

Little Pim...the Governor's daughter

Dark Moon Afternoon

Piak...loves slurping his slurpy

Cute auntie...next door Hello

Paper boy named Khom Rainy... or Any Season

Mr. Bancha...Boat repair man Sunset

Noon Uncle Ouan...living near the temple

James...selling roast pork rice Evening Star

From our Heart...every time

At dawn Would you like any Chinese buns

Ding Dong... welcome to 7-Eleven

Full Moon Morning

Man...a smart young flight attendant

Uncle Hnoom...garage owner

Mr. Prakorb...7-eleven employee

Uncle Nuad...the barber

Auntie Tu...a neighbour nearly

Thank you...please come again





Vision

"To be the leader of convenience store chain in Thailand"

Organization Philosophy

To serve customer's convenience and keep employees happy for better quality of life.

Mission

1. Offer products and services to meet customer's convenience.
2. Select locations to be easy to access for customers nation-wide.
3. Create leadership in all-staff level and promote good working atmosphere.
4. Build good relation with society and community.
5. Establish a quality organization and aim at being a learning organization.



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General Information

C.P. Seven Eleven Public Co., Ltd. (“the Company”) is the flagship company in marketing and distribution group of business of Charoen Pokphand Group. The company has its main business in convenience store in Thailand, named “7-Eleven”, and large scale retail store (“Supercentre”) in The People’s Republic of China, named “Lotus Supercenter”, as well as other related businesses such as bill payment collection, manufacturing and sale of frozen foods and bakery, sale and maintenance of retailing equipment. The Company head office is at 283 Siboonrueng Building 1, Silom Road, Kwaeng Silom, Khet Bangrak, Bangkok 10500, telephone 0-2677-9000, fax. 0-2631-1082, public company limited registration number 649, homepage www.7eleven.co.th

Summary of Financial Information

C.P. Seven Eleven Public Company Limited and Subsidiaries

For fiscal years ending 31 December 2001 to 31 December 2003

	2001	2002	2003
Consolidated Financial Information (million Baht)			
1. Net Sale and service income	31,550	43,765	58,382
2. Total revenue	33,263	45,918	61,030
3. Net profit	925	964	1,339
4. Net cash provide from operating activities	1,772	3,841	3,227
5. Total assets	14,228	17,305	21,712
6. Total liabilities	8,404	10,901	12,953
7. Total shareholders’ equity	5,824	6,404	8,759
Share Information (Baht)			
1. Book value per share	29.12	16.01*	21.36
2. Earnings per share	4.63	2.41*	3.27
Financial Ratios (%)			
1. Gross margin	18.65	18.70	18.71
2. EBIT margin	4.02	3.07	3.26
3. Net profit margin	2.78	2.10	2.19
4. Return on total assets	7.13	6.12	6.87
5. Return on total shareholders’ equity	18.76	15.77	17.67

Note: * In 2002, the company registered change in share’s par value from 10 Baht per share to 5 Baht

From Our Heart...Every Time

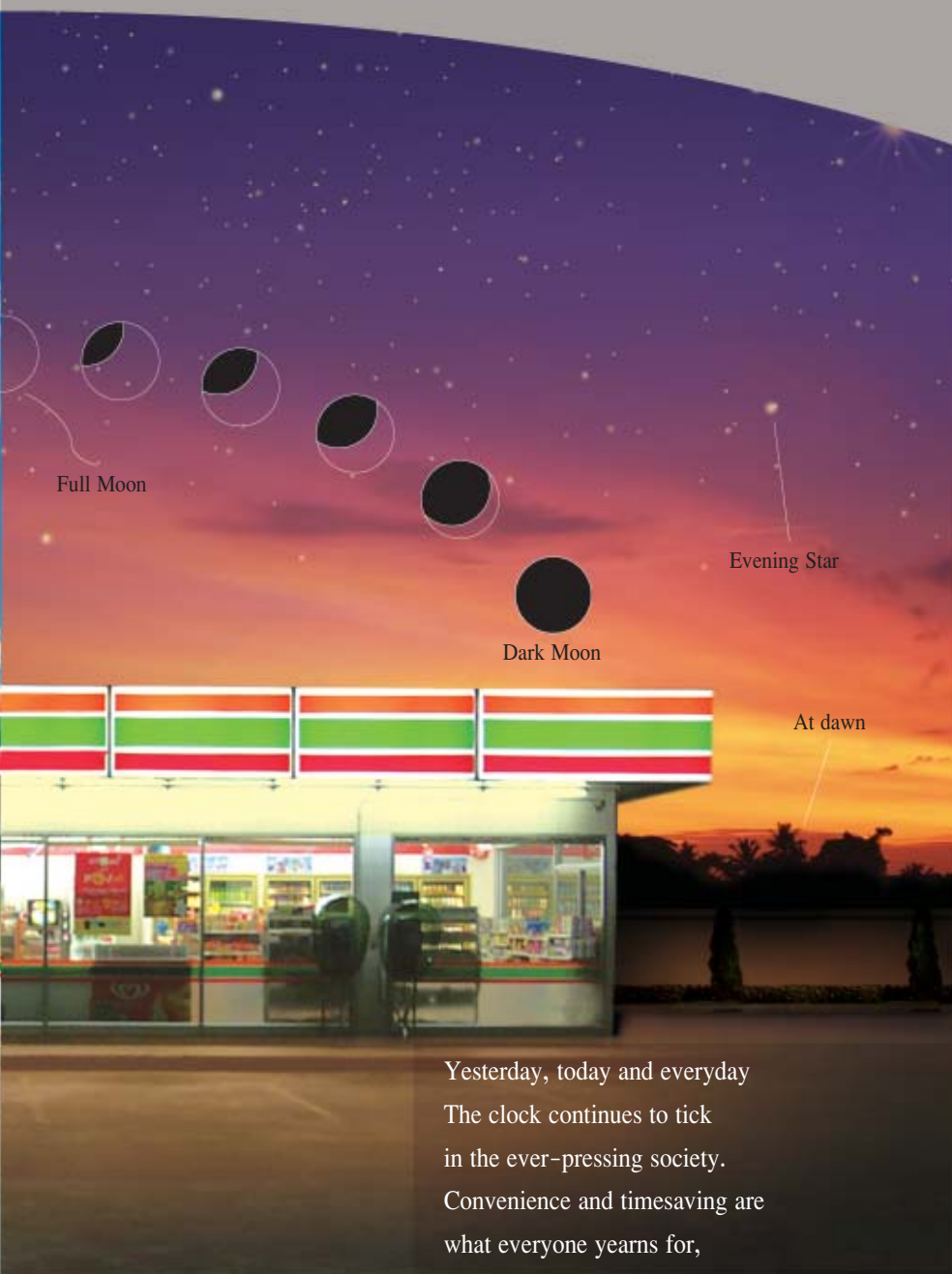
Noon

Morning

Sunset

Afternoon

Rainy... or Any Season



Yesterday, today and everyday
The clock continues to tick
in the ever-pressing society.
Convenience and timesaving are
what everyone yearns for,

No matter near or far and everywhere,
We pass on to you our sincere friendship
Every morning, every afternoon,
evening or even night
For happiness in the society and community.

Message from the Chairman and the Chief Executive Officer



Over the past 14 years, C.P. Seven Eleven Public Company Limited has operated its business aiming to provide services through its convenience store network, modern product selection and high quality of services. At the same time, the Company has continuously striven to improve its service format for more efficiency, prompt services, and cope with changes. We look forward to offer our customers with superior inclusive services in a warm and Thai friendly manner.

Since 2002, the Company has joined with the PTT Public Company Limited to open 7-Eleven store as an alternative choice of providing convenience at PTT gas stations. We successfully expanded our PTT store network rapidly to achieve 202 stores in 2003. This has led to another step forward to business sustainable growth as well as a mutual benefit between the two alliances.

In 2003, we changed the well-accepted “7-Today” bookstores to be “Book Smile” for a better market positioning. In addition, we experimented to operate the new “Book Smile” in attachment to

our existing 7-Eleven stores, which resulted in a positive sales growth. We target to implement this new model to reach 100 additional stores within the next two year.

To further develop 7-Eleven business, we set our target to eventually be a “Convenience food store” by emphasizing on food products to better serve customers’ needs, enhance profitability and differentiate ourselves from competitors.

As at the end of 2003, 7-Eleven network reached 2,397 stores nationwide as a result of rapid growth in store expansion and customer acceptance. Moreover, the management adherence to a Total Quality Management (TQM) concept has led to improving operational efficiency as well as bringing executives and employees to harmony. Organizational culture, leadership, and value activities help supporting company’s competitive advantages in retail convenience business.

Nonetheless, the Company realizes in social responsibility to higher standard of living and education. In 2003, we sponsored the “7 Book Award” project to promote awareness and acquisition of knowledge in Thai literature value. The 7-Eleven and Book Smile extensive network also help distributing books and publications to support the campaign with a hope to raise reading habit among Thai young generation.

C.P. Seven Eleven Public Company Limited can successfully reach its objectives because of trustfulness from our customers, business partners, shareholders, staffs and employees, who commit to bring best benefit to us. The Company would like to take this opportunity to be thankful for all stakeholders, in particular our shareholders and the public, in supporting us. We will continue to put all efforts serving all stakeholders, step forward to reach further success together based on our superior inclusive services, as well as create happiness among Thai companions in our society.



Mr. Dhanin Chearavanont
Chairman

Mr. Korsak Chairasmisak
Chief Executive Officer

Board of Directors



Lieut. Suchai Jaovisidha
Independent Director and Chairman of the Audit Committee



Mr. Pridi Boonyoung
Independent Director and Audit Committee



Mr. Padoong Techasarintr
Independent Director and Audit Committee



Mr. Dhanin Chearavanont
Chairman



Mr. Korsak Chairasmisak
Director and CEO



Mr. Athueck Asvanund
Director



Mr. Umroong Sanphasitvong
Director



Mr. Supakit Chearavanont
Director



Mr. Narong Chearavanont
Director



Mr. Prasert Jarupanich
Director



Ms. Yoon Chiang
Director



Mr. Pittaya Jearavisitkul
Director and Deputy CEO



Mr. Piyawat Titasattavorakul
Director and Managing Director

Director and Management Biography

Lieut. Suchai Jaovisidha 63 years
Position Independent Director and Chairman of the Audit Committee
Education - Bachelor Degree in Economics, London University
 - Degree from National Defence College of Thailand 366
Experience
Presents Executive Committee Krung Thai Bank Plc. Chairman
 Road Accident Victims Protection Co., Ltd.
 1995-2000 Director-General, Department of Internal Trade
 1993-1994 Director-General, Department Of Intellectual Property
Relationship -

Mr. Pridi Boonyoung 65 years
Position Independent Director and Audit Committee
Education - Master Degree in Laws, Yale University USA
 - Bachelor Degree in Laws, Thammasat University
 - Degree from National Defence College of Thailand
Experience
 1997-1998 Director-General, Treasury Department
 1996-1997 Director-General, Customs Department
 1993-1995 Director-General, The Comptroller General's Department
Relationship -

Mr. Padoong Techasarintr 63 years
Position Independent Director and Audit Committee
Education - Bachelor Degree in Business and Administration, Thammasart University
Experience
 1995-1998 Executive Director Siam City Bank Plc.
 1994-1995 Director-Vice President Siam City Bank Plc.
Relationship -

Mr. Dhanin Chearavanont 64 years
Position Chairman
Education - Degree from National Defence College of Thailand
 - Commercial School, Hong Kong
 - Shantou Secondary School, China
Experience
 1993-Presents Chairman Telecom Asia Corporation Plc.
 1989-Presents Chairman and CEO Charoen Pokphand Group Co., Ltd.
Relationship Mr. Supakit and Mr. Narong father

Mr. Korsak Chairasmisak 51 years
Position Director and CEO*
Education - Bachelor Degree in Economics, Thammasart University
Experience
 1996-Presents Executive Vice President Charoen Pokphand Group
Relationship -

Mr. Athueck Asvanund 52 years
Position Director*
Education LL.M (Specialized in international Legal Studies). New York University, USA
 - Certificate in the Orientation Program in the US Legal System, Law Centre, Georgetown University, Washington D.C.
 - Bachelor Degree in Laws (honor), Thammasat University
Experience
Presents Vice Chairman and Group Counsel Telecom Asia Corporation Plc
 Group General Counsel Charoen Pokphand Group
 Director United Broadcasting Corporation Plc
 Director TA Orange Co., Ltd.
Relationship -

Mr. Umroong Sanphasitvong 50 years
Position Director*
Education - Master Degree in Business and Administration, Thammasat University
 - Bachelor Degree in Business and Administration, Thammasat University
Experience
 2001-Presents Director Telecom Asia Corporation Plc.
 Deputy Group CEO Charoen Pokphand Group
 Director Vinylthai Plc.
Relationship -

Mr. Supakit Chearavanont 39 years
Position Director*
Education - Bachelor Degree in Business and Administration, New York University, U.S.A.
Experience
Presents Chairman Chia Tai Enterprise International Ltd.
 2003-Presents Director Telecom Asia Corporation Plc
 TA Orange Co., Ltd.
 2000-Presents Chairman of the Executive Committee
 Telecom Holding
 1998-Presents Chairman United Broadcasting Corporation Plc
Relationship Mr. Dhanin Chearavanont' s son and Mr. Narong's brother

Mr. Narong Chearavanont 38 years
Position Director*
Education - Bachelor Degree in Finance and International Business, New York University, U.S.A.
Experience
 2002-Presents President Shanghai Lotus Supermarket Chain Store Co., Ltd.
 Director Ek-Chai Distribution System Co., Ltd.
Relationship Mr. Dhanin Chearavanont 's son and Mr. Supakit' s brother

Mr. Prasert Jarupanich 54 years
Position Director*
Education - Program for Management Development (PMD) Harvard Business School
 - Ph. D. Industrial Engineering and Management Oklahoma State University
 - Master Degree Computer Science University of Missouri at Rolla
 - Bachelor Degree Computer Science University of Missouri at Rolla
Experience
Presents Director Siam Makro
1988-Presents Vice President Marketing and Distribution Group Charoen Pokphand Group Co., Ltd.
Relationship -

Ms. Yoon Chiang 36 years
Position Director*
Education - Master of Business and Administration degree from the Kellogg Graduate School of Management at the Northwestern University in the USA
Experience
2002 Director Tse Sui Luen Investment (China) Ltd. & Infinite Assets Corp
2000 Director China Hong Kong Photo Products Holdings Ltd. and Geoby International Holdings Ltd. and its affiliate & subsidiaries
Relationship -

Mr. Pittaya Jearavisitkul 48 years
Position Director and Deputy CEO*
Education - Master Degree in Business and Administration, Thammasat University
 - Bachelor Degree in Economics, Thammasat University
Experience
1993-1998 Vice President Marketing and Distribution Group Charoen Pokphand Group Co., Ltd.
Relationship -

Mr. Piyawat Titasattavorakul 50 years
Position Director and Managing Director*
Education - Bachelor Degree in Marketing, Ramkhamhaeng University
Experience
1996-1998 Vice President C.P. Seven Eleven Plc.
Relationship -

Mr. Kamol Dakdidejyont 54 years
Position Vice President - Finance and Accounting
Education - Master Degree in Business and Administration, Thammasat University
 - Bachelor Degree in Accountancy, Chulalongkorn University
Experience
1994-1999 Assistant Vice President - Finance and Accounting C.P. Seven Eleven Plc.
Relationship -

Mr. Dhanin Bhuranamanit 39 years
Position Vice President - Operation and Marketing
Education - Bachelor Degree in Marketing, Thammasat University
Experience
1999 Assistant Vice President - Marketing C.P. Seven Eleven Plc.
1998 Assistant Vice President Sunny Supermarket Plc.
Relationship -

Mr. Chuan Nimkittikul 52 years
Position Vice President - Purchasing and Distribution
Education - Master Degree in Business and Administration, Thammasat University
 - Bachelor Degree in Economics, Thammasat University
Experience
1996-1998 Assistant Vice President C.P. Seven Eleven Plc.
Relationship -

Mr. Suwit Kingkaew 53 years
Position Vice President - General Management
Education - Master Degree in Business and Administration, Kasetsart University
 - Bachelor Degree in Economics, Kasetsart University
Experience
1996-1998 Assistant Vice President C.P. Seven Eleven Co., Ltd.
Relationship -

Mr. Kosa Pongsupath 52 years
Position Vice President - Information Technology
Education - Master Degree in Computer Science, Australian National
 - Bachelor Degree in Statistics, Kasetsart University
Experience
2000-2001 Assistant Vice President - Information Technology C.P. Seven Eleven Plc.

* Authorized director



Our Knowing Neighbour

James...selling roast pork rice

Man...a smart young flight attendant

Piak...loves slurping his slurpy

Uncle Nuad...the barber

Uncle Hnoom...garage owner

Little Pim...the Governor's daughter

Auntie Tu...a neighbour nearby

Cute auntie...next door

Mr.Prajuab...the motorcycle taxi

Uncle Ouan...living near the temple

Uncle Wit...parlour owner.



A smile with a service heart,
Building up the close relations
Is the happiness of providing satisfaction
For both giver and recipient

We are like a house that has long been
in the community
A house of knowing neighbour,
That is ready to give
Every minute and every time.

Nature of Business



Formerly named as “C.P. Convenience Store Company Limited”, the Company was established by the Charoen Pokphand Group in 1988 to conduct the convenience store business in Thailand under the “7-Eleven” trademark. The Company was granted a license to use the trademark from 7-Eleven, Inc, a company incorporated in the United States of America. The first 7-Eleven outlet was opened on Patpong Road in early 1989.

By the end of the year 2003, the Company operated a total of 2,397 stores in Thailand, being the fourth largest 7-Eleven network in the world, after Japan, the United States and Taiwan, respectively. Of the number, 1,022 stores were opened in Bangkok (43%) and 1,375 stores were opened in the perimeter and provincial areas (57%). Defined by category, there were 1,608 corporate stores (67%) and 662 franchise stores (28%). The rest were 127 sub-area license stores (5%). More than 2 million customers visit 7-Eleven stores a day. The Company plans to open 320 new 7-Eleven stores each year during 2004 - 2005, about 200-240 stores will be stand alone stores and about 80 - 120 stores will be in PTT gas stations, both in Bangkok and other provinces.

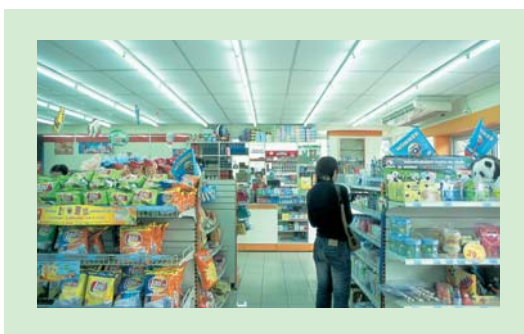
The Company has continuously expanded supported businesses to convenience store business in Thailand, for examples, in 1994, the business of bill payment collection was set up, namely of Counter Service Company Limited (CS), in 1996, the manufacturing and sale of frozen food and bakery was set up, namely of C.P. Retailing and Marketing Company Limited, (CPRAM), and, in 1999, sale and maintenance of retail equipment was set up, namely of Retailink (Thailand) Company Limited (RTL).

In late 1999, the Company started investing in large scale retail store business or the “Supercenter” under the trademark of “Lotus” in the People’s Republic of China, through the Shanghai Lotus Supermarket Chain Store Company Limited (“SLS”). By the end of 2003, SLS operates 13 Lotus supercenters, 10 in Shanghai, one each in Hangzhou, Zhejiang Province, Nanjing and

Wu Xi in Jiangsu Province. Presently, there are approximately 12,000 customers visiting the Lotus supercenter each branch a day. SLS plans to open 4-5 new stores each year in Shanghai and other cities in the Yangtze Basin.

Moreover, the Company has invested in new value-added businesses, for examples, The Thai Smart Card Company Limited was established in 2001, as a joint venture with Krung Thai Bank Public Company Limited, Bank of Ayudhya Public Company Limited, Government Savings Bank, Krung Thai Card Public Company Limited,

Telecom Asia Corporation Public Company Limited, Loxley Public Company Limited, and SVOA Public Company Limited, to offer pre-paid cash card for purchasing goods and services. In 2003, the GOSOFT (Thailand) Company Limited was established to provide information technology services and the M.A.M. Heart Company Limited ("MAM") was established to provide marketing activities services and the Dynamic Logistics Management Company Limited ("DM") was established to provide logistics services.



