compensation
   Since July, 2002, the Board has constituted the abovenamed committees and appointed their members to enable them to organize and perform the functions as provided in the Manual of Corporate Governance.

4. Designation of Compliance Officer

5. Corporate Governance Self-Rating Form
   The Corporation has submitted to SEC its Corporate Governance Self Rating Form on July 2003.

6. Election of Independent Directors since 2002.

7. Certifications of Compliance Officer
   On January 30, 2004, the Corporation's Compliance Officer submitted to the SEC certifications on substantial compliance with leading practices and principles on good corporate governance and also as to the attendance at board meetings of the directors.

8. In 2004, amendment of the Code of By-laws of the Corporation to include the procedure for electing independent directors pursuant to SEC Circular No. 16, Series of 2002, and the revised Implementing Rules and Regulations of the Securities Regulation Code.

Plans on Improvement

1. The Corporation shall continue with setting up an evaluation procedure to measure compliance with the Manual of Corporate Governance
2. Provide workshop/seminars to operationalize the Manual as part of the Company's training program
3. The Corporation is in the process of adopting the International Accounting Standards.

BOARD OF DIRECTORS

Name		Position
1. Vicente T. Paterno	-	Chairman of the Board and Director
2. Chien-Nan Hsieh	-	Vice-Chairman and Director
3. Jose Victor P. Paterno	-	President & Director
4. Chung-Jen Hsu	-	Director
5. Jui-Tang Chen	-	Director
6. Fu-Tang Chen	-	Director
7. Kuo-Hsuan Wu	-	Director
8. Diana P. Aguilar	-	Director
9. Jorge L. Araneta	-	Director

10. Alfredo C. Ramos	-	IndependentDirector
11. Michael B. Zalamea	-	Independent Director

EXECUTIVE COMMITTEE

Name		Position
1. Vicente T. Paterno	-	Chairman of the Board and Executive Committee
2. Jose Victor P. Paterno	-	Member, President and Director
3. Diana P. Aguilar	-	Member and Director
4. Tsung-Yu Lin	-	Member and Treasurer
5. Chun-Pei Liu	-	Member and Vice-President

BOARD AUDIT COMMITTEE

Name		Position
1. Alfredo C. Ramos	-	Chairman and Independent Director
2. Jose Victor P. Paterno	-	Member and President
3. Diana P. Aguilar	-	Member and Director

BOARD COMPENSATION COMMITTEE

Name		Position
1. Chien-Nan Hsieh	-	Chairman of Committee and Vice-Chairman
2. Jose Victor P. Paterno	-	Member and President
3. Michael B. Zalamea	-	Member and Independent Director
4. Tsung-Yun Lin	-	Non-voting member/Treasurer
5. Chun-Pei Liu	-	Non-voting member/Vice-President

BOARD NOMINATION COMMITTEE

Name		Position
1. Vicente T. Paterno	-	Chairman of the Board and the Committee
2. Alfredo C. Ramos	-	Member and Independent Director
3. Evelyn S. Enriquez	-	Member and Corporate Secretary

CORPORATE OFFICERS

Chin-Yen Kao	-	Honorary Chairman of the Board
Vicente T. Paterno	-	Chairman of the Board
Chien-Nan Hsieh	-	Vice-Chairman
Jose Victor P. Paterno	-	President
Chun-Pei Liu	-	Vice-President
Tsung-Yu Lin	-	Treasurer
Evelyn S. Enriquez	-	Corporate Secretary

ANNEX "C"

MINUTES OF THE 2004 ANNUAL STOCKHOLDERS' MEETING OF PHILIPPINE SEVEN CORPORATION

Held on June 8, 2004
at the Amorsolo Ballroom, 4th Floor
Manila Galeria Suites, #1 ADB Avenue
Ortigas Center, Pasig City

1. Certification of Quorum and Call to Order

The Corporate Secretary, Atty. Evelyn S. Enriquez, certified that notices of the meeting were sent to all the shareholders of record as of April 30, 2004 and that out of 237,252,000 shares of stock of the Corporation outstanding and entitled to vote, 224,239,410 shares or 94.52% were represented at the meeting in person and/or by proxy, and that accordingly, a quorum of the meeting existed. Thereupon, the Chairman called the meeting to order.