Revenue Structure

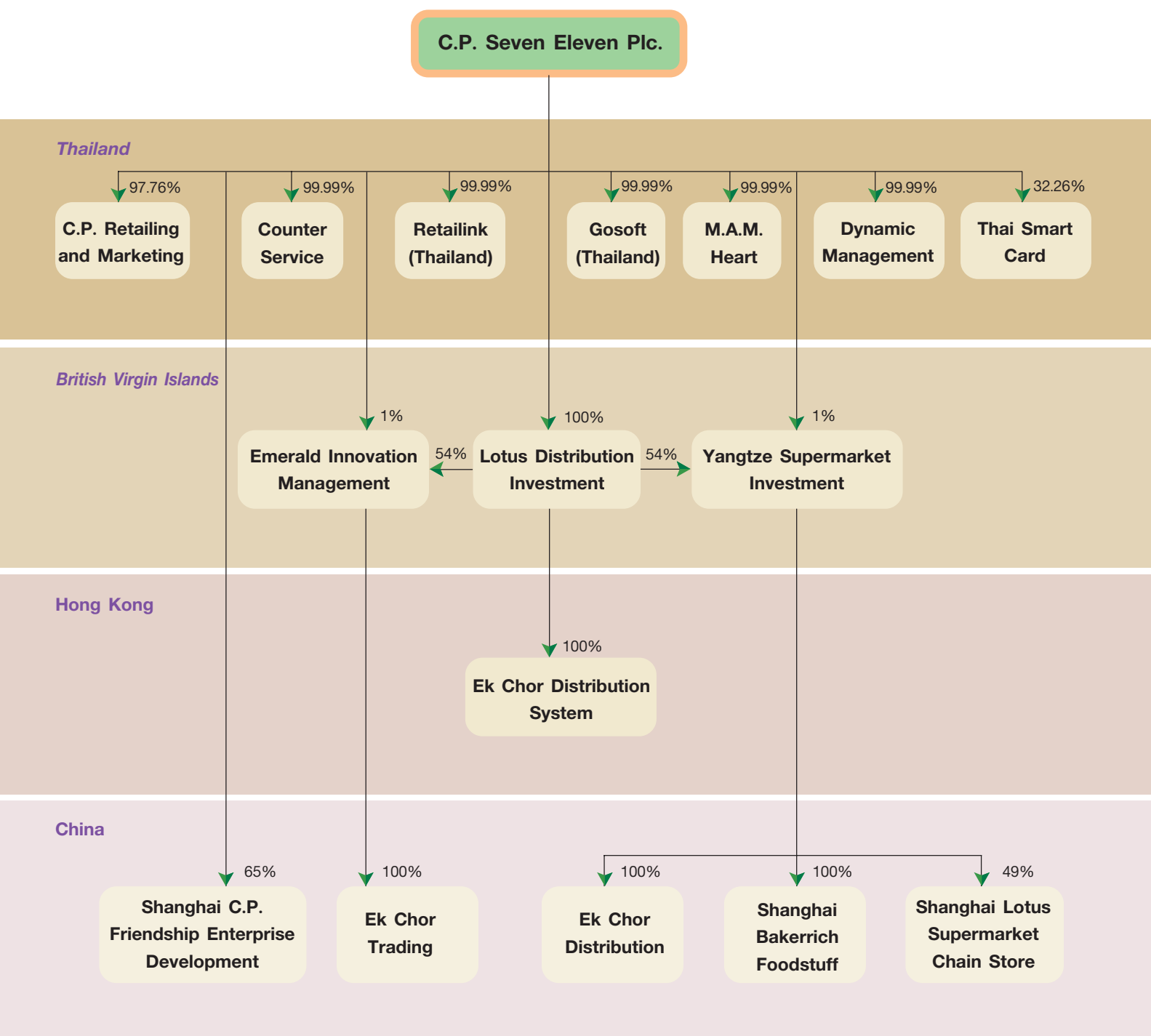
Net sales and services income can be divided into 3 groups of business as follows:

Groups of Business	2001		2002		2003	
	Million Baht	%	Million Baht	%	Million Baht	%
Convenience store: C.P. Seven Eleven Plc.	21,914	69.5	30,165	68.9	40,154	68.8
Supercenter: Shanghai Lotus Supermarket Chain Store Co., Ltd.	9,038	28.6	12,712	29.1	16,857	28.9
Other businesses*	598	1.9	888	2.0	1,372	2.4
Net sale and service incomes	31,550	100	43,765	100	58,382	100

*Other businesses consist of sales and service income from subsidiaries, such as CPRAM, CS, RTL, etc.

C.P. Seven Eleven Public Company Limited's Group Structure

As at December 31, 2003



Convenience Store

Types of Products and Services

The company is the sole operator of 7-Eleven convenience stores in Thailand, granted an exclusive right from 7-Eleven, Inc. to conduct business under the Area License Agreement, with a license fee based on percentage of sales. Most of the 7-Eleven stores operate 24 hours a day, 7 days a week, for convenience and prompt service to customers. The company derives baht 30,165 million and baht 40,154 million in net sales and service income from convenience store business in 2002 and 2003 respectively. In the past three years, the company's convenience store business has expanded continuously, as seen from an increase of 7-Eleven outlets from 1,521 outlets to 2,397 outlets at an average of 292 outlets per annum.

Product Mix in 7-Eleven Stores

Products sold in all the 7-Eleven outlets are carefully selected in order to guarantee of premium quality and standard. The product line is adapted to suit the tastes and demands of customers in each community. Among 2,500 - 3,000 items available at 7-Eleven stores, products can be categorized into two major groups, Non-Foods and Foods & Beverages, which stood at a ratio of 47: 53, in that order.

The company aims to position the 7-Eleven convenience stores as a convenient food store by placing more emphasis on Foods and Beverages, which yield higher margin. Hence, 7-Eleven would differentiate its positioning from other retail stores.

Types of 7-Eleven stores

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

(Unit: Stores)	2001	2002	2003
Corporate Stores	1,278	1,503	1,608
Franchise Stores	355	437	662
Sub area License Stores	89	102	127
Total	1,722	2,042	2,397

(1) Corporate Stores: The stores are wholly owned and managed by the Company. The Company invests in tools and equipments, as well as cost of products. At the end of 2003, the Corporate Stores account for 67 percent of total 7-Eleven stores.

(2) Franchise Stores: The company allows franchisees to manage the stores under a franchise agreement. Each agreement may have different terms and conditions in terms of operating and store management guidelines, expenses and investment of franchisee, costs of product as well as profit sharing. However, The same standard of quality will be offered to customers. At the end of 2003, franchise stores account for 28 percent of all 7-Eleven stores.

(3) Sub-area License Stores: The Company enters into sub-area license agreements with the third parties to operate 7-Eleven stores in the territory where the sub-area licensees themselves will be responsible for the management of 7-Eleven stores. The Company will assist and support under the agreed conditions. There are presently 4 such sub-area in Phuket, Yala, Chiang Mai and Ubon Ratchathani. By the end of 2003, sub-area license stores account for 5 percent of all 7-Eleven stores.

Market Conditions and Competitions in Convenience Store Business

Nature of Customers

Our target customers are consumers in communities who prefer convenience and speed. By opening 7-Eleven stores at PTT gas stations, the Company's target customers have expanded wider, including motorists and passengers. Totally, about 2 million customers nationwide visit 7-Eleven stores each day. Spending per visit is approximately 50 Baht.

Pricing Policy

Our pricing policy is determined by market prices, manufacturers, customers' demands, and competition environment. Pricing of some products is under control of the government, for examples, sugar, vegetable oil and rice, which requires official permission before any price increase. However, such a price control policy has no adverse effect on the Company's sales volume.

Industry Outlook and Competitions of Convenience Store Business

In 2003, although there is an economic impact by the outbreak of Severe Acute Respiratory Syndrome (SARS), retail business in Thailand still expanded continuously in accordance to the economic situation in general. This is resulted from the public policies that focus on increasing income and reducing expenditure of grassroots citizen, enhancing, investment, promoting tourism encouraging export for higher purchasing power. Furthermore, low interest rate environment helps stimulating higher spending volume.

In addition, consumers' behavior and lifestyle have demanded for convenience and speed. More variety of products also attributed to growth of modern retail businesses. In the first 9 months of the year 2003, private sector's consumption expenditure grew by 6.74 percent, directly benefiting retail business, which valued Baht 1.18 billion during the period, representing an increase of 16 percent compared to the same period of the previous year. It was estimated that by the end of 2003, retail business value could reach Baht 1.6 billion in total.

Retail industry value

(Unit : Billion Baht)	2001	2002	2003(F)	2004(F)
Retail industry Value (market price)	1.2	1.4	1.6	1.8
% changes	12.7%	16.1%	15.0%	12.5%

Source: The Bank of Thailand and estimation by C.P. Seven Eleven Public Company Limited



In 2003, modern retail businesses, Hypermarket, Cash and Carry, Supermarket, Department Stores and Convenience Stores, were in a competitive environment. Although hypermarkets were confined in their expansion, as good strategic locations became rare and adversely affected by town planning measures, hypermarket and cash and carry businesses retained their largest market share, 55.8 percent of the total value of modern retail businesses, with department stores coming second at 15.9 percent. Convenience stores, on the other hand, have been expanding by opening new stores, both stand alone and in gas stations. Convenience stores have extended their market share by 15.5 percent, while supermarkets had 4.6 percent share.

**Number of convenience stores,
both stand alone and in gas stations**

Type of Stores	2002	2003
Stand alone convenience stores		
	2,551	3,041
- 7-Eleven Stores	1,862	2,155
- Others	689	886
Convenience Stores in Gas Station		
	1,300	1,421
- 7-Eleven Stores	180	242
- Others	1,120	1,179

Source: estimated by C.P. Seven Eleven Public Company Limited

Industry Outlook and Competitions of Retail Business in 2004

In 2004, retail business is likely to sustain growth, due primarily to the trend in interest rate, and government policy in enhancing people's incomes and reducing their expenditures, as well as decentralization of wealth and prosperity to local areas. On the other hand, more competitive environment will be from (1) rarity of good locations, (2) consequence from town planning measures, (3) congestion of retail stores in city areas. Operators turn to improve their existing stores, making them more diverse and better responding to target customers' demands. New outlets are smaller but more diversified. At the same time, the trend towards forming business alliances is clearly seen, among retail business operators, suppliers and other related parties.

Convenience Store Business Outlook in 2004

Convenience store business remains an interested segment for investment expansion, both for the existing operators, and retailers in other segments who wish to better reach customers through smaller-size stores. Growth in real-estate and property sector also offers opportunity for convenience stores to penetrate into new residential communities.

The consequence of town planning measures, which restrict the expansion of retailers occupying a sale area of more than 300 square meters, had slowed down the growth of large retail businesses. Also, good locations are more difficult to find. The expansion has changed to smaller outlets to serve targeted communities.

Procurement of Goods and Services

In 2003, the Company has procured about 88 percent of goods and services from suppliers who is not related to the Company. Purchasing orders are placed to distributors to deliver products to the Company's distribution centers or directly to 7-Eleven stores, according to the types of goods. Although the Company purchases products from distributors, it does not rely on any one distributor for more than 20 percent of the purchasing volume.

In 2003, the Company has 4 main distribution centers to deliver products serving approximately 90 percent the total purchase. The rest of the products is directly delivered by vendors higher proportion of goods handle through distribution center supports efficient inventory management.



Supercenter

Types of Product and Service

The Company operates Lotus Supercenters by effectively investing 26.95 percent in Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS") through its affiliate, Yangtze Supermarket Investment limited. At the end of 2003, SLS operates altogether 13 Lotus supercenters, 10 in Shanghai, and one each in Hangzhou, Nanjing, and Wu Xi. Of the 13 Lotus supercenters, SLS owns 11 stores, and runs 2 other stores on management contract. Approximately 12,000 customers are recorded at each branch a day. SLS plans to open 4-5 more Lotus supercenters in Shanghai and other cities in the Yangtze Basin.

Lotus Supercenters open everyday from 8.30 to 22.00, with an extension opening hours on holidays, such as Chinese New Year. For the past 3 years, the sales volume of Lotus Supercenters according to the consolidated financial statement has increased from Baht 8,995 million in 2001 to Baht 12,712 million and Baht 16,857 million in 2002 respectively.

Product Mix

Each branch of Lotus Supercenter provides approximately 25,000 - 30,000 product items in 4 major categories as follows:

- 1) Fresh foods which account for approximately 19 percent of the sales volume;
- 2) Dry Groceries which account for approximately 49 percent of the sales volume;
- 3) Hardware which accounts for approximately 21 percent of the sales volume;
- 4) Apparel which accounts for approximately 11 percent of the sales volume.

Classification of Lotus Stores

Branch No.	Branch name	Opening month/year	Sale Area* (Square Meters)	Right in the Land and Building
1	Yanggao Store (Shanghai)	June 1997	11,000	lease the land and building from ECD and a local company
2	Zhoujiazui Store (Shanghai)	January 1998	7,000	lease the land and building from a local company
3	Chuanchang Store (Shanghai)	December 1998	7,000	lease the land and building from a local company
4	Wuzhong Store (Shanghai)	December 1999	11,000	manage the store by contract
5	Shangnan Store (Shanghai)	September 2001	12,000	lease the land and building from a local company
6	Hangzhou Heping Store (Hangzhou)	October 2001	7,500	lease the land and building from a local company
7	Caoan Store (Shanghai)	January 2002	7,000	lease the land and building from a local company
8	Tianshan Store (Shanghai)	March 2002	11,000	lease the land and building from a local company
9	Kinghill Store (Shanghai)	July 2002	13,000	lease the land and building from a local company
10	Wenshui Store (Shanghai)	December 2002	7,500	lease the land and building from a local company
11	Jin Qiao Store (Shanghai)	April 2003	14,000	lease the land and building from a local company
12	Jian Ning Store (Nanjing)	September 2003	7,100	lease the land and building from a local company
13	Hui Shan Store (Wu Xi)	December 2003	6,000	manage the store by contract

*sale area excludes leased area



Market Condition and Competitions of Large Scale Retail Business

Nature of Customers

Lotus Supercenter is targeting at consumers in mass who have medium to low level income and prefer shopping at “One Stop Shopping” place. There are approximately 12,000 customers per store per day.



Pricing Policy

Lotus Supercenter has the policy of Every Day Low Prices (“EDLP”) to be the selling point and to attract customers. It also focuses on offering everyday low prices rather than offering promotions from time to time.

Industry Outlook and Competitions of Large Retail Store Business

During the past 10 years, the retail business in China has grown tremendously, which is the result of economic development and the surge in consumers’ demands. With a population of 1.3 billion, China becomes the large retail market for various consumer products. Also, the growth of the middle class household has resulted in more diverse consumption, and in



response to individual desire and satisfaction rather than fundamental needs. These factors contribute to the change in investment pattern in retail business in China. In the past, investment was concentrated on major port cities such as Shanghai. However, at present, there are more varieties both in store type and area.

Besides, non-food and multiple food formats have gained more shares in retail business in China. During the year 1995 to 2001, sales of non-food items increased 11.3 percent on average. In 2001, sales of non-food items made up 49.6 percent of total sales.

The outbreak of Severe Acute Respiratory Syndrome (SARS) in the first half of the year 2003 adversely affected the sales volume of retail business with a great extent. However, the business recovered quickly after

the disease was brought under control. Total sales during the period from July to December 2003 of top 100 retailers rose by 6.8 percent comparing to the same period in 2002. Moreover, the government of the People's Republic of China formulated new policies to stimulate investment in retail business by reducing interest rate for the initial investments made by business operators. A new legislation was also introduced in 2004, to revoke restrictions applied to foreign companies under an agreement made with the World Trade Organization ("WTO"). In the past, a foreign operator was required to joint venture with a local company, and the shareholding of foreign operators, who operate more than 3 stores, must not exceed 50 percent. The revocation or reduction of restrictions would change the competition scene greatly, providing good opportunities for Lotus to expand its business into other cities apart from Shanghai, as well as creating more competitive environment.

Retail and supercenter business in China has seen as an intense competitive market, with local and foreign companies entering the fray. In the future, such competitors are likely to merge and consolidate their positions. At present, a direct competitor of Lotus is Carrefour, a leading company of France. Other indirect rivals are stores, such as Lian Hua, Hua Lian, Metro, and Auchan.

Procurement of Goods and Services

Most of the products selling at Lotus Supercenter are purchased from manufacturers or distributors in China, through head office in Shanghai. In 2003, SLS did not rely on any distributor for more than 20 percent of its purchasing value. About 62 percent of the total purchase volume by SLS are received and distributed through SLS distribution center. The rest are sourced directly from suppliers.



Risk Factors

Risks relating to operating convenience stores

If the Area License Agreement is terminated, the Company will lose the right to use the “7-Eleven” trademark and may have to pay damages to 7-Eleven, Inc USA. In addition, if the Company’s or Charoen Pokphand Group Co., Ltd. (“CPG”)'s relationship with 7-Eleven, Inc. turns sour, the Company may not obtain appropriated assistance from 7-Eleven, Inc.

The Company operates its convenience store business under the Area License Agreement entered with 7-Eleven, Inc. in the US (formerly “The Southland Corporation”). Under its terms, the Company is granted license to operate convenience stores in Thailand under the “7-Eleven” trademark including related trademarks such as “Slurpee” and “Big Gulp” and to obtain training and technical assistance in the operation and management of convenience stores as well as other technical assistance from 7-Eleven, Inc. On 20 August 2003, 7-Eleven, Inc. entered into the “Consent Agreement” which is an agreement between the Company, CPG and 7-Eleven, Inc. under which 7-Eleven, Inc. has agreed to give consent to the public offering of shares and the listing of shares for trading on the Stock Exchange. In the Consent Agreement, the Company and 7-Eleven, Inc. have also agreed to amend some material provisions of the Area License Agreement.

In addition, if the relationship between the Company or CPG and 7-Eleven, Inc turns sour, the Company may not obtain appropriate assistance from 7-Eleven, Inc. The Company believes that the relationship of itself and CPG with 7-Eleven, Inc remains good and that its business operation under the “7-Eleven” trademark is of mutual interest. So far, the business relationship and assistance have been satisfactory. A chance that such relationship will turn sour is unlikely. At present, there is no reason to believe that there would



be any event that may negatively affect the relationship of the Company and CPG with 7-Eleven, Inc.

If the Company's relationship with PTT Public Company Limited and PTT gas station licensees turns sour, the Company's plan to expand its business in PTT gas stations may be affected.

As a result, the Company's relationship with PTT and its licensees is one of the factors for the Company to achieve its expansion target. If the relationship turns sour, the Company will not be able to open additional stores to achieve its target and this may affect its plan to expand business in the gas stations as well as its sales volume and profits. However, the Company believes that opening more shops will be of mutual benefit to both the Company and PTT, as well as its licensees. The business relationship so far has been satisfactory, which means chances for the relationship to turn sour is very little. Besides, an opportunity to open branches in normal locations remains high and therefore can compensate any negative effect resulting from any future change.



Risks relating to the operating of Supercenters

Risks relating to permission to conduct retail business which may affect operating results and expansion of SLS business.

At present, to conduct a retail business in China, a foreign operator is required to seek permission from the central government agency via the Ministry of Commerce of the People's Republic of China. In addition, it has to apply for permission from the State Administration of Industry and Commerce (SAIC), a local government

agency, after obtaining permission from the above central government agency. At present, Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS"), is a joint venture operation between the Company and two local business entities, and is responsible for managing 2 Lotus Supercenters. These two companies may be open to scrutiny by the Chinese regulatory agencies, as their activities may not be in compliance with present day regulations. Even so, the Chinese government is well aware of business practices and fully understands the problem, and so far, SLS has not been scrutinized or been adversely affected by state regulations. At present, SLS is applying for further permission for future expansion.

Yet, SLS cannot guarantee either that SLS will not face a problem or will not be inspected or subject to legal proceedings taken by an auditing agency of the government. This may adversely affect SLS's status as manager of that particular Lotus branch which may negatively affect its business operation.

Uncertainty in the Chinese government's economic policy and exchange rate risk may affect the results of operations of SLS

The Chinese government has announced an economic reform policy with an objective to create a "Socialist Market Economy" that emphasizes extensive power distribution and promotion of a private sector economy, which so far has attracted a tremendous amount of foreign investment as well as national and local economic growth. Still, the Company cannot guarantee that the Chinese government will continue this economic reform policy. In case the policy changes, which will negatively affect the economic growth of the areas where

Lotus stores are located, then, it may also affect the sales volume and profits of SLS.

Although there is no plan to repatriate profits from investments in China back to Thailand as SLS's business is still expanding, the Company may need to exchange SLS' revenue which is in RMB into other currencies for debt payment or for re-investment in Thailand. At present, exchange and transfer of foreign currencies in China are quite restricted and the Company cannot guarantee which direction China's foreign currency exchange policy will take. More stringent terms and practices will be a negative factor to the Company's ability to manage financial transactions between China and Thailand. Besides, volatility in the RMB (currently, RMB is pegged to the US Dollars) is another factor that may affect the results of operations of SLS when converted into the Baht currency.



Risk from joint ventures operating in China may affect the results of operations of SLS

The Company's business in China is in the form of joint venture, which is risky in the sense that the joint venture partners may (1) have business and economic objectives that do not correspond with those of the Company's; (2) do any thing that is in conflict with the

Company's investment policy or objective; (3) fail to proceed as agreed in the joint venture agreement or other agreements, including funding of investment proportionately as agreed; as at the end of 2003, the Company held an investment share in SLS through YSI equivalent to 35.75 percent of paid-up capital. If the business partners in China meet their shareholding and investment agreements, the Company's actual shareholding will drop to 26.95 percent, and (4) face financial or other problems. Even though the Company can control major decisions regarding SLS's business and management, it cannot act alone without consulting with its partners. Any conflicts between the Company and its joint venture partners therefore may pose negative impact to SLS's business.

If The China Retail Fund, LDC ("CRF") exercises its put option under the terms of agreement as specified in the YSI Deed of Shareholders Agreement, the Company and/or Lotus Distribution Investment Limited ("LDI") may have to buy shares in Yangtze Supermarket Investment Co., Ltd. ("YSI") which are held by CRF.

When the Company decided to invest in retail business in China, the Company entered into a Deed of Shareholder's Agreement on 18 February 2000 with LDI, YSI and CRF. The agreement specified that CRF has the right to sell YSI's shares back to LDI and/or the Company (Put Option) upon the occurrence of any of the events specified in the agreement which includes a breach of non-competition provision. In such an event, CRF is allowed to exercise the Put Option, forcing the Company and/or LDI to buy 45 percent of the shares, which CRF currently holds in YSI at the price which CRF originally invested (US\$ 26,090,000) plus compound interest of 10 percent per annum calculated from the time of initial investment in March 2000.

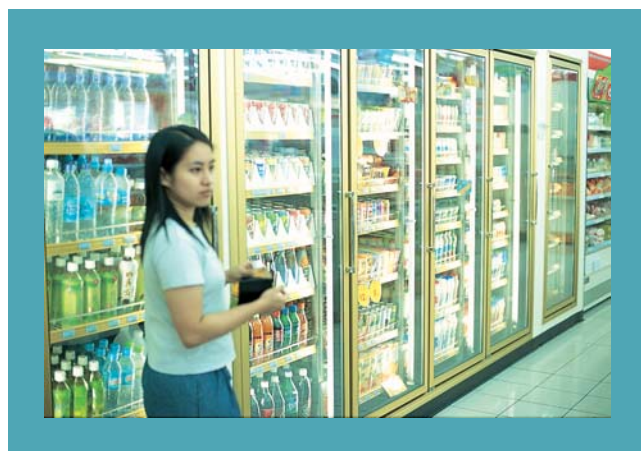
LDI has entered into an agreement licensing the use of its trademark to Wuhan Lotus Supermarket Chain Store Co., Ltd (“Wuhan”) for the operation of retail business in the city of Wuhan, Hubei prefecture, China. Wuhan is a joint investment company between Chia Tai Trading Investment Co., Ltd. and local investors. It may be considered that entry into the retail business by Wuhan has placed it and LDI in direct conflict with the terms concerning prohibition from engagement in competing business as prescribed in the Deed of Shareholders Agreement. However, the Company and LDI have negotiated with CRF in order to find a solution.

Any other events include the failure to list on the stock exchange and the failure to reach the benchmark profit level are events that occur in the normal process of operating a business, even though the business atmosphere in China is steadily improving. However, CRF’s decision to sell YSI shares to the Company and/or LDI depends on various factors including the confidence in China’s growth potential and SLS’ operating results.

Other Risks

Controlling influence of the Charoen Pokphand Group may affect the Company’s future operation

The Charoen Pokphand Group has direct and indirect controlling power over the Company. As such, it has the power to appoint and control the Company’s majority directors and influence the company’s management direction. At present, there is no agreement between the Company and the Charoen Pokphand Group and its affiliates that will prohibit the Charoen Pokphand Group from expanding its business or investing in other retail operations. Therefore, there may be a risk that the Charoen Pokphand Group will not consider allocating an opportunity and resources that will best benefit the Company and its shareholders. However, the Company is aware of the risk and has set up an audit committee to monitor the shareholders’ benefits as appropriate.



Shareholding Structure and Management

Securities of the Company

As at 31 December 2003, the Company's registered capital stood at Baht 2,250 million, of which Baht 2,200 million has been paid-up. The paid-up capital comprises 440 million shares with a par value of Baht 5 per share. The remaining 10 million ordinary shares have been reserved to support the exercise of right under the warrants to purchase shares, which the Company will allocate to directors and employees of the Company and its subsidiaries.

Shareholders

Major Shareholder	As at 13 October 2003	
	No. of Shares	%
1. Charoen Pokphand Group Co., Ltd.*	114,160,000	25.95
2. C.P. Merchandising Co., Ltd.*	76,000,000	17.27
3. American International Assurance Co., Ltd.	40,000,000	9.09
4. Thaivest Pte Limited**	33,500,000	7.61
5. Bangkok Produce Merchandising Plc.*	14,000,000	3.18
6. UNS Agro-chemical Co., Ltd.	9,000,000	2.05
7. Kasikorn Bank Plc.	6,000,000	1.36
8. Daiwa Securities SMBC Singapore Limited	4,400,000	1.00
9. Government of Singapore Investment Corporation**	4,000,000	0.91
10. Government Pension Fund	2,200,000	0.50
11. Others	136,740,000	31.08
Total	440,000,000	100.00

* Denotes companies in the Charoen Pokphand Group which hold a combined shareholding of 46.40 percent of the total paid-up capital

** Denotes shareholders in the same group which hold a combined shareholding of 8.52 percent of the total paid-up capital

Dividend Distribution Policy

The Company's Board of Directors has a policy to propose to shareholders at the annual meeting and for their consideration, a dividend payment to shareholders at 50 percent of net profits generated from operations after income tax deduction and statutory reserves. However, the policy will be subject to change should the Board consider the financial standing, economic situation, operating performance, and future projects and find that it is appropriate to propose to the shareholders otherwise.

With respect to subsidiaries, the Boards of Directors of the subsidiaries have policies to distribute dividends in accordance with the operating performance of the relevant companies without determining a certain rate of dividend payment. The distribution of dividends will be based on future investment plans of each subsidiary.

Management Structure

Management structure consists of (1) Board of Directors, (2) Audit Committee (3) Executive Committee (4) Chief Executive Officer and (5) Group of Executive Officers. Each of these is in charge of specific duties as follows:

(1) Board of Directors

Lieut. Suchai Jaovisidha	Director/Independent Director
Mr. Pridi Boonyoung	Director/Independent Director
Mr. Padoong Techasarintr	Director/Independent Director
Mr. Dhanin Chearavanont	Chairman of the Board
Mr. Korsak Chairasmisak*	Director
Mr. Supakit Chearavanont**	Director
Ms. Yoon Chiang**	Director
Mr. Chia Yew Boon**	Director
Mr. Umroong Sanphasitvong**	Director
Mr. Narong Chearavanont**	Director
Mr. Prasert Jarupanich**	Director
Mr. Pittaya Jearavisidkul*	Director
Mr. Piyawat Titasattavorakul*	Director

*Remarks - certification documents of the Company as at 29 August 2003 stipulate that binding signatures must include 2 directors - consisting of any authorized director marked * and any authorized director marked **. Both directors must sign and affix the company's seal.*

Scope of Power and Duties of the Board of Directors

The Board of Directors has a duty to carry out the Company's business in compliance with the laws, objectives, articles of association of the Company, and the resolutions of shareholders' meetings. A member of the executive committee shall be elected the chairman of the executive committee by the Board of Directors. The Board of Directors may appoint one or more directors or other person to carry out any act on behalf of the Board.

Appointment and removal of Members of the Board

The members of the Board shall be elected by resolutions of the shareholders' meetings. Every

shareholder entitled to vote shall have the equivalent of one vote for each share held. Shareholders may give all votes to one candidate or more, but may not divide unequally his votes. The appointment of a successor to fill up a vacancy other than by rotation shall be made through a resolution of the Board of Directors by a vote not less than three-fourths of the number of remaining directors.

The Board of Directors of the Company shall be removed by a resolution of the shareholders' meeting by a vote not less than three-fourth of the number of shareholders attending the meeting who have voting rights and shares totaling not less than half of the number of shares held by shareholders attending the meeting and having the right to vote.

(2) Audit Committee

Lieut. Suchai Jaovisidha	Chairman of the Audit Committee
Mr. Pridi Boonyoung	Member of the Audit Committee
Mr. Padoong Techasarintr	Member of the Audit Committee

Remark: Mr. Kidsada Euapiyachart is appointed as the position of Secretary of the Audit Committee

The audit committee is directly answerable to the Board of Directors and has its duty to assist the Board of Directors in preparing and auditing the company's financial results, performing internal audits and internal system audits; assist in ensuring compliance to financial regulations and laws as well as corporate rules and regulations related to finance; screen and propose suitable auditors and their fees; screen the release of company financial information as required by law or information that may be a direct detriment to the company's performance; other duties as appointed by the Board of Directors.

(3) Executive Committee

The Executive Committee shall consist of at least three directors of the Company.

Mr. Korsak Chairasmisak	Chairman of the Executive Committee
Mr. Pittaya Jearavisitkul	Deputy Chairman of the Executive Committee
Mr. Piyawat Titasattavorakul	Member of the Executive Committee

The Executive Committee has the power and responsibility to render assistance in the study of details and scrutiny of the work of the Board of Directors, as well as to give opinions and recommendations to the Chief Executive Officer to ensure that the administration of work is in accordance with the policies set forth by the Board of Directors, or to perform any other work as assigned by the Board of Directors.

(4) Chief Executive Officer

The Chief Executive Officer, Mr. Korsak Chairatmisak was appointed by the Board of Directors and is responsible for the overall operation and management of the company's activities, except for the following 13 clauses:

The following significant matters shall be proposed for consideration and approval at meetings of the Board of Directors.

1. the sale or transfer of all or partial portions of the Company's business to other persons;
2. the purchase or take-over or transfer of business from other companies or private companies;
3. the execution, amendment and termination of agreements concerning the leasing out of all or substantial parts of the Company's business; the delegation of authority to other persons to manage the business of the Company or the consolidation with other persons for the purpose of sharing of profit and loss;
4. the amendment of the Memorandum or Articles of Associations of the Company;
5. the increment or the decrement of capital; the issuance of debentures; the consolidation or dissolution of the Company;
6. approval of balance sheets or annual profit and loss accounts;
7. appropriation of profits and payment of dividends;

8. the borrowing of money or guaranteeing of loans or creating of obligations to the Company with financial institutions or other companies in the amount exceeding Baht 200 million per time in a year;

9. the lending of money to other companies in the amount exceeding Baht 200 million per time in a year;

10. the investment, joint venture, increment of capital in subsidiaries, affiliates or other companies in the amount exceeding Baht 200 million per time in a year;

11. the expenses for investment in large projects or the acquisition of assets of the Company where the cost of such a project or the value of assets exceeds Baht 200 million per time in a year;

12. the sale or disposal of fixed assets of the Company at a sale and disposal price exceeding Baht 200 million per time in a year; and

13. the operation plan and annual budget of the Company.

The Chief Executive Officer may sub-delegate any executive officer and/or employee of the Company to approve one or several matters as the Chief Executive Officer considers appropriate, provided that the power so sub-delegated may not be sub-delegated any further.

With respect to the foregoing approval, the Chief Executive Officer or person delegated by him shall not be able to approve any transaction in which he or any person who may have a conflict of interest would have an interest or might have any other conflict of interest with the Company or its subsidiaries, unless such approval is in accordance with the policy and criteria approved by the Board of Directors.

(5) Group of Executive officers

Mr. Korsak Chairasmisak	Chief Executive Officer
Mr. Pittaya Jearavisitkul	Deputy of Chief Executive Officer
Mr. Piyawat Titasattavorakul	Managing Director
Mr. Kamol Sakdejayont	Vice President, finance and accounting
Mr. Chuan Nimkittikul	Vice President, purchasing and distribution

Mr. Dhanin Buranamanit	Vice President, operation and marketing
Mr. Suwit Kingkaew	Vice President, general management
Mr. Kosa Pongsupath	Vice President, information technology

Nomination Committee

Though the Company has not appointed a Nomination Committee to select and screen directors and the executive officers, the Board of directors shall nominate candidates under the control of the general shareholders meeting.

The selection process will be based on conditions,

including skill and knowledge, working experience, qualification, as governed by law, SEC's rules and regulations, and other relevant regulations

Corporate Governance

The Board of Directors of the Company has faithfully and honestly supported the principle of good corporate governance by adhering and aims of the company as well as resolutions approved by Shareholders' meetings to ensure the greatest benefit to the company and its shareholders. The Board of Directors has set out guidelines for the company's business direction as well as implemented a suitable internal audit and control system to ensure that the management and direction of the company is carried out efficiently and beneficially, while at the same time adhering to the company's memorandum of Association and other related laws.

Remuneration for the directors, executive directors and executive officers

(1) Remuneration in money

2003	Type of Remuneration	Amount (Million Baht)
Directors, totaling 13	Remuneration for directors	7.7
Executive directors and executive officers, totaling 8	Salary, bonus etc.	79.1
	Total	86.8

(2) Other remuneration

-No-



Control of use of insider information

The Company has implemented regulations governing the sale and purchase of the company's shares by its board of directors, executive officers and employees, prohibiting the use of un-released internal company data for their own benefit or that of other persons. The company has also required executives responsible for reporting to the SET to sign the regulations document acknowledging compliance to the regulations. The document also stipulates any disciplinary action that may be taken in case of violation or non-compliance.

Personnel

2003	Convenience Store	Supercenter Store
Store employees	10,758	1,620
Head office staff	3,003	880
Total	13,761	2,500
Total remuneration	2,603 Million Baht	173 Million RMB



Internal Control

The Board of Directors has evaluated the internal control system by reviewing upon management discussion and document investigation with the executive officers in five area, i.e., Organization and environment, Risk management, Operational control and management, Information and communication system, and Monitoring system. This conducts to adequate internal control, which is appropriate to the Company business conditions.

Related Party Transactions

In 2002 and 2003, the Company and its subsidiaries conducted several related transactions which might cause conflict of interest to the Company and its subsidiaries. The transactions were divided into two parts: (1) transactions arising from the normal course of operation of the Company such as purchase or sale of goods, raw materials, services, and (2) other transactions. The related transactions can be summarized as follows:

Related Companies	Relation with the Company	Summary of Transactions	Sizes of Related Party Transactions (Million Baht)		Reasonableness and Necessity of Related Party Transaction
			2002	2003	
Ek-Chai Distribution System Co., Ltd.	A shared board member, Mr. Narong Chearavanont	- A subsidiary company sold frozen food and bakery products to	67.1	75.5	The sale was made as a normal business transaction with prices at general market prices.
C.P. Merchandising Co., Ltd. ("CPM")	Having a major shareholder that is related to CPG	- Subsidiary sold products in frozen food category	58.1	82.5	Being in normal course of business with the price and remuneration according to normal trading practice.
		- outstanding receivable	4.4	4.3	
Chester Food Co., Ltd. ("CF")	Having CPG as a major shareholder	- Subsidiaries sold products in bakery category	4.8	2.0	Being in normal course of business with the price and remuneration according to normal trading practice.
C.P. Interfood (Thailand) Co., Ltd. ("CPIF")	Having CPG as a major shareholder	- Company and its subsidiaries purchased products in categories of bakery and sausage for sale in 7-Eleven	579.4	651.2	<ul style="list-style-type: none"> - CPIF products are of good quality and the price is market price - Sale promotion fee from the purchase of CPIF products as agreed is a normal business condition.
		- Company and its subsidiary received sale promotion fee from CPIF	17.6	18.8	
		- outstanding payable	104.8	128.7	
		- outstanding receivable	6.7	4.5	
TA Orange Co., Ltd. ("TOA")	Having CPG as a major shareholder and having 2 co-directors i.e. Mr. Dhanin Chearavanont and Mr. Supakit Chearavanont	- Company purchased products in categories of mobile phone accessory and prepaid phone card for sale in 7-Eleven.	393.1	1,517.8	<ul style="list-style-type: none"> - To adjust the products mix according to demands, the Company brought in products from TAO, at market price. - Sale promotion fee from TAO as agreed in purchase agreement is a normal business condition.
		- outstanding payable	214.6	153.9	
C.P. Meji Co., Ltd. ("CPM")	Having CPG as a major shareholder	- Company purchased milk products for sale in 7-Eleven.	373.3	399.8	<ul style="list-style-type: none"> - CPMJ products are of good quality and the price is market price. - Sale promotion fee from CPMJ as agreed in purchasing agreement is a normal business condition.
		- The Company received sale promotion fees from CPMJ.	6.1	6.1	
		- outstanding payable	70.6	69.9	
C.P. Packaging Industry Co., Ltd. ("CPPI")	Having Chearavanont family as major shareholder	- Company and subsidiaries purchased products in categories of plastic cup and plate	164.7	192.8	CPPI products are of good quality and in accordance with the company's requirements, while the price is market price.
		- outstanding payable	8.3	8.0	
C.P. Consumer Products Co., Ltd. ("CPCP")	Having CPG as a major shareholder, having 1 co-director i.e. Mr. Korsak Chairasnisak	- Company purchased products in categories of sauce, candy and spray for sale in 7-Eleven.	88.5	99.0	<ul style="list-style-type: none"> - CPCP products are of good quality and the price is market price. - Sale promotion fee from CPCP as agreed in purchasing agreement is a normal business condition.
		- The company received a marketing promotion fee in accordance with its purchases from CPCP	13.6	13.7	

Related Companies	Relation with the Company	Summary of Transactions	Sizes of Related Party Transactions (Million Baht)		Reasonableness and Necessity of Related Party Transaction
			2002	2003	
		<ul style="list-style-type: none"> - outstanding payable - outstanding other receivable 	15.1 2.5	17.1 2.2	
TelecomAsia Corporation Public Company Limited ("TA")	Having CPG as a major shareholder and having 3 co-directors i.e. Mr. Dhanin Chearavanont, Mr. Supakit Chearavanont and Mr. Umroong Sanphasitvong.	<ul style="list-style-type: none"> - Company repaid the service charges of the telephones installed in front of 7-Eleven. - Company received rental fee from telephone installation in front of 7-Eleven. - outstanding payable - outstanding other receivable 	61.5 9.6 8.3 2.9	51.1 10.8 3.6 2.0	An installation of telephone in front of 7-Eleven provides facilitation to customers and passers-by. The telephone installation is in the Company's normal course of business and is conducted according to normal trading practice.
V Food Products Co., Ltd. ("VFP")	Having a major shareholder that is related to CPG.	- Company and subsidiaries purchased products in categories of egg, chicken meat and pork for preparation of food products.	15.0	31.9	VFP products are of good quality and in accordance with the company's requirements, while the price is market price.
Bangkok Farm Co. Ltd. ("BKF")	Having a major shareholder that is related to CPG.	- Company purchased raw materials in category of chicken and duck for preparation of food products.	4.7	13.9	BKF products are of good quality and in accordance with the company's requirements, while the price is market price.
Seafood Enterprise Co., Ltd. ("SFE")	Having a major shareholder that is related to CPG.	- Subsidiaries purchased raw materials in category of shrimp.	3.3	3.9	SFE products are of good quality and the price is market price.
Bangkok Livestock Co., Ltd. ("BLP")	Having a major shareholder that is related to CPG.	- Subsidiaries purchased raw materials in category of pork for preparation of food products.	11.7	3.4	BLP products are of good quality and the price is market price.
C.P. Seed Co., Ltd. ("CPSI")	Having a major shareholder that is related to CPG	<ul style="list-style-type: none"> - Company received interest from loans. - Company provided interval loans to CPSI (the figures shown in the size of related transactions are average principals of the interval loans.) 	- -	1.7 45.5	In 2003, the interest rate for loan provided to domestic subsidiaries and related companies is 5.25 - 7.50% p.a.
C.P. Land Co., Ltd. ("CPL")	Having CPG as a major shareholder, having 1 co-director i.e. Mr. Dhanin Chearavanont.	- Company and subsidiaries leased office buildings	32.0	34.6	The offices of the Company and subsidiaries are located in prime location. The Company fully furnished these offices with decoration items and equipment. The rental fees under the leased agreements are based on general market price.
Charoen Pokphand Group Co., Ltd. ("CPG")	Being the Company's major shareholder, having 1 co-director i.e. Mr. Dhanin Chearavanont.	- Company and subsidiaries paid for administration know-how service fee.	11.0	11.3	To develop the personnel and administration system of the Company and subsidiaries to be ready for competition. The service fee is reasonable.

Related Companies	Relation with the Company	Summary of Transactions	Sizes of Related Party Transactions (Million Baht)		Reasonableness and Necessity of Related Party Transaction
			2002	2003	
Alliance C.P. Insurance Co., Ltd. ("ACP")	Having CPG and a related company to CPG as major shareholder and	- Company and subsidiaries paid insurance premiums.	14.6	3.5	ACP is a reliable insurance company and the insurance premiums charged by ACP are reasonable.
Dynamic Logistic Co., Ltd.	The company is related to the CP Group as a major shareholder	- The company paid product transport fees	8.1	62.4	Payment for shipment of goods is a normal business procedure and the prices are at accepted market rates.
Sahacharoen Enterprise Co., Ltd.	The company is related to the CP Group as a major shareholder	- The company purchased products such as rice for resale in its 7-11 shops	13.7	16.3	Payment for purchase of goods is a normal business procedure and the prices are at accepted market rates.
Shanghai Kinghill Limited	Having a major shareholder that is related to CPG	- Subsidiaries pad rental fee of the area in Lotus Branch 9	80.0	52.5	The Lotus Branch 9 is located in a prime location. The rental fee under the lease agreement is based on general market price
Pokphand Enterprise Co., Ltd.	Having a major shareholder that is related to CPG	- outstanding payable with subsidiary	46.8	42.9	This is a debt for a subsidiary, resultant from purchase of goods and services in keeping with standard business practices at market rates.
Others	Companies within the CP Group	<ul style="list-style-type: none"> - Purchase of products and raw materials - Sales of Products - Other income - Other expenses - Fixed Assets Purchases - Interest income - outstanding receivable - outstanding other receivable - outstanding payable - outstanding other payable 	41.2 7.3 14.8 17.5 10.2 12.5 1.0 6.6 21.7 15.3	186.2 17.7 7.4 13.0 3.3 4.5 2.3 3.0 36.0 4.7	These are business transactions between companies and subsidiaries within the CP Group. Transactions between the companies are normal and none are exceptionally large transactions and all are in keeping with standard business procedures and at regular market prices.

Regulations governing related party transactions

In the execution of normal related party transactions, whether it be with external entities or persons with conflicts of interest, the company has a set of regulations and steps that must be followed before such transactions are authorized. For other related transactions, the Company's internal audit committee must

approve the transaction to ensure that there will be no detrimental effect on the company's business activities. The Audit Committee may employ an independent assessor to assess the market value of the goods related to the transaction to set a guideline, after which, the committee will submit its report for approval to the board of directors.

Happy Body...Happy Soul



It all stems from the little thought that
“A single tree does not make a forest”,
which leads to our dedication to unite and
cohesively develop moral value in our organization,
both in thoughts and conscience.

To promote happiness and good quality of life
for our personnel in order to create
long-lasting impression in our services
for our customers, who, like our neighbors,
will get genuine smiles coming from our hearts.

Ding Dong... welcome to 7-Eleven

Would you like any Chinese buns



Hello

Thank you...please come again

Management Discussion and Analysis on Financial Status and Operating Results

Financial status and operating results of consolidated financial statement comprise of three main business areas, namely (1) operation of convenience stores in Thailand and a secondary business, (2) the operation of supercenters in the Peoples Republic of China and (3) other businesses including servicing as a payment center for goods and services, the production and sale of processed food and the sale and repair of retail equipment, etc.