2. Approval of Minutes of the Last Stockholders' Meeting

On motion duly made and seconded, the reading of the minutes of the last stockholders' meeting of the Corporation held on June 30, 2003 was dispensed with and the same were approved as recorded.

3. Management Report

The Chairman of the Board, Mr. Vicente T. Paterno, read his message to the stockholders and President Yeong-Hsiang Yeh reported on the highlights of operation of the Corporation for year 2003. The Comptroller, Ms. Rebecca Arago, rendered the financial highlights of the audited financial statements for year 2003.

The Chairman's message to stockholders, President's review of operations and the financial statements of the Corporation for the period ended December 31, 2003 and December 31, 2002 were contained in the 2003 Annual Report and distributed to the stockholders at the meeting.

On motion duly made and seconded, the stockholders noted, approved and accepted the report on operations and the audited financial statements for year 2003.

4. Ratification of all Corporate Acts

On motion duly made and seconded, the stockholders unanimously ratified all acts of the Corporation, its Board of Directors, Executive Committee, Audit Committee and Management from the last annual stockholders' meeting to the present.

5. Election of Members of the Board

The Corporate Secretary clarified that the names of nominees presented to the stockholders were submitted to the Nomination Committee in its meeting on March 02, 2004 and were cleared to have complied with the "non-compete" provision of PSC's Code of By-laws. The said names of nominees also include the Final List of Candidates eligible for election as independent directors, pre-screened pursuant to the procedures provided in the SEC Circular No. 16 on the Guidelines on Nomination and Election of Independent Directors. Hence, the following were the names of nominees submitted to and screened by the Nomination Committee.

1. Vicente T. Paterno
2. Yeong-Hsiang Yeh
3. Jorge L. Araneta
4. Diana P. Aguilar
5. Chung-Jen Hsu
6. Chien-Nan Hsieh
7. Fu-Tang Chen
8. Jui-Tang Chen
9. Kuo-Hsuan Wu
10. Manuel U. Agustines (independent director)
11. Alfredo C. Ramos (independent director)

On motion duly made, seconded and unanimously carried, the above-named nominees were nominated as directors and independent directors of the Corporation. There being no objection, the nomination was closed and the above-named nominees were considered elected as directors of the Corporation for a term of one (1) year and until their successors shall have been duly elected and qualified.

6. **Appointment of External Auditor**

On motion duly made and seconded, the stockholders re-appointed the Joaquin Cunanan & Co. (JCC) as the external auditors of the Corporation for 2004.

7. **Approval of Delegation of Authority to the Board of Directors to Amend/Repeal the By-laws**

On motion duly made and seconded, all the stockholders present or represented consisting of 94.50% of the outstanding capital stock of the Corporation, unanimously approved the resolution below.

> "**RESOLVED**, that the Board of Directors of Philippine Seven Corporation (the "Corporation"), is hereby authorized to amend, revise or repeal the Corporation's By-laws, in a regular or special meeting and upon affirmative vote of at least majority of its members, to incorporate the requirements on nomination and election of independent directors under Securities and Exchange Commission Circular No. 16 and Rule 38 of the Securities Regulation Code, other requirements of the Corporation's Manual of Corporate Governance and existing laws and regulations to comply with good corporate governance practices."

8. **Adjournment**

After entertaining a few questions from the floor, and there being no further business to transact, and on motion duly made and seconded, the Chairman adjourned the meeting.