Overall Synopsis of the Company's Business Operations

In 2003, the operation of convenience store in Thailand, which is the main business of the Company accounted for the 69 percent of the Company total revenue. The operation of Supercenter in China made up 29 percent of the Company total revenue, with a benefit to opportunity and growth in the future, as well as, business diversification. Other support operations, as to support convenience store business and add value to its network products and services, accounted for 2 percent of the Company total revenue.

The competitive advantages lie on 7-Eleven network nationwide in prime areas, which offer great access & convenience to its customers. Advance management and Information technology system further enhance customer satisfaction through efficient and speedy services. In addition, the Company keeps improving in several systems, such as store renovation to keep sustain quality of goods and services and attractive more customers. Besides, the implementation of automated management system helps store managers to efficiently manage ordering inventory and interface with head office



Company distribution centers help supporting timely and efficient product distribution. Furthermore, the Company has developed and introduced unique products and services to match customers' needs by differentiating itself from its competitors, such as bill payment collection and full service ready to consume foods and beverages.

An increase in domestic consumption is not only a key driver to economic growth, but also increased competition in retail industry. Existing players try to improve their services and expand their networks to get closer to customers while new players enter the market. As a result, all retailers would face a competition where prime locations become rare and costly to acquire. The Company has paid attention to cope with these new challenges by improving management and operation at both store level and head office, by cost controlling, maintaining, and expanding its customer bases.

However there are still opportunities to grow as consumer behaviors move toward more convenience. A systematic capable management in finance, personnel, IT including merchandising and quality of services will be reflected in sustainable growth profit and cost control due to economies of scale.

Regarding the supercenter business in China, the company plans to expand its networks in alignment with Chinese economic growth. A combination of advance information system and management expertise will hold competitive edge over its competitors. The expansion plan will be funded by SLS cash flow from operating activities and capital injection from local partners.

Operating Results Analysis

For the year ending December 31, 2003 comparing to the year ending December 31, 2002.

As at December 31, 2003, the total revenues of the Company and its subsidiaries was Baht 61,030 million, an increase of Baht 15,112 million from Baht 45,918 million in 2002, or 33 percent increase year-on-year. Approximately 97 percent of an increase in revenue came from higher net sales and service income, which rose from Baht 43,769 million in 2002 to Baht 58,382 million in 2003.



Net sales and service income amounting Baht 58,382 million came from three main sources, (1) convenience store business amounting for Baht 40,154 million (69 percent), (2) Lotus Supercenter business amounting for Baht 16,857 million (29 percent), (3) other businesses accounting for Baht 1,372 million (2 percent).

The 33 percent growth in sales was mainly due to 355 convenience stores expansion, which was above 320 targeting, and 3 Lotus Supercenter stores expansion. As at the end of 2003, total number of 7-Eleven stores is 2,397 stores and total number of Lotus Supercenter stores is 13 stores.



Operating Results of the Convenience Store Business

As at December 2003, net sales and service income of convenience store business was Baht 40,154 million, an increase of Baht 9,989 million or 33 percent growth year-on-year. This was because of an increase in number of 7-Eleven store, totaling 355 stores, as well as an increase in sales of technology and entertainment items. Besides, average sales per store per day increased from Baht 46,175 in 2002 to Baht 51,550 in 2003 or 12 percent increase year-on-year.

Costs of sales and services in 2003 was Baht 31,808 million, an increase of Baht 8,044 million or 34 percent growth from 2002. This led to gross profit of Baht 8,346 million, an increase of 30 percent year-on-year. Gross profit margin was 20.8 percent. Operating expenses in 2003 was Baht 8,679 million, an increase of Baht 1,893 million or 26 percent increase year-on-year. However, the ratio of operating expenses to revenue declined from 22.5 percent in 2002 to 21.6 percent in 2003.

In addition, there were other revenues realized from the operation of convenience stores totaling Baht 1,531 million. These revenues came from franchising fees, rental income, and marketing support.

As a result, operating profit contributed from convenience store business remains the major contributor (78 percent) of total operating profit, which was Baht 1,543 million in 2003, an increase of Baht 458 million or 42 percent increase year-on-year.

Operating Results of Supercenter Business

In 2003, net sales and service income of Lotus Supercenter was Baht 16,857 million, an increase of Baht 4,145 million or 33 percent increase year-on-year due to three stores expansion and higher demands in fresh foods and apparel. Nevertheless, sales per store per day decreased from RMB 850,000 in 2002 to RMB 820,000 in 2003 because there was price deflation in China, the local government exercised residential expropriation in some areas and recent new stores took time to become notable. There above mentioned factors will affect only in short-term and average sales per store per day will be improved in the future.



In 2003, costs of sales and services was Baht 14,848 million, as increase of Baht 3,499 million or 31 percent increase year-on-year, which resulted in Baht 2,009 million of gross profit. The operating expenses was Baht 2,820 million, an increase of Baht 808 million or 40 percent increase year-on-year.

The ratio of costs of sales and services to net sales and services income increased from 15.8 percent in 2002 to 16.7 percent in 2003 due to higher general selling and administration expenses to cope with new stores expansion. As a result, operating profit was Baht 221 million, an increase of Baht 88 million or 67 percent increase year-on-year. The operating profit of SLS equaled to 11 percent of consolidates operating profit.

Operating Result of Other Businesses

Other businesses comprise of subsidiaries such as the business of bill payment service, the business of selling and maintenance retail equipment, business of selling frozen foods and bakery products, and other subsidiaries.

Although the proportion of net sales and services income was only 2 percent of consolidates revenue, but its operating profit accounted for 11 percent of total operating profit due to low administration expenses and a supplement to 7-eleven network.

Selling and Administrative Expenses

In 2003, selling and administrative expenses in consolidated statement (SG&A) increased from Baht 8,927 million in 2002 to Baht 11,562 million in 2003, an increase of 30 percent year-on-year. However, as a percentage of total revenue, SG&A declined from 19.4 percent in 2002 to 18.9 percent in 2003 due to economies of scale.

Major SG&A can be summarized in three areas (1) Personnel expenses accounted for 32 percent of total SG&A in 2003. It increased from Baht 3,048 million in 2002 to Baht 3,660 million in 2003, an increase of 23 percent year-on-year. This was due to stores expansion, which required 10 to 12 staffs per store for each 7-Eleven and 250-300 staffs per store for each Lotus

Supercenter. (2) Rental expenses accounted for 15 percent of total SG&A in 2003. It increased from Baht 1,225 million in 2002 to Baht 1,688 million in 2003, an increase of 38 percent year-on-year. This was relative to stores expansion and higher rental fees in some specific areas. (3) Outlet management fee of 7-Eleven accounted for 11 percent of total SG&A in 2003. It increased from Baht 600 million in 2002 to Baht 1,225 million in 2003, an increase of 104 percent year-on-year due to accounting changes in revenue recognition in some types of franchise.

With regard to other SG&A, such as depreciation and amortization, utilities expenses, promotion and advertisement expenses, and other SG&A (including servicing expenses, transportation expenses, supplies, license fee paid to 7-Eleven Inc., etc.), they increased in relation to sales growth and stores expansion of 7-Eleven and Lotus Supercenter.

Net Profit

In 2003, consolidated net profit was Baht 1,339 million, an increase of 39 percent year-on-year. This was due to (1) total revenue increased 33 percent year-on-year, (2) average sales per store per day of 7-Eleven increased from Baht 45,175 in 2002 to Baht 50,395 in 2003, an increase of 12 percent year-on-year, (3) SG&A declined from 19.4 percent of total revenue in 2002 to 18.9 percent of total revenue in 2003.

Financial Status Analysis as at December 31, 2003

Total Assets

As at December 31, 2003, consolidated total assets was Baht 21,712 million, an increase of Baht 4,408 million or 20 percent increase year-on-year. This increase was due mainly to three major factors (1) an increase in cash flow from operation and share capital increase, (2) an increase of inventory in variable to higher sales and numbers of stores, (3) an increase of fixed assets in variable to stores expansion of 7-Eleven in Thailand and Lotus Supercenter in China.



The Company has no policy to invest in land and properties for stores expansion both in Thailand and the Peoples Republic of China. Instead, the Company opts to rent or lease for cost saving and flexibility. However, the Company invested in fixed assets in 2003 such as land and properties and training and IT centers to support future growth.

Total Liabilities

As at December 31, 2003, consolidated total liabilities was Baht 12,953 million, an increase of Baht 2,053 million or 19 percent increase year-on-year. This increase was due to higher account payable as a relation to higher sales and stores expansion. Over 96 percent of total liabilities were current liabilities. In particular, account payable accounted for 77 percent of total liabilities, which stood at a normal level in retail business.

Total Shareholders' Equity

As at December 31, 2003, consolidated total shareholders' equity was Baht 8,759 million, an increase of Baht 2,355 million or 37 percent increase year-on-year. This increase was due to two main factors (1) the IPO of 40 million new shares at Baht 42 per share, and (2) an increase of retained earnings from business operation in 2003. The total debt to equity ratio stood at 1.5 times

As at December 31, 2003, the Company had a registered capital of Baht 2,250 million, of which Baht 2,200 million has been paid up. This consisted of 440 million common shares with a par value of Baht 5. In 2003, the Company paid dividend on 2002 operating results according to registered shareholder lists on April 9, 2003 in an amount of Baht 400 million, Baht 1 per share.

Analysis of Statement of Cash Flows, Liquidity, and Sources of Fund for the year ending December 31, 2003 comparing to the year ending December 31, 2002

Retail business was operated on a cash basis, hence, providing cash flow to the business which some were utilized to purchase goods and repay account payable. The rest was kept as a company working capital. As at December 31, 2003, consolidated cash and cash equivalent was Baht 5,556 million, an increase of Baht 1,603 million year-on-year.

Cash Flow from Operating Activities

In 2003, the Company earned net cash from operating activities of Baht 3,227 million, a decrease of Baht 626 million. This was due to an increase of Baht 813 million in inventories to be Baht 1,524 million in 2003 in order to cope with stores expansion for both 7-Eleven and Lotus Supercenter.





Cash Flow from Investing Activities

In 2003, the Company and its subsidiaries used a total of Baht 2,842 million for investment, an increase of Baht 729 million year-on-year. This was because of an increase of fixed assets and leased hold acquisitions amounting Baht 2,945 million in relation to stores expansion. In addition, the Company invested in supporting system such as distribution centers, as well as training and IT centers. The Company reported cash receipt from selling fixed assets amounting Baht 217 million and cash invested in subsidiaries amounting Baht 14 million and short-term investment amounting Baht 100 million.

Cash Flow from Financing Activities

In 2003, the Company and its subsidiaries earned Baht 1,324 million from financing activities, an increase of Baht 389 million year-on-year. Major financing activities occurred in 2003 included a capital increase in common share amounting Baht 1,585 million, short-term loans from financial institution amounting Baht 202 million, and dividend payment to shareholders amounting Baht 400 million.

Factors which may affect operating results and liquidity in the future

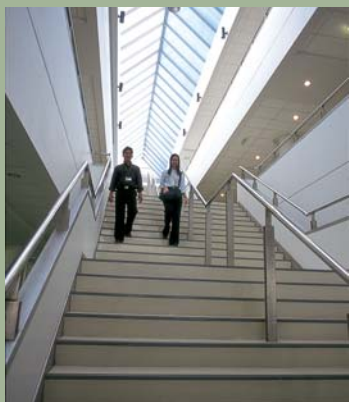
For convenience store business, the key word of “Convenience” means variety of goods and easy-to-access locations. A key factor that has an impact on the Company’s revenue and profitability is to offer products and services reflecting changes of customers’ needs. The better match of products and services will result in higher sales and better profit margin. Moreover, the Company plans to increase sales proportion of food products to non-food products, which will enhance higher frequency of customer visiting and better profit margin.

For Supercenter business, the Company plans to offer various goods matching demands of customers at reasonable price. An increase in number of Lotus Supercenter networks will help reaching economies of scale, especially overhead expenses and bargaining power to suppliers. Furthermore, Lotus has its strategies to increase in number of House Brand products to maintain customer base as well as earn higher profit margin. The Company invested in store management system, distribution system, and foods processing system in order to prepare for business expansion and achieve competitive advantages. The Company aims to improve its systems on a continual basis to support the growth of revenue and profit of the Company in the future.

Shareholdings of the Board of Directors

As at December 31, 2003

Shareholder's name and designation	Number of shares	Number of warrants (unit)
Lieut. Suchai Jaovisidha Chairman of the Audit Committee	0	45,000
Mr. Pridi Boonyoung Audit Committee	0	45,000
Mr. Padoong Techasarintr Audit Committee	0	45,000
Mr. Dhanin Chearavanont Chairman	400,000	600,000
Mr. Korsak Chairasmisak Director and CEO	555,300	400,000
Mr. Umroong Sanphasitvong Director	100,000	150,000
Mr. Supakit Chearavanont Director	0	11,000
Mr. Narong Chearavanont Director	0	22,000
Mr. Prasert Jarupanich Director	0	45,000
Mr. Chia Yew Boon Director	0	22,000
Ms. Yoon Chiang Director	0	22,000
Mr. Pittaya Jearavisitkul Director and Deputy CEO	0	175,000
Mr. Piyawat Titasattavorakul Director and Managing Director	0	175,000
Mr. Kamol Dakdidejyont Vice President - Finance and Accounting	0	101,000
Mr. Dhanin Bhuranamanit Vice President - Operation and Marketing	0	106,200
Mr. Chuan Nimkittikul Vice President - Purchasing and Distribution	8,000	103,600
Mr. Suwit Kingkaew Vice President - General Management	0	98,700
Mr. Kosa Pongsupath Vice President - Information Technology	0	85,000



Audit Committee's Report

The Audit Committee carried out the duty and responsibility as assigned by the Board of Directors. The key tasks were to review the financial statements; to ensure that there was a transparent work procedure and a proper and efficient internal control system that was in accordance with the company policies, procedures, related laws and regulations; to ascertain that there was no conflict of interest and to propose the appointment of the external auditor.

During 2003, the Audit Committee had nine meetings to review and to ensure that the company's quarterly and annual financial statements for 2003 were prepared in conformity with the generally accepted accounting principles and with the announcements of the Security Exchange Commission and the Stock Exchange of Thailand and that there was complete and sufficient disclosure.

The audit committee found that the operational systems of the company and its subsidiaries had adhered to the 15 principles of good corporate governance outlined by the Stock Exchange of Thailand. It was also found that the guidelines were properly followed. Moreover, a relevant written document had been developed for use as standard procedures.

Throughout the year, the Management put great emphasis on risk prevention. To this end, a consultant was hired to design a risk management system; a team was appointed to specifically manage risk.

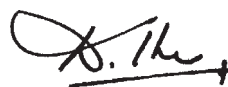
The Audit Committee also followed up and reviewed the assessment of the risk management and found that there was no significant risk in 2003.

The Audit Committee freely conducted its assignments and had been receiving good cooperation from the Management. They had meetings with the external auditor to discuss and to seek comments regarding the financial statements and accounting internal control. There were no irregularities nor significant errors.

The Audit Committee proposed to the Board of Directors the appointment of Mrs. Sudchit Boonprakob, or Mr. Vichien Thamtrakul, or Ms. Tipsuda Chumnarvanichkul of KPMG Phoomchai Audit Ltd. as the Company's external auditor for 2004 to be further approved at the General Meeting of Shareholders.

March 3, 2004

On behalf of the Audit Committee



(Lieut. Suchai Jaovisidha)

Chairman of the Audit Committee



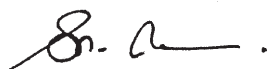
REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of C.P. Seven Eleven Public Company Limited

I have audited the accompanying consolidated balance sheets of C.P. Seven Eleven Public Company Limited and its subsidiaries as at December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. I have also audited the balance sheets of C.P. Seven Eleven Public Company Limited as at December 31, 2003 and 2002, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. The management of C.P. Seven Eleven Public Company Limited is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of eight foreign subsidiaries for the year ended December 31, 2003 which are included in the consolidated financial statements. The financial statements of these foreign subsidiaries reflected total assets of Baht 8,577.3 million after the elimination of intercompany balances as at December 31, 2003 and total revenues of Baht 18,040.2 million after the elimination of intercompany transactions for the year ended December 31, 2003. Furthermore, the financial statements of C.P. Seven Eleven Public Company Limited included investments in these foreign subsidiaries recorded by the equity method as at December 31, 2003, of Baht 1,241.8 million, and share of net profit from the foreign subsidiaries of Baht 88.7 million for the year ended December 31, 2003. The financial statements of these subsidiaries have been audited by other auditors whose reports have been furnished to me, and my report, insofar as it relates to the amounts for these foreign subsidiaries included in the consolidated financial statements and the Company's financial statements, is based solely on the reports of the other auditors.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits and reports of the other auditors as mentioned in the first paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditors as described in the first paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of C.P. Seven Eleven Public Company Limited and subsidiaries and C.P. Seven Eleven Public Company Limited as at December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.



(Sudchit Boonprakob)

Certified Public Accountant

Registration No. 2991

KPMG Phoomchai Audit Ltd.

Bangkok

February 19, 2004



BALANCE SHEETS

AS AT DECEMBER 31, 2003 AND 2002

ASSETS

	Note	Consolidated		The Company Only	
		2003	2002	2003	2002
		In Baht			
CURRENT ASSETS					
Cash and cash equivalents		5,556,199,849	3,953,157,900	3,409,485,215	2,184,577,658
Current investments		100,000,000	-	100,000,000	-
Trade accounts receivable - net	4, 5	344,042,522	308,024,352	42,948,609	32,711,421
Receivables from related parties	4	61,507,945	69,747,933	39,592,271	80,393,626
Inventories - net	6	4,575,920,744	3,181,349,584	2,744,920,659	2,042,374,647
Other receivables - net	5	972,025,496	881,276,786	230,830,253	123,915,263
Other current assets		597,651,019	483,373,738	143,759,651	95,416,688
Total Current Assets		12,207,347,575	8,876,930,293	6,711,536,658	4,559,389,303
NON-CURRENT ASSETS					
Investments recorded by the equity method	7	45,832,963	-	1,737,758,050	1,719,051,762
Other long-term investments in related party - net	8	33,080,000	33,080,000	33,080,000	33,080,000
Long-term loans to subsidiaries and related companies	9	-	-	1,003,206,872	1,080,325,547
Property, plant and equipment - net	10	8,554,531,635	7,489,836,151	3,937,074,421	3,322,318,626
Intangible assets - net	11	565,192,045	645,464,145	186,259,342	205,534,213
Guarantee deposits and rentals paid in advance	4, 19	288,734,578	250,836,520	286,490,600	248,801,201
Other non-current assets		17,483,603	8,494,418	7,819,758	3,164,407
Total Non-Current Assets		9,504,854,824	8,427,711,234	7,191,689,043	6,612,275,756
TOTAL ASSETS		21,712,202,399	17,304,641,527	13,903,225,701	11,171,665,059

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



BALANCE SHEETS

AS AT DECEMBER 31, 2003 AND 2002

LIABILITIES AND SHAREHOLDERS' EQUITY

		Consolidated		The Company Only	
	Note	2003	2002	2003	2002
					In Baht
CURRENT LIABILITIES					
Bank overdrafts and short-term					
loans from financial institutions	12	241,177,574	50,488,518	-	-
Trade accounts payable	4	9,920,883,940	8,341,841,321	4,796,752,153	4,419,013,683
Payables to related parties	4	47,646,982	62,135,984	503,822,401	594,041,118
Current portion of loan from					
foreign company	13	51,899,708	-	-	-
Income tax payable		269,821,521	185,921,234	199,103,969	147,136,900
Unearned royalties		254,084,434	147,223,794	254,084,434	147,223,794
Other current liabilities		1,613,868,992	1,544,784,324	750,415,726	814,365,039
Total Current Liabilities		12,399,383,151	10,332,395,175	6,504,178,683	6,121,780,534
NON-CURRENT LIABILITIES					
Long-term loans from related					
company	9	6,432,802	6,628,560	-	-
Loan from foreign company	13	-	122,205,276	-	-
Other payable	4	79,216,800	86,398,600	-	-
Guarantee deposits from					
franchisees and others	1	467,361,583	350,296,515	410,151,583	322,721,515
Net loss of subsidiary exceeding					
investment value	7	-	-	9,224,671	27,728,951
Other non-current liabilities		1,014,052	2,469,065	1,014,052	2,469,065
Total Non-Current Liabilities		554,025,237	567,998,016	420,390,306	352,919,531
Total Liabilities		12,953,408,388	10,900,393,191	6,924,568,989	6,474,700,065

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



BALANCE SHEETS

AS AT DECEMBER 31, 2003 AND 2002

SHAREHOLDERS' EQUITY

		Consolidated		The Company Only		
	Note	2003	2002	2003	2002	
		In Baht				
Share capital - common shares,						
Baht 5 par value Authorized share capital,						
450 million shares in 2003 and 2002						
Issued and paid-up share capital,						
440 million shares in 2003 and						
400 million shares in 2002						
	1, 14	2,200,000,000	2,000,000,000	2,200,000,000	2,000,000,000	
Premium on share capital - net	14	1,384,795,581	-	1,384,795,581	-	
Differences from translation of						
financial statements	(27,176,347)	242,083,981	(27,176,347)	242,083,981
Retained earnings						
Appropriated for legal reserve	14	225,000,000	163,150,804	225,000,000	163,150,804	
Unappropriated		3,196,037,478	2,318,445,542	3,196,037,478	2,318,445,542	
Profit distribution reserve of						
subsidiary	16	-	(26,715,333)	-	(26,715,333)	
Shareholders' Equity of the						
Parent Company - Net						
		6,978,656,712	4,696,964,994	6,978,656,712	4,696,964,994	
Minority interest		1,780,137,299	1,707,283,342	-	-	
Total Shareholders' Equity		8,758,794,011	6,404,248,336	6,978,656,712	4,696,964,994	
TOTAL LIABILITIES AND						
SHAREHOLDERS' EQUITY						
		21,712,202,399	17,304,641,527	13,903,225,701	11,171,665,059	

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



STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

		Consolidated		The Company Only	
	Note	2003	2002	2003	2002
		In Baht			
REVENUES					
Net sales	22	57,782,796,022	43,423,009,756	40,153,512,308	30,164,974,252
Services income		599,406,211	342,037,902	-	-
Other operating income					
- Royalties		439,342,549	451,233,555	439,342,549	451,233,555
- Others		2,171,831,362	1,626,345,214	1,298,270,094	922,799,262
Interest income		36,898,131	51,023,570	65,958,643	85,821,998
Share of profits from investments recorded by the equity method		-	-	305,922,670	215,100,808
Gain on disposal of subsidiaries		-	24,462,834	-	-
Total Revenues		61,030,274,275	45,918,112,831	42,263,006,264	31,839,929,875
EXPENSES					
Cost of sales	22	47,099,849,152	35,359,351,504	31,807,644,673	23,764,285,920
Cost of services		359,436,777	221,831,483	-	-
Selling and administrative expenses	23	11,561,749,499	8,926,923,950	8,679,313,989	6,786,797,128
Share of losses from investments recorded by the equity method		17,892,035	-	17,892,035	-
Total Expenses		59,038,927,463	44,508,106,937	40,504,850,697	30,551,083,048
Profit Before Interest Expense and Income Tax		1,991,346,812	1,410,005,894	1,758,155,567	1,288,846,827
Interest Expense		(16,210,480)	(44,466,465)	(6,484,714)	(6,193,244)
Income Tax		(538,986,993)	(399,557,192)	(412,229,655)	(318,482,981)
Profit After Income Tax		1,436,149,339	965,982,237	1,339,441,198	964,170,602
Net Profit of Minority Interest		(96,708,141)	(1,811,635)	-	-
NET PROFIT		1,339,441,198	964,170,602	1,339,441,198	964,170,602
Basic Earnings Per Share					
	15	3.28	2.41	3.28	2.41
Diluted Earnings Per Share					
	15	3.27	-	3.27	-

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



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - CONSOLIDATED

FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2003

	In Baht					
	Issued and Paid-Up Share Capital	Differences from Translation of Financial Statements	Retained Earnings		Profit Distribution	
			Appropriated for Legal Reserve	Unappropriated	Reserve of Subsidiary	Minority Interest
Balance as at						
January 1, 2002	2,000,000,000	324,436,484	124,150,804	1,693,274,940	(26,715,333)	1,709,269,870
Differences from translation of financial statements	-	(82,352,503)	-	-	-	(3,798,145)
Net profit	-	-	-	964,170,602	-	1,811,635
Cash dividends	-	-	-	(300,000,000)	-	(18)
Legal reserve	-	-	39,000,000	(39,000,000)	-	-
Balance as at December 31, 2002	2,000,000,000	242,083,981	163,150,804	2,318,445,542	(26,715,333)	1,707,283,342
						6,404,248,336
	In Baht					
	Issued and Paid-Up Share Capital	Differences from Translation of Financial Statements	Retained Earnings		Profit Distribution	
			Appropriated for Legal Reserve	Unappropriated	Reserve of Subsidiary	Minority Interest
Balance as at						
January 1, 2003	2,000,000,000	-	163,150,804	2,318,445,542	(26,715,333)	1,707,283,342
Differences from translation of financial statements	-	(269,260,328)	-	-	-	(23,854,184)
Net profit	-	-	-	1,339,441,198	-	96,708,141
Cash dividends	-	-	-	(400,000,066)	-	(400,000,066)
Common shares issued	200,000,000	1,384,795,581	-	-	-	1,584,795,581
Legal reserve	-	-	61,849,196	(61,849,196)	-	-
Profit distribution reserve	-	-	-	-	26,715,333	26,715,333
Balance as at						
December 31, 2003	2,200,000,000	1,384,795,581	225,000,000	3,196,037,478	-	1,780,137,299
						8,758,794,011

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



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - THE COMPANY ONLY

FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2003

	In Baht					
	Issued and Paid-Up Share Capital	Differences from Translation of Financial Statements	Retained Earnings		Profit Distribution	
			Appropriated for Legal Reserve	Unappropriated	Reserve of Subsidiary	Net
Balance as at January 1, 2002	2,000,000,000	324,436,484	124,150,804	1,693,274,940	(26,715,333)	4,115,146,895
Differences from translation of financial statements	-	(82,352,503)	-	-	-	(82,352,503)
Net profit	-	-	-	964,170,602	-	964,170,602
Cash dividends	-	-	-	(300,000,000)	-	(300,000,000)
Legal reserve	-	-	39,000,000	(39,000,000)	-	-
Balance as at December 31, 2002	2,000,000,000	242,083,981	163,150,804	2,318,445,542	(26,715,333)	4,696,964,994

	In Baht						
	Issued and Paid-Up Share Capital	Premium on Share Capital	Differences from Translation of Financial Statements	Retained Earnings		Profit Distribution Reserve of Subsidiary	Net
				Appropriated for Legal Reserve	Unappropriated		
Balance as at January 1, 2003	2,000,000,000	-	242,083,981	163,150,804	2,318,445,542	(26,715,333)	4,696,964,994
Differences from translation of financial statements	-	-	(269,260,328)	-	-	-	(269,260,328)
Net profit	-	-	-	-	1,339,441,198	-	1,339,441,198
Cash dividends	-	-	-	-	(400,000,066)	-	(400,000,066)
Common shares issued	200,000,000	1,384,795,581	-	-	-	-	1,584,795,581
Legal reserve	-	-	-	61,849,196	(61,849,196)	-	-
Profit distribution reserve	-	-	-	-	-	26,715,333	26,715,333
Balance as at December 31, 2003	2,200,000,000	1,384,795,581	(27,176,347)	225,000,000	3,196,037,478	-	6,978,656,712

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



STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Baht			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit	1,339,441,198	964,170,602	1,339,441,198	964,170,602
Reconciliation of net income to net cash provided by (used in) operating activities				
Depreciation and amortization	1,334,927,244	1,133,670,087	883,244,190	726,423,071
Provision for (reversal of) allowance for decline in value of inventories	19,882,106	(551,007)	1,185,018	(2,810,913)
Provision for(reversal of) doubtful accounts	(941,328)	4,547,382	-	-
Unrealized loss on exchange rate	144,516	20,552,472	74,139,418	20,592,553
Losses on disposal of fixed assets	13,623,300	33,827,514	5,585,676	28,704,065
Share of loss (profits) from investments recorded by the equity method	17,892,035	-	(288,030,635)	(215,100,808)
Gain on disposal of subsidiaries	-	(24,462,834)	-	-
Loss from reverse profit distribution reserve of subsidiary	4,869,735	-	-	-
Net profit of minority interest	96,708,141	1,811,636	-	-
Income provided by operating activities before changes in operating assets and liabilities				
	2,826,546,947	2,133,565,852	2,015,564,866	1,521,978,570
Decrease (increase) in operating assets:				
Trade accounts receivable	(32,748,738)	(100,610,745)	(10,237,188)	12,469,453
Receivables from related parties	(41,060,012)	4,821,942	(8,498,645)	(56,779,859)
Inventories	(1,524,328,013)	(813,147,280)	(703,731,030)	(739,793,958)
Other current assets	(311,815,491)	(339,819,986)	(155,257,952)	(47,810,506)
Other non-current assets	(49,511,503)	(248,452,394)	(90,292,197)	(82,647,428)
Increase (decrease) in operating liabilities:				
Trade accounts payable	1,890,231,060	2,466,993,411	377,738,469	1,408,716,450
Payables to related parties	69,060,965	(1,174,217)	(77,322,004)	328,815,437
Income tax payable	83,900,287	64,802,056	51,967,069	35,068,620
Other current liabilities	201,001,079	546,981,646	50,532,250	222,718,791
Guarantee deposits from franchisees and others	117,065,068	157,219,472	87,430,068	137,514,472
Other non-current liabilities	(1,455,014)	(18,337,143)	(1,455,011)	10,424
Net Cash Provided by Operating Activities	3,226,886,635	3,852,842,614	1,536,438,695	2,740,260,466

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



STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Baht			
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of fixed assets	217,429,058	660,038,831	179,533,162	24,307,437
Purchase of fixed assets and leasehold rights	(2,944,831,326)	(2,772,884,175)	(1,636,414,142)	(1,745,379,684)
Payments for purchase of investments				
in subsidiaries and associate	(14,425,000)	-	(19,424,930)	-
Increase (decrease) in long-term loans to related parties	-	-	2,979,257	(15,977,453)
Receipt of cash dividends	-	-	77,000,000	20,999,982
Increase in current investments	(100,000,000)	-	(100,000,000)	-
Net Cash Used in Investing Activities	(2,841,827,268)	(2,112,845,344)	(1,496,326,653)	(1,716,049,718)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	202,329,056	(645,280,500)	-	-
Increase (decrease) in long-term loans from related company	(195,758)	183,361	-	-
Increase (decrease) in long-term loan from foreign company	(63,069,368)	10,225,390	-	-
Proceeds from issuance of common shares	1,584,795,581	-	1,584,795,581	-
Payment of cash dividends	(400,000,066)	(300,000,018)	(400,000,066)	(300,000,000)
Net Cash Provided by (Used in) Financing Activities	1,323,859,445	(934,871,767)	1,184,795,515	(300,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,708,918,812	805,125,503	1,224,907,557	724,210,748
Effect from Exchange Rate Change in Cash and Cash Equivalents	(105,876,863)	(37,319,835)	-	-
Cash and Cash Equivalents at Beginning of Year	3,953,157,900	3,185,352,232	2,184,577,658	1,460,366,910
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,556,199,849	3,953,157,900	3,409,485,215	2,184,577,658
Supplemental Disclosure of Cash Flows Information				
Cash paid during the years for: Interest expense	10,226,612	55,145,789	6,068,485	4,280,870
Income tax	458,533,849	326,022,330	360,262,586	283,414,361

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



Notes to Financial Statements

December 31, 2003 and 2002

1. THE COMPANY AND OPERATIONS

C.P. Seven Eleven Public Company Limited was incorporated in 1988 as a member of the Charoen Pokphand Group of Companies. The Company operates convenience stores under the 7-Eleven trademark and franchises such operations to other retailers in the territory of Thailand. The Company's head office is located at 283 Silom Road, Silom Sub-district, Bangrak District, Bangkok 10500. As at December 31, 2003 and 2002, the Company owned the 7-Eleven convenience stores in 1,608 locations and 1,503 locations and employed 13,761 people and 13,091 people, respectively.

On November 7, 1988, the Company entered into an area license agreement with 7-Eleven, Inc. (formerly "The Southland Corporation"), a company registered in the United States of America, to acquire a license to use the systems and trademarks of 7-Eleven, Inc. in connection with operations of the 7-Eleven convenience stores or franchising of such operations to other retailers in Thailand. The Company has also obtained from 7-Eleven, Inc. certain services relating to training and technical assistance. In consideration thereof, the Company is committed to pay 7-Eleven, Inc. royalties as percentages of total sales of the 7-Eleven convenience stores that are operated in Thailand. Under the area license agreement, in case the Company proposes to have a public offering of its shares or shares trading in the recognized stock exchange markets, the Company has to notify and provide information regarding to the public offering proposal to 7-Eleven, Inc. for its approval. As discussed in note 14 to the financial statements, on August 22, 2003, the Company submitted the registration statement for its initial public offering to the Office of Securities Exchange Commission of Thailand. In consideration thereof, the Company received the consent from 7-Eleven, Inc. as required by the area license agreement on August 20, 2003.

As at December 31, 2003, the Company had franchise agreements with other retailers for franchising the operations of one 7-Eleven convenience store. Under the terms of the agreements, the Company will provide certain technical assistance and related services to the franchisees. In consideration thereof, the Company has received initial fees and is entitled to receive continuing franchise fees as percentages of gross profits derived from operations of the convenience stores. These initial fees are not refundable to the franchisees in any case. In addition, the franchisees have placed deposits to guarantee their compliance with the agreements and any damage and/or liability that might be caused by the franchisees. The Company pays interest on the deposits at the rates of fixed deposits announced by a Thai commercial bank. These deposits would be refunded to the franchisees after termination of the agreements.

As at December 31, 2003, the Company had management agreements with certain companies for their management of the Company-owned 7-Eleven convenience stores in 661 locations. Under the terms of the agreements, the Company is committed to pay management fees to those licensees as percentages of gross profits of the operating convenience stores, and is entitled to receive initial payments and royalties in connection with the licenses granted for operating those 7-Eleven convenience stores. These initial payments and royalties are not refundable to the licensees in any case. The initial payments include deposits to guarantee the licensees' compliance with the agreements and any damage and/or liability that might be caused by the licensees. The Company pays interest on the deposits at the rates of fixed deposits announced by a Thai commercial bank. These deposits would be refunded to the licensees upon termination of the agreements.

In addition, the Company had sub-area license agreements for operating the 7-Eleven convenience stores and franchising such operations to other retailers in certain provinces of Thailand. Under the terms of the agreements, the Company will provide certain technical assistance and related services to the sub-area licensees. In consideration thereof, the Company is entitled to receive royalties as percentages of total sales of the 7-Eleven convenience stores operating in the licensed areas. As at December 31, 2003, there were 7-Eleven convenience stores operating in 127 locations in the licensed areas.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

The Company Only and consolidated financial statements have been prepared in Thai Baht in Thai language in conformity with generally accepted accounting principles in Thailand. The accompanying financial statements are intended solely to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in Thailand.

Other than those specified in the notes to the financial statements, the accompanying financial statements are prepared under the historical cost convention.



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

For convenience of the readers, an English translation of financial statements has been prepared from the Thai language statutory financial statements which are issued for domestic financial reporting purposes.

The accompanying consolidated financial statements include the financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries which the Company has control or invested over 50% of their voting rights. These subsidiaries are detailed as follows:

			Percentage of Investment as Compared to Registered Capital	
	Types of Business	Country of Registration	2003	2002
Directly-Owned Subsidiaries				
Lotus Distribution Investment Limited	Holding company	British Virgin Islands	100.00	100.00
Counter Service Company Limited	Service of bill payment	Thailand	99.99	99.99
Retailink(Thailand) Company Limited	Distributor of equipment for retailing and software development	Thailand	99.99	99.99
C.P. Retailing and Marketing Company Limited	Frozen food plant and bakery	Thailand	97.76	97.76
Shanghai C.P. Friendship Enterprise Development Co., Ltd.	Department store	The People's Republic of China	65.00	65.00
Gosoft (Thailand) Company Limited	Information system services	Thailand	99.99	-
MAM Heart Company Limited	Marketing services	Thailand	99.99	-
Dynamic Management Company Limited	Logistics and distribution of merchandises	Thailand	99.99	-
Indirectly-Owned Subsidiaries				
Ek Chor Distribution System Company Limited	Holding company	Hong Kong	100.00	100.00
Ek Chor Distribution Co., Ltd., Shanghai	Retail superstore	The People's Republic of China	55.00	55.00
Ek Chor Trading (Shanghai) Co., Ltd.	International trading	The People's Republic of China	55.00	55.00
Shanghai Bakerrich Foodstuff Co., Ltd.	Bakery	The People's Republic of China	55.00	55.00
Shanghai Lotus Supermarket Chain Store Co., Ltd.	Retail superstore	The People's Republic of China	26.95	26.95
Directly and Indirectly-Owned Subsidiaries				
Emerald Innovation Management Co., Ltd.	Holding Company	British Virgin Islands	55.00	55.00
Yangtze Supermarket Investment Co., Ltd.	Holding Company	British Virgin Islands	55.00	55.00



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Shanghai C.P. Friendship Enterprise Development Co., Ltd. was established on December 3, 1996 (the date on which the business license with an operating period of 30 years was received from the government of the People's Republic of China) to engage in department store business. The operating period can be extended upon mutual agreement of the joint venture partners. During the year ended December 31, 2003, the subsidiary traded certain sanitary products on a temporary basis and has not yet started the department store business.

Ek Chor Trading (Shanghai) Co., Ltd. was established on June 12, 1996 (the date on which the business license with an operating period of 50 years was received from the government of the People's Republic of China) to engage in international trading. The subsidiary has ceased its commercial activities since 2002.

Ek Chor Distribution Co., Ltd., Shanghai and Shanghai Bakerrich Foodstuff Co., Ltd. have ceased their commercial activities since the first quarter of 2003.

Gosoft (Thailand) Company Limited ("Gosoft") and MAM Heart Company Limited ("MAM") are subsidiaries, which were established in Thailand on January 9, 2003 and February 5, 2003, respectively. Gosoft has a primary objective to engage in business of information system services, and MAM was set up for doing business relating to marketing activities including designing and producing advertisements.

Dynamic Management Company Limited is a subsidiary which was established in Thailand on July 18, 2003. This subsidiary has a primary objective to engage in businesses of logistics and distribution of merchandises.

All financial statements of the subsidiaries included in preparation of the consolidated financial statements and used as a basis for recording for investments in the subsidiaries by the equity method in the Company's financial statements have been audited by the Company's auditors, except for the financial statements of eight foreign subsidiaries for the year ended December 31, 2003. The financial statements of these foreign subsidiaries reflected total assets of Baht 8,577.3 million after the elimination of intercompany balances as at December 31, 2003, and total revenues of Baht 18,040.2 million after the elimination of intercompany transactions for the year ended December 31, 2003. Furthermore, the financial statements of C.P. Seven Eleven Public Company Limited included investments in these foreign subsidiaries recorded by the equity method as at December 31, 2003, of Baht 1,241.8 million and share of net profit from the foreign subsidiaries of Baht 88.7 million for the year ended December 31, 2003. The financial statements of these subsidiaries have been audited by other auditors.

Significant inter company transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements.

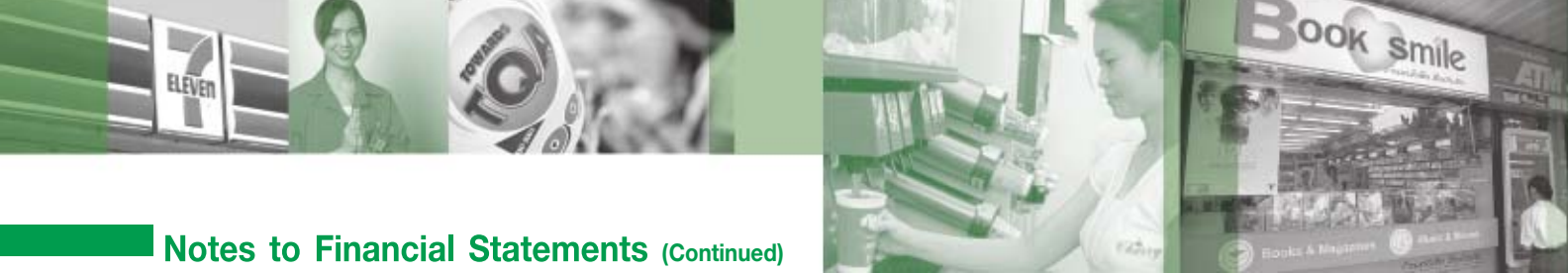
3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and financial institutions deposits and short-term investments with maturities of three-month period or less, which are not pledged as collateral for any liabilities. Deposits with financial institutions in which maturities over three months and not over one year are classified as current investments.

Trade Receivables and Other Receivables

Accounts receivables and other receivables are carried at original invoice amount less allowance for doubtful accounts estimated based on the collection experience coupled with the review of current status of such accounts.



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Inventories

The Company values its merchandises at the 7-Eleven convenience stores by the retail method which is calculated by using retail price of merchandise deducted by their gross profit and its merchandises at the distribution centers at the lower of average cost or net realizable value.

Subsidiaries value finished goods at the lower of average cost or net realizable value. Work in process is valued at cost and raw materials, packaging and factory supplies are valued at average cost.

Investments in Subsidiaries and Associate and Long-Term Investments in Related Party

Investments in subsidiaries and associate are accounted for by the equity method.

Long-term investments in other related party classified as “General Investment” are stated at cost less allowance for impairment loss.

Property, Plant and Equipment

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for decline in value of assets.

The Company and subsidiaries depreciate their property, plant and equipment by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	5, 10, 20
Machinery and equipment	5, 10
Furniture, fixtures and office equipment	5
Electricity and water systems	5, 10, 20
Vehicles	5

The Company and subsidiaries amortize leasehold improvements by the straight-line method over the lease period.

Intangible Assets

The excess of cost over net assets of subsidiaries at the purchase date is recognized as “Goodwill” which is stated at cost less accumulated amortization. The goodwill is being amortized as expense by the straight-line method over a period of 10 years.

The excess of net assets of subsidiaries over cost at the purchase date is recognized as “Negative Goodwill” which is stated at cost less accumulated amortization. The negative goodwill is being amortized as income over a period of 10 years.

Technology including computer software and trademarks are stated at cost less accumulated amortization and amortized by the straight-line method over the periods of 5 to 10 years.

The Company amortizes cost of its leasehold rights of the operating leases using the straight-line method over the periods of the lease agreements. A foreign subsidiary has rights to use land for a period of 40 years. The cost of the land-use-rights is being amortized using the straight-line method over the shorter of the term of the land-use-rights and the subsidiary’s operating period of 30 years.



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Goodwill, technology, and trademarks acquired from purchase of the Lotus Superstores in the People's Republic of China are amortized over the period of 30 years, based on the investment agreements and the period granted for operating the Lotus Superstores from the government of the People's Republic of China.

Impairment of Assets

The Company and subsidiaries review the impairment loss of assets whenever events or changes in circumstances indicate that the carrying value of an asset exceeds its recoverable amount. The review is made for an individual asset or for the cash-generating unit.

Whenever the carrying value of an asset exceeds its recoverable amount, the Company and subsidiaries recognize the impairment loss in the income statement and reverse the impairment loss when there is an indication that the impairment loss recognized for the asset no longer exist or has decreased. The reversal is recorded as "Other income" in the income statement.