Certified Correct:

EVELYN S. ENRIQUEZ
Corporate Secretary

Attested by:

VICENTE T. PATERNO
Chairman of the Board

ANNEX "D"

RELEVANT RESOLUTIONS APPROVED BY THE BOARD OF DIRECTORS AND BOARD COMMITTEES FOR RATIFICATION BY THE STOCKHOLDERS

Organizational Meeting of the Board of Directors
June 8, 2004

- Amendment of the Articles of Incorporation

  The Board of Directors, upon written assent of stockholders representing at least 2/3 of outstanding capital stock of the Corporation, approved the amendment of the primary and secondary purposes of the Articles of Incorporation to include therein the rendering of "services" emphasizing convenience to the consumer to cover new business formats and services that the Corporation may engage in the future.

- Amendment of Code of By-laws

  Pursuant to authority delegated by the stockholders in the annual meeting of June 8, 2004 to the Board of Directors, the Code of By-laws was amended to include the provision on nomination and election of independent directors and to comply with good corporate governance practices.

- Election of Corporate Officers

  The Board of Directors nominated and elected the following corporate officers:

Honorary Chairman of the Board	-	Ching-Yen Kao
Chairman of the Board	-	Vicente T. Paterno
President	-	Yeong-Hsiang Yeh
Vice- President for Operations	-	Jose Victor P. Paterno
Treasurer	-	Tsung-Yu Lin
Corporate Secretary	-	Evelyn Sadsad-Enriquez

- Designation of members of Executive and other Board Committees

  The Board of Directors, pursuant to Section 21 of the Code of By-laws, designated the following as members of the Executive Committee:

1. Vicente T. Paterno	-	Chairman of the Board and Executive Committee
2. Yeong-Hsiang Yeh	-	Member
3. Diana P. Aguilar	-	Member
4. Tsung-Yu Lin	-	Member
5. Chun-Pei Liu	-	Member

  The Board of Directors also designated the members of the committees, including one (1) independent director in each committee, as follows:

Audit Committee:		
Chairman:	Alfredo C. Ramos -	Independent Director
Members:	Dianne P. Aguilar -	Director
	Yeong-Hsiang Yeh-	President and Director
Compensation Committee:		
Chairman:	Vicente T. Paterno-	Chairman of the Board & Director
Members:	Yeong-Hsiang Yeh-	President and Director
	Alfredo C. Ramos -	Independent Director
Nomination Committee:		
Chairman:	Vicente T. Paterno-	Chairman of the Board & director
Members:	Alfredo C. Ramos -	Independent director
	Evelyn S. Enriquez-	Corporate Secretary

Board of Directors Meeting
December 01, 2004

- Authorized the purchase and investment for the conversion to POS system of all cash register machines of the stores.

- Authorized the investment and transfer of its wholly-owned subsidiary Convenience Distribution Inc. (CDI) in a built-to-suit Distribution Center (DC) and approved to guarantee the 20.0M loan to be secured by CDI for the lease deposit for the DC site.

  The Board authorized the Executive Committee of the Corporation to implement the details of the terms and conditions of the project plan, the grant of the guarantee and the designation of corporate officers to deliver and execute the necessary documents to give effect to the foregoing.

- Renewal of Credit Line

  The Board approved the renewal of credit line of the Corporation with the Bank of Philippine Islands for Php 80.0 M and Chinatrust for Php 200.0M

- Authorized the Executive Committee and/or the Board Audit Committee to approve the audited and interim financial statements of the Corporation in the absence of a Board Meeting.

Executive Committee Meeting
March 02, 2004

- Approval of the audited financial statements of the Corporation for Y2003

- Acquisition of Bingo Convenience Stores

  Authorized the purchase of Bingo Convenience Stores and draw from the approved credit lines to finance the purchase in accordance with the terms and conditions as approved by the Executive Committee.

Executive Committee Meeting
August 25, 2004

- Authorized purchase of tax credit certificate of Php 352,872.37 from its affiliate Philippine Seven Holdings, Inc. which is winding up operations pursuant to a petition for dissolution with SEC.

- Authorized the Corporation to approve and guaranty the loan of its wholly-owned subsidiary, Convenience Distribution, Inc. (CDI), from Store Site Holdings, Inc. (SSHI) in the amount of Php 9.0 Million.