Revenue Recognition

The Company and subsidiaries recognize sales as income when goods have been delivered and risks and rewards have been transferred to the buyer.

A subsidiary recognizes income from service of bill payment upon completion of the service.

The Company recognizes the initial fees derived from Franchise Agreements and Management Agreements of the 7-Eleven convenience stores as described in Note 1 upon completion of the required services for the franchisees. Apart from the initial fees, the Company recognizes the initial royalty fee arising from the license for operating the Company's 7-Eleven convenience stores over the period of the Management Agreement.

The Company has agreements with certain merchandises suppliers to purchase their products as specified in the agreements to distribute in the 7-Eleven convenience stores. Under the terms of the agreements, the Company is entitled to receive an exclusive fee with non-refundable obligation. The Company recognizes the exclusive fee as income over the agreement period.

The Company and subsidiaries recognize other royalties, rental income, other operating income and interest income on the accrual basis in accordance with the substance of the relevant agreements.

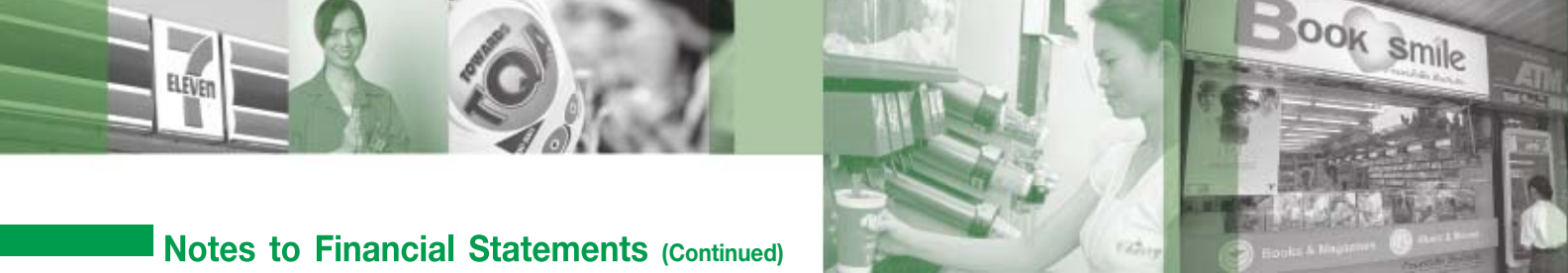
Income Taxes

The Company and subsidiaries record income tax liabilities on the basis determined by the government agencies.

Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated on the basis of the basic earnings per share adjusted for the effects of all dilutive potential common shares. The calculation includes only the effects of the potential common shares exercisable at a price less than the average closing price in the market over the period.



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Translation of Foreign Currency Financial Statements

The financial statements of foreign subsidiaries are prepared in the local currencies of the countries in which they established. The operations of the foreign subsidiaries are not integral to the operations of the Company. Therefore, the financial statements of the foreign subsidiaries are translated into Thai Baht for the purposes of consolidation and the Company recognizes its share of income from investments using the equity method on the following basis:

- a) Assets and liabilities : using the average rate at each balance sheet date announced by the Bank of Thailand.
- b) Revenues and expenses : using the average rate during each year announced by the Bank of Thailand.
- c) Exchange rate differences arising from the translation are presented as “Difference from translation of financial statements in foreign currency of subsidiaries” under the shareholders’ equity in the balance sheets.

Foreign Currency Transactions

The Company and subsidiaries record transactions in foreign currencies at the exchange rate prevailing at the date of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet dates are translated at the rates prevailing at those dates. Gains or losses arising from the translation are credited or charged to current operations.

Monetary foreign currency items covered by forward exchange contracts at the balance sheet date are translated at the exchange rates prevailing at that date, and adjusted by net receivable or payables arising from the related forward exchange contracts and the remaining forward premium. The premiums or discounts on the forward exchange contracts are amortized as income or expense over the contracts periods. The amortization income or expense and gains or losses on the forward exchange contracts are offset against the foreign exchange gains or losses on the monetary foreign currency items being hedged.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade accounts receivable and payable, loans receivable and payable, bank overdrafts and short-term loans from financial institutions, investments in subsidiaries and associate using the equity method, long-term investments in related company and other receivables and payables. The accounting policies for recognition and measurement of these items have been disclosed in the respective accounting policies found in this Note.

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

Segment Information

Business segment of the Company and subsidiaries are divided into three parts as follows:

- 1. Convenience Stores
- 2. Retail Superstores
- 3. Others



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Major activities of the Retail Superstores Business are conducted in Shanghai City of the People's Republic of China. The Other segment comprises principally of bill payment services, frozen food plant and bakery, and distribution of retailing equipment.

Interest expense, income tax, and other corporate items are not included in the operating result of each business segment.

Operating Leases

The Company and subsidiaries classify leases where substantially all the rewards and risks of ownership of the leased assets remain with the lessors as operating leases. Rental payments under an operating lease are recorded as expenses over the lease term.

4. TRANSACTIONS WITH RELATED PARTIES

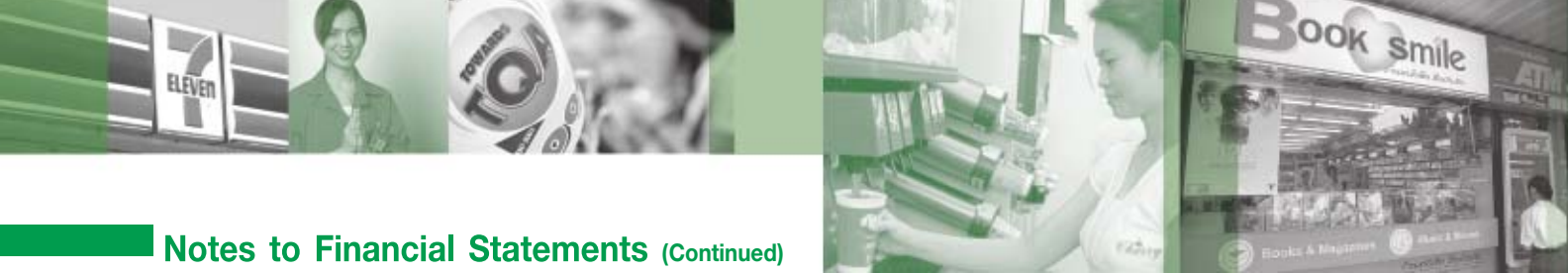
The Company has transactions with its subsidiaries, associate and other related parties. Certain portions of the Company's assets, liabilities, sales, other income, costs of sales, and selling and administrative expenses represent the transactions occurred with its subsidiaries, associate and other related parties. These parties are related through common shareholders and/or directorships. Those transactions with the subsidiaries, associate and other related parties as included in the financial statements are determined at the prices in line with those occur in the normal course of business based on the market price in general or the price as stipulated in the agreement if no market price exists:

Types of Transaction	Pricing Policy
Sales of goods	Prices determined on the terms and conditions in normal business comparable to those of non-related parties
Purchases of goods	Prices determined on the terms and conditions in normal business comparable to those of non-related parties
Interest income	Financial cost plus administrative expenses
Rental and service fee	Standard rates advised by the lessor
Technical service fee	Contract prices determined on the terms and conditions in normal business
Insurance premiums	Standard rate as specified by the insurer

The significant balances of assets, liabilities, and other transactions occurred with those parties are shown as follows:

Significant transactions with related parties for the years ended December 31, 2003 and 2002 are summarized as follows:

	Consolidated		The Company Only	
	2003	2002	2003	2002
In Million Baht				
Sales to related companies				
- Ek-Chai Distribution System Co., Ltd.	75.5	67.1	-	-
- C.P. Merchandising Co., Ltd.	82.5	58.1	-	-
- Chester's Food Co., Ltd.	2.0	4.8	-	-
- Others	17.7	7.3	-	-
Total	177.7	137.3	-	-



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

	Consolidated		The Company Only	
	2003	2002	2003	2002
In Million Baht				
Purchase of inventories				
Subsidiary				
- C.P. Retailing and Marketing Co., Ltd.	-	-	844.2	720.4
Related companies				
- C.P. Inter Food (Thailand) Co., Ltd.	651.2	579.4	629.2	566.7
- TA Orange Co., Ltd	1,517.8	393.1	1,517.8	393.1
- C.P. Meiji Co., Ltd.	399.8	373.3	399.5	373.0
- C.P. Packaging Industry Co., Ltd.	192.8	164.7	188.3	164.0
- C.P. Consumer Products Co., Ltd.	99.0	88.5	99.0	88.5
- Telecom Asia Corporation Public Company Limited	51.1	61.5	51.1	61.5
- Vee Food Products Co., Ltd.	31.9	15.0	28.6	11.7
- Bangkok Farm Co., Ltd.	13.9	4.7	-	-
- Seafood Enterprise Co., Ltd.	3.9	3.3	-	-
- Bangkok Livestock Co., Ltd.	3.4	11.7	-	-
- Others	186.2	41.2	156.7	26.4
Total	3,151.0	1,736.4	3,914.4	2,405.3
Purchase of fixed assets				
Subsidiary				
- Retailink(Thailand) Co., Ltd.	-	-	264.9	309.1
Related company				
	3.3	10.2	-	-
Total	3.3	10.2	264.9	309.1
Interest income				
Subsidiaries				
- Lotus Distribution Investment Limited	-	-	33.0	40.3
- C.P. Retailing and Marketing Co., Ltd.	-	-	10.2	13.2
- Retailink (Thailand) Co., Ltd.	-	-	-	0.2
Related companies				
- Charoen Pokphand Seed Industry Co., Ltd.	1.7	-	1.7	-
- Others	4.5	12.5	4.5	12.5
Total	6.2	12.5	49.4	66.2



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

	Consolidated		The Company Only	
	2003	2002	2003	2002
In Million Baht				
Other income				
Subsidiaries				
- Counter Service Co., Ltd.	-	-	193.3	87.6
- C.P. Retailing and Marketing Co., Ltd.	-	-	9.6	7.2
- Retailink(Thailand) Co., Ltd.	-	-	2.8	2.7
- Gosoft (Thailand) Co., Ltd.	-	-	0.7	-
- MAM Heart Co., Ltd.	-	-	0.4	-
Related companies				
- C.P. Inter Food (Thailand) Co., Ltd.	18.8	17.6	18.8	17.4
- C.P. Consumer Products Co., Ltd.	13.7	13.6	13.7	13.6
- Telecom Asia Corporation Public Company Limited	10.8	9.6	10.8	9.6
- C.P. Meiji Co., Ltd.	6.1	6.1	6.1	6.1
- Thai Smart Card Co., Ltd.	8.2	-	8.2	-
- Others	7.4	14.8	7.0	13.3
Total	65.0	61.7	271.4	157.5
Expenses				
Subsidiaries				
- Retailink(Thailand) Co., Ltd.	-	-	192.4	155.1
- Gosoft (Thailand) Co., Ltd.	-	-	82.8	-
- Dynamic Management Co., Ltd.	-	-	21.0	-
- MAM Heart Co., Ltd.	-	-	10.2	-
- C.P. Retailing and Marketing Co., Ltd.	-	-	3.6	12.5
Related companies				
- C.P. Land Co., Ltd.	34.6	32.0	33.5	30.1
- Shanghai Vegetable (Group) Co., Ltd.	14.3	21.6	-	-
- Charoen Pokphand Group Co., Ltd.	11.3	11.0	9.0	9.0
- Allianz C.P. General Insurance Co., Ltd.	3.5	14.6	-	11.5
- Others	13.0	17.5	-	4.0
Total	76.7	96.7	352.5	222.2

A domestic subsidiary sold its land with net book value of Baht 8.3 million to C.P. Intertrade Co., Ltd, a related company, for Baht 13.6 million (at appraised value appraised by an independent appraiser). The Company and subsidiaries have recognized gain from sales of such land approximately of Baht 5.3 million in the consolidated statement of income for the year ended December 31, 2003.

Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Outstanding balances of the transactions with related parties as at December 31, 2003 and 2002 are as follows:

	Consolidated		The Company Only	
	2003	2002	2003	2002
In Million Baht				
Trade accounts receivable				
(Form part of the trade accounts receivable in the balance sheets)				
Related companies				
- Ek-Chai Distribution System Co., Ltd.	15.6	14.9	-	-
- C.P. Merchandising Co., Ltd.	4.3	4.4	-	-
- Others	2.8	1.0	-	-
Total	22.7	20.3	-	-
Other receivables				
Subsidiaries				
- Counter Service Co., Ltd.	-	-	24.5	12.2
- C.P. Retailing and Marketing Co., Ltd.	-	-	0.6	2.0
- Retailink(Thailand) Co., Ltd.	-	-	1.6	0.7
Related companies				
- Shanghai Vegetable (Group) Co., Ltd.	49.8	-	-	-
- Thai Smart Card Co., Ltd.	-	51.0	-	51.0
- C.P. Inter Food (Thailand) Co., Ltd.	4.5	6.7	4.5	6.7
- Telecom Asia Corporation Public Company Limited	2.0	2.9	2.0	2.9
- C.P. Consumer Products Co., Ltd.	2.2	2.5	2.2	2.5
- Others	3.0	6.6	4.2	2.4
Total	61.5	69.7	39.6	80.4
Trade accounts payable				
(Form part of the trade accounts payable in the balance sheets)				
Subsidiary				
- C.P. Retailing and Marketing Co., Ltd.	-	-	25.6	32.5
Related companies				
- TA Orange Co., Ltd.	153.9	214.6	153.9	214.6
- C.P. Inter Food (Thailand) Co., Ltd.	128.7	104.8	119.4	101.0
- C.P. Meiji Co., Ltd.	69.9	70.6	69.8	70.3
- Dynamic Logistic Co., Ltd.	62.4	8.1	62.4	8.1
- C.P. Consumer Products Co., Ltd.	17.1	15.1	17.1	15.1
- Saha Charoen Enterprise Co., Ltd.	16.3	13.7	16.3	13.7
- C.P. Packaging Industry Co., Ltd.	8.0	8.3	7.1	8.2
- Telecom Asia Corporation Public Company Limited	3.6	8.3	3.6	8.3
- Others	36.0	21.7	29.2	12.9
Total	495.9	465.2	504.4	484.7



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

	Consolidated		The Company Only	
	2003	2002	2003	2002
In Million Baht				
Payables to related parties				
Subsidiaries				
- Counter Service Co., Ltd.	-	-	470.6	547.8
- Retailink(Thailand) Co., Ltd.	-	-	29.8	42.7
Related companies				
- Pokphand Enterprise Co., Ltd.	42.9	46.8	-	-
- Others	4.7	15.3	3.4	3.5
Total	47.6	62.1	503.8	594.0

A foreign subsidiary had a payable to a foreign company of US\$ 2 million which was equivalent to Baht 79.2 million as at December 31, 2003. The management of the foreign subsidiary is of the opinion that this payable might not be settled to the foreign company within the year ending December 31, 2004, therefore, the outstanding balance has been presented as a non-current liability in the consolidated balance sheet.

Under a memorandum between the Company, Lotus Distribution Investment Limited (“LDI”), a foreign subsidiary, and Charoen Pokphand Group Co., Ltd. (“CPG”), a related company, CPG arranged for Ek-Chai Distribution System Company Limited (“Ek-Chai”), another related company, to enter into the following agreements with LDI:

4.1 Licence Agreement and Service Mark Licence Agreement

Ek-Chai has granted to LDI a right to use certain operating and technology systems including service marks as illustrated in the agreements, for operating retail supermarkets and hypermarkets in the People’s Republic of China. In addition, LDI can sublicense the right to use to its affiliates as defined in the agreements with the condition that no charge is made to such related parties. LDI agreed to pay Ek-Chai a license fee for the acquired rights of US\$ 70,000. These agreements continue in force until LDI or Ek-Chai terminates the licence agreement and service mark licence agreement.

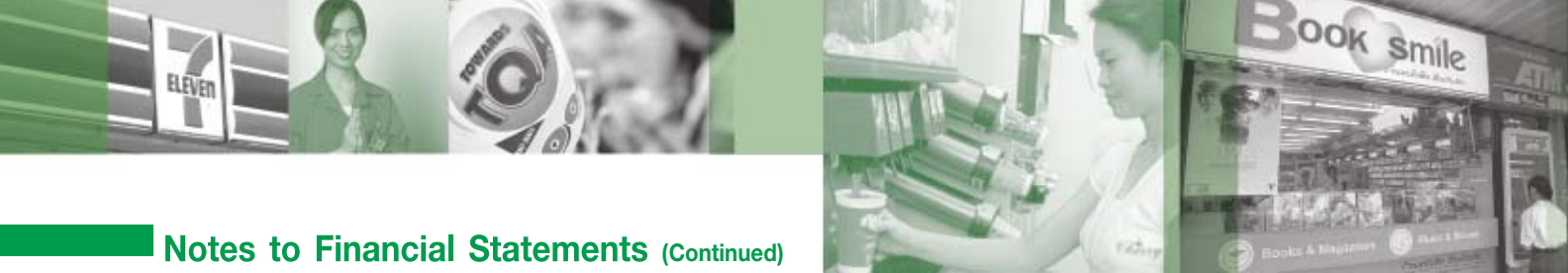
4.2. Agency Agreement

Ek-Chai has appointed LDI as its agent for monitoring and controlling certain intellectual property of Ek-Chai used by licensees in the People’s Republic of China. In consideration thereof, Ek-Chai agreed to pay LDI an agency fee of US\$ 70,000.

The Company and its subsidiaries have entered lease and service agreements with C.P. Land Co., Ltd., a related company, for use of space in its building for offices of the Company and the subsidiary. The Company and the subsidiary agreed to pay monthly rentals and service fees totaling Baht 2.4 million, and placed guarantee deposits with the related company totaling Baht 7.3 million. The guarantee deposits will be refunded to the Company and the subsidiary upon termination of the lease.

The Company and a domestic subsidiary have received certain technical advisory, management and technical assistance from Charoen Pokphand Group Co., Ltd., a related company. The Company and the subsidiary agreed to pay a monthly service fee totaling Baht 0.9 million.

The Company entered into a Mass Retailing Agreement with TA Orange Co., Ltd., a related company, to be a distributor of certain products and provide a number of customers for the related company. This agreement remains effective until either



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

party has intention to terminate the agreement. Under the agreement, the Company is entitled to receive a service fee as stipulated in the agreement, including rentals for use of space in 7-Eleven convenience stores, amounting to Baht 4 million, and a listing fee for launching new products in 7-Eleven convenience stores amounting to Baht 1 million.

5. TRADE RECEIVABLES AND OTHER RECEIVABLES

As at December 31, 2003 and 2002, the Company and its subsidiaries had balances of trade receivables and other receivables which were over credit terms and classified by aging as follows:

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Million Baht			
Trade Receivables				
Periods over credit terms				
Over 3 months to 6 months	3.5	7.8	3.3	1.8
Over 6 months to 12 months	3.1	0.5	2.1	-
Over 12 months	1.5	20.0	1.2	3.3
Total	8.1	28.3	6.6	5.1
Other Receivables				
Periods over credit terms				
Over 3 months to 6 months	1.4	16.2	1.4	4.2
Over 6 months to 12 months	10.6	2.7	0.9	2.1
Over 12 months	42.7	53.7	3.7	4.1
Total	54.7	72.6	6.0	10.4

As at December 31, 2003, the Company and its subsidiaries had provided allowances for doubtful accounts of Baht 9.7 million in the consolidated balance sheet and Baht 3.5 million in the Company's balance sheet. The management of the Company and subsidiaries believe that these allowances cover possible loss from uncollectible receivables.

6. INVENTORIES

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Million Baht			
Finished goods	4,561.6	3,162.6	2,755.7	2,052.0
Work-in-process	3.3	5.0	-	-
Raw materials	62.6	44.8	-	-
Total	4,627.5	3,212.4	2,755.7	2,052.0
Less allowance for decline in value	(51.6)	(31.1)	(10.8)	(9.6)
Inventories - Net	4,575.9	3,181.3	2,744.9	2,042.4



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

7. INVESTMENTS RECORDED BY THE EQUITY METHOD

	Percentage of Investment		Consolidated			
			Cost Method		Equity Method	
	2003	2002	2003	2002	2003	2002
In Million Baht						
Investments in Associate						
Thai Smart Card Co., Ltd.	32.26	-	63.7	-	45.8	-

	Percentage of Direct and Indirect Investment		The Company Only			
			Cost Method		Equity Method	
	2003	2002	2003	2002	2003	2002
In Million Baht						

Investments in Subsidiaries and Associate

Lotus Distribution Investment Limited	100.00	100.00	956.3	956.3	852.9	978.9
Shanghai C.P. Friendship Enterprise Development Co., Ltd.	65.00	65.00	362.4	362.4	368.9	397.7
Counter Service Company Limited	99.99	99.99	61.0	61.0	239.2	173.3
C.P. Retailing and Marketing Company Limited	97.76	97.76	166.2	166.2	186.3	150.1
Thai Smart Card Co., Ltd.	32.26	-	63.7	-	45.8	-
Yangtze Supermarket Investment Co., Ltd.	55.00	55.00	22.0	22.0	20.0	19.0
Dynamic Management Co., Ltd.	99.99	-	2.0	-	8.4	-
Gosoft (Thailand) Company Limited	99.99	-	2.0	-	9.2	-
MAM Heart Company Limited	99.99	-	1.0	-	7.0	-
Emerald Innovation Management Co., Ltd.	55.00	55.00	-	-	-	-
Total			1,636.6	1,567.9	1,737.7	1,719.0

Net Loss of Subsidiary Exceeding Investment Value

Retailink(Thailand) Company Limited	99.99	99.99	20.0	20.0	(9.2)	(27.7)
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Thai Smart Card Company Limited is an associate which was established in Thailand. The associate has a primary objective to engage in business of issuing or distributing certain smart cards used for purchases of goods or services. The Company paid for its investment in such associate amounting to Baht 63.7 million and recognized share of losses from the investments accounted for by the equity method of Baht 17.9 million in the consolidated and the Company only statements of income for the year ended December 31, 2003. Consequently, as at December 31, 2003, the Company had investments in the associate at the equity method of Baht 45.8 million. Furthermore, the Company is committed to pay for its additional investment in this associate by Baht 63.6 million.

Notes to Financial Statements (Continued)

December 31, 2003 and 2002

8. LONG-TERM INVESTMENTS IN RELATED PARTY

	Percentage of Investment		Consolidated Amount Invested by the Company		The Company Only Amount Invested by the Company	
	2003	2002	2003	2002	2003	2002
In Million Baht						
At Cost						
Ek - Chai Distribution System Company Limited	0.15	0.15	54.1	54.1	54.1	54.1
Less allowance for impairment loss			(21.0)	(21.0)	(21.0)	(21.0)
Cost - Net			33.1	33.1	33.1	33.1

9. LONG-TERM LOANS TO AND FROM RELATED COMPANIES

	The Company Only			
	As at December 31,		Average Principal	
	2003	2002	2003	2002
In Million Baht				
Loans to Subsidiaries				
Lotus Distribution Investment Limited	860.2	902.3	770.4	787.1
C.P. Retailing and Marketing Company Limited	143.0	178.0	172.9	182.5
Gosoft (Thailand) Company Limited	-	-	0.2	-
Retailink(Thailand) Company Limited	-	-	-	2.4
Total	1,003.2	1,080.3		
Loans to Related Companies				
Charoen Pokphand Seed Co., Ltd.	-	-	22.7	89.0
Saha Charoen Enterprise Co., Ltd.	-	-	43.0	84.5
Great Agro Co., Ltd.	-	-	16.9	44.5
Pokphand Distribution Co., Ltd.	-	-	10.2	26.8
C.P. Consumer Products Co., Ltd.	-	-	3.7	25.9
Thai Smart Card Co., Ltd.	-	-	-	1.3
Total	-	-		
Total Long-Term Loans	1,003.2	1,080.3		

Long-term loans to the domestic subsidiaries and related companies bore interest at rates ranging from 4.75% to 9.00% per annum in 2003, and 7.25% to 9.50% per annum in 2002. Loans to Lotus Distribution Investment Limited amounting to US\$ 18.3 million bore interest at market rates based on U.S. Dollar LIBOR.



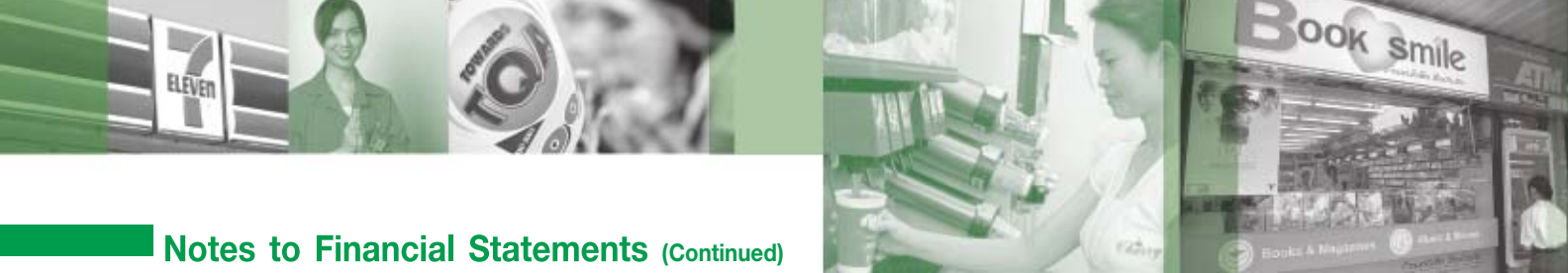
Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Long-term loans from related company represented the unsecured borrowings of Ek Chor Distribution System Company Limited, a foreign subsidiary, payable to Lotus Distribution International Limited, a foreign related company, amounting to US\$ 0.16 million or equivalent to Baht 6.4 million and Baht 6.6 million as at December 31, 2003 and 2002, respectively. These loans bore interest at 5.125% per annum. The management is of the opinion that the loans might not be settled within the period ending December 31, 2004, therefore, they have been presented as a non-current liability in the consolidated balance sheet.

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated				Balance at December 31, 2003 In Million Baht
	Balance at January 1, 2003	Movement during the year		Currency Translation Effect	
		Additions	Disposals		
At Cost					
Land	500.5	-	(8.4)	-	492.1
Buildings and improvements	2,719.2	669.6	(10.2)	(211.8)	3,166.8
Leasehold improvements	1,144.1	282.4	(47.5)	(5.2)	1,373.8
Machinery and equipment	3,009.1	783.6	(112.9)	(118.8)	3,561.0
Furniture, fixtures and office equipment	2,983.0	687.4	(332.6)	(47.5)	3,290.3
Electricity and water systems	506.6	136.8	(20.2)	-	623.2
Vehicles	131.3	47.9	(22.8)	(5.9)	150.5
Construction in progress and machinery under installation	266.8	3,185.6	(2,843.5)	(22.9)	586.0
Total	11,260.6	5,793.3	(3,398.1)	(412.1)	13,243.7
Accumulated Depreciation					
Buildings and improvements	(298.8)	(154.4)	1.0	20.3	(431.9)
Leasehold improvements	(512.4)	(107.7)	10.8	3.2	(606.1)
Machinery and equipment	(1,200.2)	(392.7)	49.1	17.1	(1,526.7)
Furniture, fixtures and office equipment	(1,334.1)	(527.4)	226.6	12.1	(1,622.8)
Electricity and water systems	(243.7)	(74.3)	4.1	-	(313.9)
Vehicles	(63.6)	(18.9)	10.7	2.0	(69.8)
Total	(3,652.8)	(1,275.4)	302.3	54.7	(4,571.2)
Impairment Loss in Value of Assets	(118.0)				(118.0)
Property, Plant and Equipment - Net	7,489.8				8,554.5



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

	The Company Only			
	Balance at	Movements during the year		Balance at
	January 1,			December 31,
	2003	Additions	Disposals	2003
	In Million Baht			
At Cost				
Land	430.8	-	-	430.8
Buildings and improvements	293.6	194.6	(1.2)	487.0
Leasehold improvements	1,058.5	318.1	(47.4)	1,329.2
Machinery and equipment	1,364.5	348.1	(90.8)	1,621.8
Furniture, fixtures and office equipment	2,564.1	498.6	(189.8)	2,872.9
Electricity and water systems	471.0	130.3	(19.7)	581.6
Vehicles	48.6	22.4	(0.1)	70.9
Construction in progress and machinery under installation	119.7	2,218.7	(2,115.0)	223.4
Total	6,350.8	3,730.8	(2,464.0)	7,617.6
Accumulated Depreciation				
Buildings and improvements	(75.5)	(23.1)	-	(98.6)
Leasehold improvements	(473.9)	(108.8)	10.8	(571.9)
Machinery and equipment	(877.2)	(182.7)	36.3	(1,023.6)
Furniture, fixtures and office equipment	(1,226.0)	(425.0)	113.2	(1,537.8)
Electricity and water systems	(229.2)	(69.7)	3.5	(295.4)
Vehicles	(28.7)	(6.6)	-	(35.3)
Total	(2,910.5)	(815.9)	163.8	(3,562.6)
Impairment Loss in Value of Assets	(118.0)			(118.0)
Property, Plant and Equipment - Net	3,322.3			3,937.0



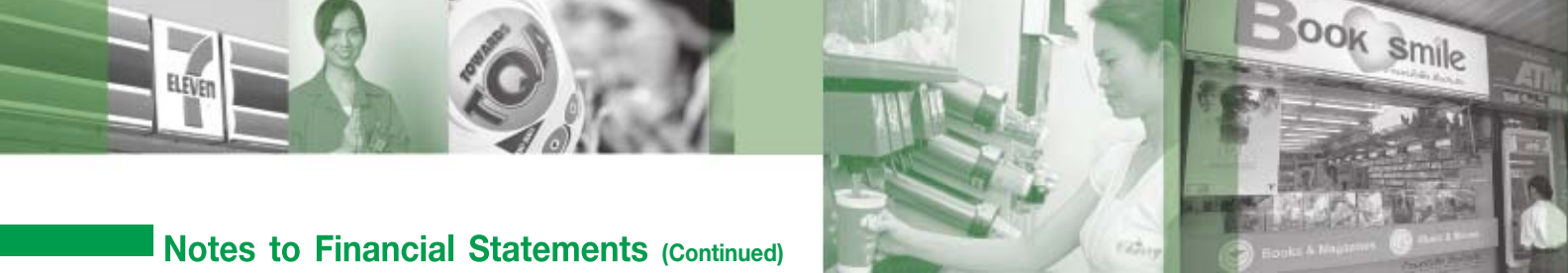
Notes to Financial Statements (Continued)

December 31, 2003 and 2002

11. INTANGIBLE ASSETS

	Consolidated				
	Movements during the year				Balance at December 31, 2003 In Million Baht
	Balance at January 1, 2003	Additions	Disposals	Currency Translation Effect	
At Cost					
Goodwill	461.4	-	-	(36.1)	425.3
Negative goodwill	(187.0)	-	-	-	(187.0)
Technology	246.7	11.3	(32.0)	(9.2)	216.8
Trademarks	118.8	-	-	(8.1)	110.7
Leasehold rights and land-use-right	278.0	44.7	(104.0)	35.2	253.9
Total	917.9	56.0	(136.0)	(18.2)	819.7
Accumulated Amortization					
Goodwill	(103.9)	(14.9)	-	7.9	(110.9)
Negative goodwill	38.2	5.4	-	-	43.6
Technology	(56.8)	(34.2)	32.1	1.0	(57.9)
Trademarks	(22.5)	(4.8)	-	1.3	(26.0)
Leasehold rights and land-use-right	(127.4)	(40.7)	64.3	0.5	(103.3)
Total	(272.4)	(89.2)	96.4	10.7	(254.5)
Intangible Assets-Net	645.5				565.2

	The Company Only			In Million Baht	
	Balance at January 1, 2003	Movements during the year			Balance at December 31, 2003
		Additions	Disposals		
	At Cost				
Technology	139.7	5.6	-	145.3	
Leasehold rights	225.4	44.7	-	270.1	
Total	365.1	50.3	-	415.4	
Accumulated Amortization					
Technology	(47.0)	(30.0)	-	(77.0)	
Leasehold rights	(112.6)	(39.6)	-	(152.2)	
Total	(159.6)	(69.6)	-	(229.2)	
Intangible Assets-Net	205.5			186.2	



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

12. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Million Baht			
Bank overdrafts	0.6	19.9	-	-
Short-term loans from banks	240.0	-	-	-
Liability under trust receipts	0.6	30.6	-	-
Total	241.2	50.5	-	-

As at December 31, 2003, the Company and subsidiaries had overdraft lines with certain local banks and branches of foreign banks totaling Baht 389 million which bore interest at rates ranging from 5.75% to 9.75% per annum.

Short-term loans from banks represented loan of a foreign subsidiary obtained from foreign bank of Baht 239.2 million (RMB 50 million) which bore interest at 4.536% per annum and loan of a local subsidiary obtained from a local bank of Baht 0.8 million which bore interest at 2.50% per annum.

Under the terms of the trust receipt agreements, certain imported goods have been released to a local subsidiary in trust of the banks. Thus, the subsidiary is accountable to those banks for the items in trust.

13. LOAN FROM FOREIGN COMPANY

Loan from foreign company represented loan that Lotus Distribution Investment Limited, a foreign subsidiary, borrowed from A.D. Enterprise Limited established in British Virgin Islands, amounting to US\$ 2.9 million. The loan bears interest at rates ranging from 4.12% to 4.32% per annum. During the year 2003, the subsidiary repaid a portion of the loan plus interest totaling US\$ 1.7 million. The management is of the opinion that the remaining balance of US\$ 1.3 million or equivalent to Baht 51.9 million as at December 31, 2003 will be settled within December 31, 2004, therefore, it has been presented as a current liability in the consolidated balance sheet.

14. SHAREHOLDERS' EQUITY

Under the provisions of the Limited Public Company Act, B.E. 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of deficit brought forward (if any) as legal reserve until the legal reserve reaches 10% of the authorized share capital. The legal reserve is not available for dividend distribution. During the year 2003, the Company appropriated its annual net profit as the additional legal reserve of Baht 62 million.

Under the provision of the Civil and Commercial Code of Thailand, a limited company established in Thailand is required to set aside legal reserve at least 5% of the net profit appropriated for dividend payment until the legal reserve reaches 10% of its authorized capital. This legal reserve is not available for dividend distribution. During the year 2003, a domestic subsidiary paid dividend from the net profit of 2002 of Baht 77 million and appropriated the net profit as the additional legal reserve of Baht 4.2 million.

At the extraordinary shareholders' meeting held on October 9, 2002, the shareholders approved the issue of 50 million units (Baht 5 par value) of the Company's unissued shares, comprising 40 million shares for sale to the public, and 10 million



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

shares to sell to directors and employees of the Company and its subsidiaries under the Employee Stock Option Plan. In addition, the shareholders approved establishment of a Employee Stock Option Plan (ESOP) for issuing share options to directors and employees of the Company and its subsidiaries. The allocation would be considered by the appointed individuals group. The Company would issue share options not exceeding 10 million units with the right to purchase 10 million of the Company's shares of with Baht 5 par value. Under the terms of the ESOP, an option would be effective for a period of five years starting from the date on which the option is issued to the directors and employees. The exercise price of the option would be equal to that of each share for the public offering when the Company's shares are registered with the Office of the Securities Exchange Commission of Thailand. On August 22, 2003, the Company submitted a registration statement to the Office of Securities Exchange Commission of Thailand for offering its common shares of 40 million units to the public. Subsequently, the Board of Governors of the Stock Exchange of Thailand issued an order accepting the common shares of the Company as registered securities on October 14, 2003.

As a result of the initial public offering of the Company's common share of 40 million units, the Company received proceeds of Baht 1,680 million which was separately recorded as its share capital of Baht 200 million (at par value) and premium on share capital for the remaining amount net of the related expenses incurred from the offering of such common shares of Baht 1,384.8 million under "Shareholders' equity" in the balance sheet.

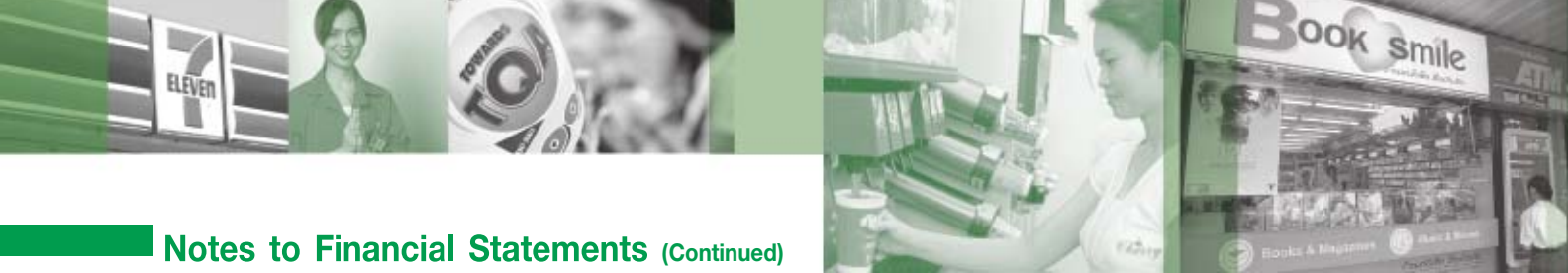
On December 4, 2003, the Company submitted to the Stock Exchange of Thailand a list of directors and employees of the Company and subsidiaries who are entitled to receive stock options under the ESOP. This submission also included a summary of the terms and conditions of the stock option. In addition, the Company filed a report of securities offering (Form 81-1) with the Office of Securities Exchange Commission of Thailand for its offering of the stock option. Pursuant to the documents submitted to the Stock Exchange of Thailand and the Office of Securities Exchange Commission, the Company has issued 9,974,200 stock options to the entitled directors and employees. These stock options expire on September 15, 2008 and may be exercised to purchase the Company's common shares twice a year on March 15 and September 15 of each year starting from March 15, 2005.

At the ordinary shareholders' meeting held on April 29, 2003, the shareholders approved appropriation of legal reserve for the year 2002, of Baht 39 million and approved payment of dividends from net profit of the Company for the year 2002 for 400 million common shares at the rate of Baht 1.00 per share, totaling Baht 400 million. The Company paid the dividends on May 28, 2003, to the shareholders whose names appeared on the shareholder's register at April 9, 2003.

15. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share for the years 2003 and 2002 are calculated as follows:

	Net Profit (Thousand Baht)		Number of Shares		Earnings Per Share (Baht)	
	2003	2002	2003	2002	2003	2002
Basic Earnings Per Share	1,339,441	964,171	408,657,534	400,000,000	3.28	2.41
Effect from Dilutive Potential Common Share - Employee Stock Option	-	-	765,144	-		
Diluted Earnings Per Share	1,339,441	964,171	409,422,678	400,000,000	3.27	2.41



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

16. PROFIT DISTRIBUTION RESERVE OF SUBSIDIARY

Ek Chor Distribution Co., Ltd., Shanghai (“ECD”), a subsidiary, was formed under a co-operative joint venture agreement between Ek Chor Distribution System Company Limited (“ECDS”) and Shanghai Vegetable Group Co., Ltd. (“SVG”), formerly Shanghai Vegetable Corporation (“SVC”), in the People’s Republic of China. According to the joint venture agreement and the subsidiary’s Article of Association, ECDS, as the former foreign partner, is required to contribute capital in form of cash whereas SVG as a Chinese partner is responsible for procuring the right to use the site for ECD’s operations for a term of 30 years.

During the year 2000, ECDS sold its investments in ECD to Lotus Distribution Investment Limited (“LDI”). After that, LDI transferred the investments in ECD to Yangtze Supermarket Investment Co., Ltd. (“YSI”) as its paid-in capital (see note 17). Under the joint venture agreement, YSI, which is the new foreign partner, and SVG are entitled to share 60% and 40%, respectively, of ECD’s profit after appropriation for statutory reserve funds with respect to operating performance of the chain stores jointly invested between YSI and SVG.

Pursuant to the same joint venture agreement, notwithstanding whether ECD has any distributable profit after appropriation to the statutory reserve funds, if ECD’s profit attributable to SVG’s portion is less than US\$ 400,000 to US\$ 600,000, ECD has to advance money to SVG to make up for the shortfall. Any shortfall advanced will firstly set off against any future distributable profit of ECD. Moreover, according to the joint venture agreement, SVG is also entitled to share 5% of the distributable profits of those retail distribution outlets established in Shanghai by YSI with parties other than SVG under the name and license of ECD.

The cumulative advances paid to SVG amounting to Baht 26.7 million are presented as “Profit distribution reserve of subsidiary” under the shareholders’ equity in the balance sheets as at December 31, 2002.

ECD and SVG have agreed to cease payment of the above- mentioned profit distribution since January 1, 2001. ECD would instead pay monthly rental of the above-mentioned chain stores of RMB 345,800 to SVG.

From January 1, 2002, Shanghai Lotus Supermarket Chain Store Co., Ltd. (“SLSCS”) has taken over the obligation from ECD to make the rental payment because the above-mentioned chain stores are operated by SLSCS.

During the year 2003, ECD registered a decrease in its capital with the government agency by set off with its deficit and profit distribution reserve.

17. DEED OF SHAREHOLDERS AGREEMENT

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

In the year 2000, the Company and LDI entered into Deed of Investment and Subscription Agreement with CRF to invest in Yangtze Supermarket Investment Co., Ltd. (“YSI”), a company registered in British Virgin Islands, and to have shareholdings of 1% and 54%, respectively, of the registered share capital of YSI. Pursuant to the Deed of Investment and Subscription Agreement, LDI transferred all of its assets and obligations in Ek Chor Distribution Co., Ltd., Shanghai (“ECD”) and Ek Chor Trading (Shanghai) Co., Ltd. (“ECT”), LDI’s subsidiaries, to YSI as paid-in capital of the Company and LDI amounting to US\$ 26.9 million. On March 27, 2000, CRF paid US\$ 22 million to YSI for its shareholding 45% of the registered capital. In the year 2001, LDI entered into Software Use Agreements with YSI to sublicense its rights to use certain software



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

to YSI and its affiliates. These agreements resulted in an additional cash injection of US\$ 4.09 million for the investments of CRF in YSI, and upward adjustment of the original value of the investments in YSI of the Company and LDI by US\$ 5 million according to the terms and conditions under Deed of Investment and Subscription Agreement.

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

1) YSI or a holding company of YSI to be established for listing purposes cannot be listed on the Hong Kong Stock Exchange or such other stock exchange acceptable to the Company, LDI and CRF by the Closing Date's fifth anniversary or, if mutually agreed in writing by the Company and CRF (if such agreement is reached prior to or on the Closing Date's fifth anniversary), by such a later date not later than the sixth anniversary ("Listing Deadline") of the Closing Date (March 27, 2000).

2) YSI and subsidiaries do not meet annual consolidated after tax net profit targets of US\$ 25.73 million for the year on which the fourth anniversary of the Closing Date falls, and of US\$ 35.42 million for the year on which the fifth anniversary of the Closing Date falls.

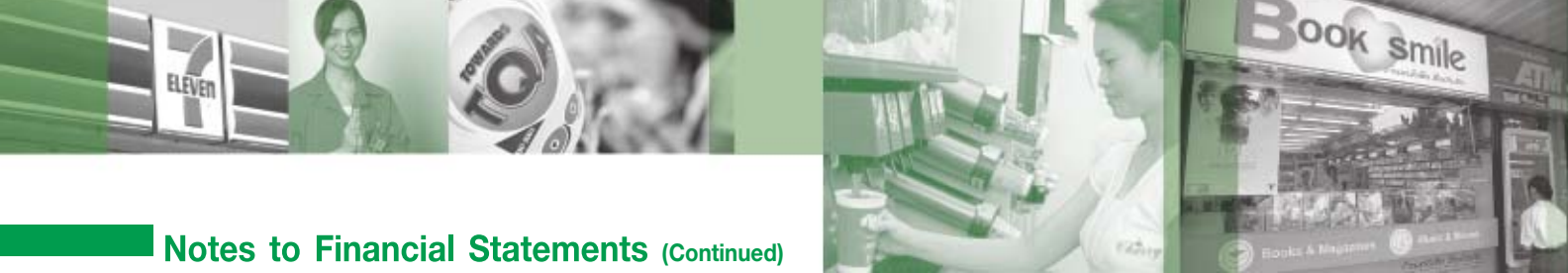
3) During the period from the Closing Date to the first trading day of the Listing or the Listing Deadline whichever is earlier, the Company, LDI or LDI's affiliates do not comply with Deed of Shareholders Agreement.

On August 25, 2000, YSI entered into a Joint Venture Contract with two local partners in the People's Republic of China to invest in Shanghai Lotus Supermarket Chain Store Co., Ltd. (SLSCS) operating Retail Superstores for a period of 30 years. SLSCS has been granted the business license from the government of the People's Republic of China on November 20, 2000. Under the terms of the contract, YSI agreed to invest in SLSCS amounting to US\$ 41.16 million in forms of cash and the net assets of ECD and ECT, representing 49% of registered capital. Under the contract, YSI will share a portion of profits from SLSCS based on the percentage of its actual investments compared with the total injected paid-in capital of SLSCS. As at December 31, 2003, YSI made cash contribution to SLSCS totaling US\$ 25 million.

18. REGISTERED PROVIDENT FUND

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

During the year 2003, the Company and subsidiaries paid contributions to the provident fund totaling approximately Baht 6.7 million, which has been recorded as an operating expense for the year ended December 31, 2003.



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

19. OTHER COMMITMENTS AND CONTINGENT LIABILITY

19.1 The Company and subsidiaries had agreements for leases of certain land, buildings, vehicles and other assets. Future payments of rentals and service fees for these leases are summarized below:

	Consolidated	The Company Only In Million Baht
2004	1,600.0	885.7
2005	1,363.6	538.0
After 2005 totalling	19,661.0	332.6

As at December 31, 2003, the Company and subsidiary with its consultant had guarantee deposits placed with lessors totaling Baht 144.4 million for leasing land and buildings in different locations primarily used for operating the convenience stores. These deposits would be refunded upon termination of the leases. In addition to the guarantee deposits, the Company paid rentals in advance to certain lessors for the periods before termination of the lease agreements. As at December 31, 2003, total prepayments of rentals was Baht 128.2 million which is presented as part of "Guarantee deposits and rentals paid in advance" under the other non-current assets in the Company Only and consolidated balance sheets.

19.2 A local subsidiary has service agreements with certain individuals and local companies whereby the latter parties are appointed as agents of the subsidiary for receipts of customers bills as specified in the agreements. Under the terms of the agreements, the subsidiary is committed to pay a service fee as stipulated in the agreements. These agreements are effective ranging for periods of from one (1) to five (5) years, commencing and ending on various dates up to January 2006. In case any party to each agreement has no intention to renew the agreement, a notification will be made to another party within 30 days before the expiry date of the agreement.

19.3 A local subsidiary has entered into a management license agreement with its consultant. The agreement includes practices for servicing and marketing and a right to engage as an agent to receive billing payments. Under the terms of the agreement, the subsidiary is committed to pay a remuneration at percentage of the revenues as stipulated in the agreement. The agreement covers a period of ten (10) years commenced in September 1996. When the subsidiary has paid all remunerations as stipulated in the agreement, the consultant will not claim any additional remuneration from the subsidiary.

19.4 The Company and a local subsidiary have entered into construction agreements for its convenience stores and construction and machinery installation agreements for the subsidiary's plant with certain local companies totaling approximately Baht 66.5 million. As at December 31, 2003, the Company and the subsidiary had paid amounts totaling approximately Baht 46.0 million for these agreements and recorded this as part of "Property, plant and equipment - net" in the Company Only and the consolidated balance sheets.

19.5 The Company has entered into agreements with two foreign companies for developing its computer system amounting to Yen 80.0 million and US\$ 0.2 million. As at December 31, 2003, the Company had paid amounts totaling approximately Yen 72.0 million and US\$ 0.1 million, respectively, in respect of these agreements.

19.6 As at December 31, 2003, a foreign subsidiary had capital commitment for amounts totaling approximately RMB 67.0 million relating to the acquisition of fixed assets.

19.7 As at December 31, 2003, the Company and subsidiaries were contingently liable to a local bank and certain Thailand branches of foreign banks for letters of guarantee issued by the said banks in favour of several local companies and state enterprises (mainly guarantees for payments of building rentals and electricity bills) totaling approximately Baht 460.6 million.



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

20. DISCLOSURES OF FINANCIAL INSTRUMENTS

Liquidity risk

The Company and its subsidiaries monitor liquidity risk and maintain a level of cash and cash equivalents deemed adequate by management to finance operations and to mitigate the effects of fluctuations in cash flows

Exchange Rate Risk

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

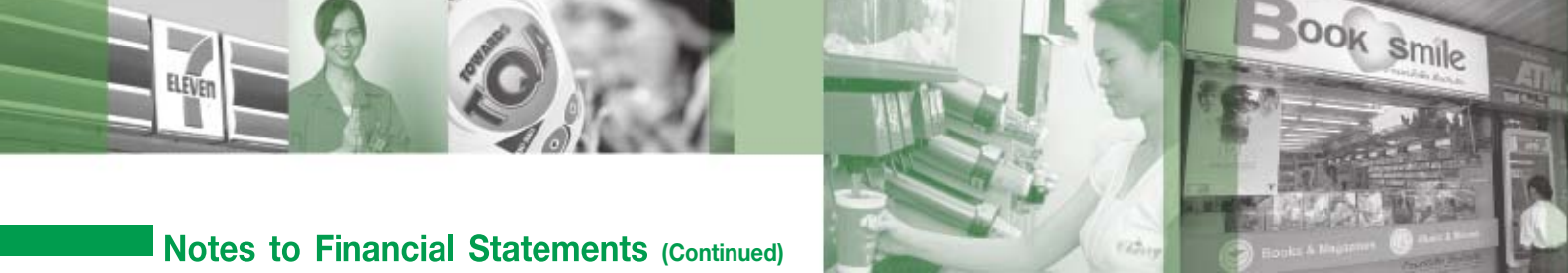
As at December 31, 2003 and 2002, the Company and subsidiaries had foreign currency forward contracts as follows:

Currency		Consolidated		The Company Only	
		2003	2002	2003	2002
In Million					
Foreign currency forward contracts					
For hedging the financial assets	USD	25.2	21.6	22.1	21.3
(Equivalent to Baht 876.7 million in 2003	YEN	22.9	6.3	-	-
and Baht 954.9 million in 2002)	EURO	0.4	-	-	-
	GBP	-	0.2	-	-
Foreign currency forward contracts					
For hedging the financial liabilities	USD	-	0.2	-	-
(Equivalent to Baht 0.7 million in 2003	EURO	-	0.1	-	0.1
and Baht 19.1 million in 2002)	YEN	1.9	19.0	1.9	-

Interest Rate Risk

The Company's and its subsidiaries' exposure to changes in interest rate relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

As at December 31, 2003 and 2002, the Company and subsidiaries had financial assets and financial liabilities exposed to interest rate risk as follows:



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

2003

	Consolidated						
	In Million Baht						
	Floating interest Rate	Fixed interest rate maturing in			Total	Interest rate (%)	
		1 year	Over 1 to	More than		Floating	Fixed
		or less	5 years	5 years			
Financial assets							
Cash and cash equivalents	2,448.8	2,406.5	-	-	4,855.3	0.25-1.25	0.50-1.50
Current investments	-	100.0	-	-	100.0	-	0.75-1.25
Financial liabilities							
Bank overdrafts	0.6	-	-	-	0.6	5.75-7.00	-
Short-term loans from financial institutions	239.2	1.4	-	-	240.6	4.536	2.50
Short-term loan from foreign company	51.3	-	-	-	51.3	4.17	-
Guarantee deposits from franchisees	352.3	-	-	-	352.3	1.00-1.50	-

	The Company Only						
	In Million Baht						
	Floating interest Rate	Fixed interest rate maturing in			Total	Interest rate (%)	
		1 year	Over 1 to	More than		Floating	Fixed
		or less	5 years	5 years			
Financial assets							
Cash and cash equivalents	1,076.1	1,730.2	-	-	2,806.3	0.25-1.00	0.50-1.50
Current investments	-	100.0	-	-	100.0	-	1.25
Long-term loans to subsidiaries	854.3	-	-	-	854.3	4.104, 4.75	-
Financial liability							
Guarantee deposits from Franchisees	352.3	-	-	-	352.3	1.00-1.50	-



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

2002

	Consolidated						
	In Million Baht						
	Floating	Fixed interest rate maturing in			Total	Interest rate (%)	
	interest	1 year	Over 1 to	More than		Floating	Fixed
	Rate	or less	5 years	5 years			
Financial assets							
Cash and cash equivalents	2,738.0	60.0	-	-	2,798.0	0.25-1.25	2.00-2.25
Financial liabilities							
Bank overdrafts	19.9	-	-	-	19.9	7.25-8.00	-
Short-term loans from financial Institutions	-	30.6	-	-	30.6	-	0.36-5.31
Long-term loan from related company	-	-	6.6	-	6.6	-	5.50
Long-term loan from foreign company	-	-	122.2	-	122.2	-	9.63
Guarantee deposits from Franchisees	252.8	-	-	-	252.8	2.00	-

	The Company Only						
	In Million Baht						
	Floating	Fixed interest rate maturing in			Total	Interest rate (%)	
	interest	1 year	Over 1 to	More than		Floating	Fixed
	Rate	or less	5 years	5 years			
Financial assets							
Cash and cash equivalents	1,079.5	-	-	-	1,079.5	0.25 - 1.25	-
Long-term loan to subsidiaries	965.2	-	-	-	965.2	4.475, 7.00	-
Financial liabilities							
Guarantee deposits from franchisees	252.8	-	-	-	252.8	2.00	-

Credit Risk

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

Notes to Financial Statements (Continued)

December 31, 2003 and 2002

Fair Value of Financial Instruments

The Company and subsidiaries estimate fair value of financial instruments; cash and cash equivalents, trade accounts receivable and payable, other receivables and payables, bank overdrafts and short-term loans from financial institutions, equal to their amounts carried in the balance sheets because of the short-term maturity of those financial instruments. It is not practicable to estimate the fair value of the following financial assets and liabilities without incurring excessive costs:

(a) unquoted equity securities, due to the absence of quoted market prices; and

(b) non-current loans to and from related parties, due to the absence of agreed repayment terms between the parties involved.

However, management does not anticipate that the carrying amounts recorded at the balance sheet date would be significantly different from the values that would eventually be received or settled.

21. SEGMENT INFORMATION

The segment financial information of the Company and subsidiaries for the years ended December 31, 2003 and 2002 are summarized as follows:

	In Million Baht			
	Convenience Store	Retail Superstore	Others	Total
2003				
Net sales and services income	40,153.5	16,857.0	1,371.7	58,382.2
Costs of sales and services	(31,807.6)	(14,848.0)	(803.7)	(47,459.3)
Gross profit	8,345.9	2,009.0	568.0	10,922.9
Other operating income	1,530.7	1,031.7	48.8	2,611.2
Operating expenses	(8,334.1)	(2,819.5)	(408.2)	(11,561.8)
Operating profit	1,542.5	221.2	208.6	1,972.3
Interest income				36.9
Interest expense				(16.2)
Share of loss from investments recorded by the equity method				(17.9)
Income tax				(539.0)
Net profit of minority interest				(96.7)
Net profit				1,339.4
Property, plant and equipment - net	3,811.0	4,225.6	517.9	8,554.5
Total assets				21,712.2



Notes to Financial Statements (Continued)

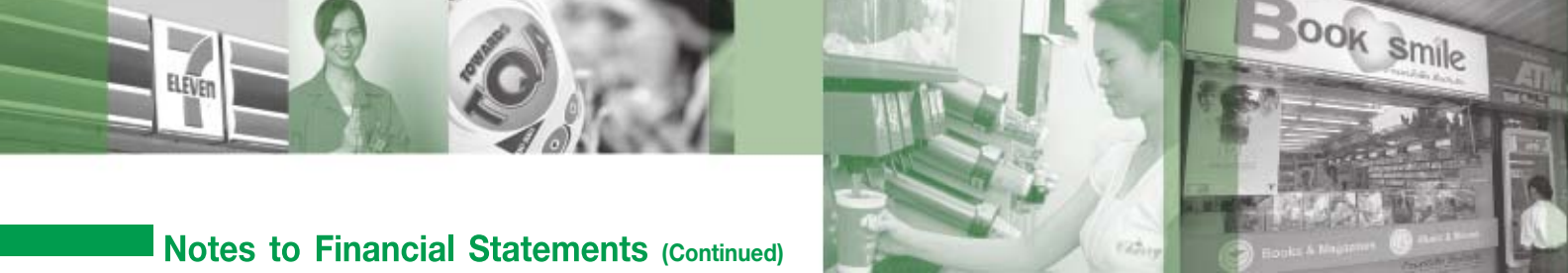
December 31, 2003 and 2002

In Million Baht

	Convenience Store	Retail Superstore	Others	Total
2002				
Net sales and services income	30,165.0	12,712.2	887.8	43,765.0
Costs of sales and services	(23,764.3)	(11,348.7)	(468.2)	(35,581.2)
Gross profit	6,400.7	1,363.5	419.6	8,183.8
Other operating income	1,276.5	780.6	20.5	2,077.6
Operating expenses	(6,592.2)	(2,011.5)	(323.2)	(8,926.9)
Operating profit	1,085.0	132.6	116.9	1,334.5
Interest income				51.0
Gain on disposal of subsidiaries				24.5
Interest expense				(44.5)
Income tax				(399.5)
Net profit of minority interest				(1.8)
Net profit				964.2
Property, plant and equipment - net	3,214.5	3,798.5	476.8	7,489.8
Total assets				17,304.6

22. NET SALES AND COST OF SALES

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Million Baht			
Net Sales				
- Convenience stores	38,847.2	27,707.5	38,847.2	27,707.5
- Retail superstores	16,856.9	12,712.2	-	-
- Distribution centers	1,024.4	2,025.4	1,024.4	2,025.4
- Others	1,054.3	977.9	281.9	432.1
Total	57,782.8	43,423.0	40,153.5	30,165.0
Cost of Sales				
- Convenience stores	30,566.1	21,385.1	30,566.1	21,385.1
- Retail superstores	14,848.8	11,348.7	-	-
- Distribution centers	971.2	1,954.6	971.2	1,954.6
- Others	713.7	671.0	270.3	424.6
Total	47,099.8	35,359.4	31,807.6	23,764.3



Notes to Financial Statements (Continued)

December 31, 2003 and 2002

23. SELLING AND ADMINISTRATIVE EXPENSES

	Consolidated		The Company Only	
	2003	2002	2003	2002
	In Million Baht			
Personnel expenses	3,659.6	3,048.2	2,602.6	2,237.5
Rentals	1,687.5	1,224.5	1,092.7	908.3
Depreciation and amortization	1,084.8	1,071.8	883.2	726.4
Utilities	1,097.9	848.9	907.3	715.5
Store management fees	1,225.0	600.3	1,225.0	600.3
Advertising and sales promotion	610.2	555.6	342.5	377.9
Other operating expenses	2,196.7	1,577.6	1,626.0	1,220.9
Total	11,561.7	8,926.9	8,679.3	6,786.8

24. RECLASSIFICATIONS

Certain accounts in 2002 of the Company and subsidiaries have been reclassified to conform with the 2003 financial statement presentation.



Summary of Warrant Information

As at 31 December 2003 the Company has 9,974,200 existing warrants to directors and employees of the company and its subsidiaries. The details of these issue as follows:

Type of warrant	: Warrants to purchase the Company's ordinary shares, registered and non-transferable
Reserved shares for conversion	: 10,000,000 (ten million) Shares (at Baht 5 par value)
Offering price per unit	: Baht 0 (zero Baht)
Exercise ratio	: One unit of warrant for one ordinary share
Exercise price	: 42 Baht per share
Terms	: 4 Years and 303 days (Expire 15 September 2008)
Exercise date	: Twice a year; Every 15 th March and 15 th September
First exercise date	: March 15, 2005
Last exercise date	: September 15, 2008

Exercise Condition and Period

The warrant holders are entitled to exercise the right in conversion to ordinary shares under the following condition

- On the 1st, 3rd, 5th and 7th anniversary from the issuance date (every March 15th from 2005 to 2008), the warrant holders are entitled to exercise the right for ordinary shares of 12.5 percent of their total allocation.
- On the 2nd, 4th, 6th and 8th anniversary from the issuance date (every September 15th from 2005 to 2008), the warrant holders are entitled to exercise the right for ordinary shares not more than 25 percent of their total allocation.

As a result, the right to purchase the ordinary shares on the 1st, 3rd, 5th and 7th exercise dates can be accumulated for the next exercise date (on the 2nd, 4th, 6th and 8th exercise date respectively). Nonetheless, the right to purchase the ordinary shares on the 2nd, 4th, 6th and 8th anniversary date will be void if not exercised.

Reference Persons

Shares : Thailand Securities Depository Co., Ltd.
Registrar : 62 The Stock Exchange of Thailand Building, Floor 4, 6, 7 Rachadapisek Road, Bangkok 10110
Tel. 0-2359-1200

Auditor : Mrs.Sudchit Boonprakob Certified Public Auditor Registration No. 2991 and/or Mr.Vichien Thamtrakul Certified Public Auditor Registration No. 3183 and/or Miss Thipsuda Chamnanvanichkul Certified Public Auditor Registration No. 3377

Empire Tower, 22nd Floor
195 South Sathorn Road, Yannawa,
Sathorn, Bangkok 10120, Thailand
Tel. 0-2677-2000



Subsidiaries Information

Subsidiaries and Associates in Thailand

C.P. Retailing and Marketing Co., Ltd.

Type of Business	Manufacturer and sale of frozen Foods and Bakery
Head Office	Patumthani Province
Tel.	02-599-1016-9
Fax.	02-976-2259, 02-976-2265
Registered Capital	170 million Baht
Par Value	10 Baht per share
Shareholding	97.76 %

Retailing (Thailand) Co., Ltd.

Type of Business	Sale and maintenace of retailing equipment
Head Office	Bangkok
Tel.	02-631-1111
Fax.	02-631-2330
Registered Capital	20 million Baht
Par Value	10 Baht per share
Shareholding	99.99 %

M.A.M. Heart Co., Ltd.

Type of Business	Marketing activities service
Head Office	Bangkok
Tel.	02-677-9000
Fax.	02-638-2508
Registered Capital	1 million Baht
Par Value	10 Baht per share
Shareholding	99.99 %

Thai Smartcard Co., Ltd.

Type of Business	Goods payment and service via smart card
Head Office	Bangkok
Tel.	02-646-2000
Fax.	02-646-2001
Registered Capital	395 million Baht
Par Value	10 Baht per share
Shareholding	32.26 %

Counter Service Co., Ltd.

Type of Business	Bill payment collection
Head Office	Bangkok
Tel.	02-654-5000
Fax.	02-654-6510
Registered Capital	70 million Baht
Par Value	10 Baht per share
Shareholding	99.99 %

Gosoft (Thailand) Co., Ltd.

Type of Business	Information technology services
Head Office	Bangkok
Tel.	02-677-9977
Fax.	02-377-9400
Registered Capital	2 million Baht
Par Value	10 Baht per share
Shareholding	99.99 %

Dynamic Management Co., Ltd.

Type of Business	Logistics service
Head Office	Bangkok
Tel.	02-693-0593
Fax.	02-693-0587
Registered Capital	2 million Baht
Par Value	10 Baht per share
Shareholding	99.99 %



Subsidiaries and Associates in overseas

Shanghai Lotus Supermarket Chain Store Co., Ltd.

Type of Business	Large scale retail store in People's Republic of China
Head Office	People's Republic of China
Registered Capital	84 million US Dollars
Shareholding	26.95 %

Lotus Distribution Investment Limited

Type of Business	Investment business
Head Office	British Virgin Island
Registered Capital	30.9 million US Dollars
Shareholding	100 %

Emerald Innovation Management Co., Ltd.

Type of Business	Investment business
Head Office	British Virgin Island
Registered Capital	100 US Dollars
Shareholding	55 %

Ek Chor Distribution Co., Ltd. Shanghai

Type of Business	non-active
Head Office	People's Republic of China
Registered Capital	500,000 Renminbi
Shareholding	55 %

Shanghai Bakerrich Foodstuff Co., Ltd.

Type of Business	Manufacturer and sale of bakery
Head Office	People's Republic of China
Registered Capital	52,500 US Dollars
Shareholding	49 %

Shanghai C.P. Friendship Enterprise Development Co., Ltd.

Type of Business	Sale of sanitaryware in People's Republic of China
Head Office	People's Republic of China
Registered Capital	15 million US Dollars
Shareholding	65 %

Yangtze Supermarket Investment Co., Ltd.

Type of Business	Investment business
Head Office	British Virgin Island
Registered Capital	100 US Dollars
Shareholding	55 %

Ek Chor Distribution System Co., Ltd.

Type of Business	non-active
Head Office	Hong Kong
Registered Capital	2 HK Dollars
Shareholding	100 %

Ek Chor Trading (Shanghai) Co., Ltd.

Type of Business	non-active
Head Office	People's Republic of China
Registered Capital	6.5 million US Dollars
Shareholding	55 %



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