



SIAM FUTURE DEVELOPMENT PUBLIC CO., LTD.

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Message from the Board of Directors

Due to a rapid expansion after being listed in the MAI since the end of December 2002 and the acquisition of 25% of the Company's shares by Major Cineplex Group PCL in year 2003, the Company had to increase the capital by issuing additional shares partly to Major and partly to the existing shareholders. Such transactions caused the Company's total registered and paid-up capital to exceed Baht 200 million in Year 2003. Consequently, the SET has approved to transfer the listing of the Company's shares from MAI to the main board (SET) since 1st January 2004.

As the Company's new neighborhood shopping center located in the area between Soi Thong Lor 4 – 8 earned a better-than-expected responses from both the tenants and the customers, the Company leased another plot of land in Soi Thong Lor 15 to open the second shopping center on Thong Lor Road which is now under construction. It is expected to be opened by the 3rd quarter of Year 2004. In addition, the Company leased a land on Chaeng Wattana Road for lifestyle center which will be opened by the end of Year 2004. Another plot of land on Lad Prao 120 Road was also leased for a convenience center development which will be opened by the 1st quarter of Year 2004. This continuous expansion will significantly increase the Company's rental and service income in the future, which will in turn increase the Company's net income.

Over the last financial year, Baht 169 million of revenue, an increase of 24.2% from Year 2002, was generated. Accordingly, net income of Baht 35.78 million was recorded in Year 2003 which was 5.8% greater than that of the previous year.

In Year 2003 the Company continued to follow the principle of good governance together with a total quality management philosophy throughout the organization for a continual development of the Company and its shopping centers which will provide a major contribution to an increase in the benefit to the shareholders.

The Board of Directors believes that with professional management approach, and ethics and good corporate governance in doing business, the Company will be able to grow steadily and will provide a promising return in a long run.

The Board of Directors would like to express an appreciation to all the supporters, suppliers, customers, financial advisors, financial institutions and staff for their utmost support which brought a grateful success to the Company.

(Mr. Oranop Jantaraprapa)

Chairman



Audit Committee Report

The Audit Committee of Siam Future Development Public Company Limited was established in accordance with the resolution of the Board of Directors' meeting no. 1/2002 on 26th August 2002 and the Board of Directors' meeting no. 8/2003 on 9th June 2003. The Audit Committee with a qualification in compliance with the SET regulations consists of:

1. Ms. Nantiya Montriwat Chairman of the Audit Committee
2. Mr. Dusit Nontanakorn Member of the Audit Committee
3. Ms. Sabaihip Suntaros Member of the Audit Committee

In Year 2003 the Audit Committee has performed its duties pursuant to the mandate given from the Board of Directors. The Audit Committee has reviewed the quarterly and annual financial statements for the Year 2003 and reported to the Board of Directors and the SET. In addition, the Audit Committee has also reviewed an internal control system to ensure that the Company's operation is conducted in a prudent and effective manner as well as in compliance with the SEC Act and other laws and regulations to which the operations of the company are subject.

The Audit Committee is of the opinion that the Company's internal audit system is well served and no material failure was found. The Company's financial statements were in conformity with generally accepted accounting principles.

The Audit Committee agrees to appoint Ernst & Young Office Limited by Mr. Supachai Panyawattano, Certified Public Accountant (Thailand) no. 3377, and/or Ms. Siraporn Ua-anantakul, Certified Public Accountant no. 3884, as an auditor of the financial statements for the Year 2004.

N. Montriwat

(Ms. Nantiya Montriwat)

Chairman of the Audit Committee



General Information

Siam Future Development Public Company Limited "Company" was incorporated on August 29, 1994 by Mr. Pongkit Suttapong and Mr. Nopporn Witoonchart with 10 Million Baht registered capital to run the business in open-air shopping center development and management.

Presently the company owns altogether 16 operating projects as follows:

1. Six projects of the neighborhood shopping centers at Bangbon, Pracha-Utis, Sukhapiban 3, Sukhumvit 71 (Klong Ton), Thonglor, and Thungmahamek
2. Two projects of the convenience shopping centers at Ramindra Km.2 and Wanghin.
3. Eight projects of stand-alone retail stores at Ratchadaphisek – Huay Khwang, Ratchadaphisek-Rama3, Sathorn, Pattanakarn, Bangkae, Phaholyothin Km.27, Mengjai and Tha Phra.

The Company earns its income from 4 groups of major services:

1. Income from the project rental.
2. Income from the project management services and common area maintenance (CAM).
3. Income from providing location procurement fee.
4. Income from public utilities services consisting of electricity bills, water supply and telephone bills.

1.1 Company Profile

Siam Future Development Public Company Limited

Registration No. :	40854500691
Registration Date:	August 29, 1994 (August 13, 2002 transform to public company)
Address:	7/5 Moo 1 Ramkamhang Road, Saphansoong, Bangkok, Thailand 10240 Tel.: 0-2729-4969 Fax: 0-2729-4968 Website: http://www.siamfuture.com
Type of Business:	Open—Air Shopping Center Development and Management.
Registered Capital:	500 Million Baht with 500 Million ordinary shares , par value of Baht 1 each.



Issued and Paid-up Capital: 237.5 Million Baht with 237.5 Million ordinary shares, par value of Baht 1 each.

1.2 Other Reference Persons

Securities Registrar: Thailand Securities Depository Company Limited
62 The Stock Exchange of Thailand Building,
4th, 6th – 7th Floors Rachadapisek Road,
Klongtoey, Bangkok 10110
Tel.: 0-2359-1200-01
Fax : 0-2359-1259

External Auditors: Mr. Supachai Phanyawattano, CPA License No.3930
Mrs.Siriporn Eur-anankul, CPA License No.3844
Ernst & Young Office Limited
193/136-137 Lake Rachada Office Complex
33rd Floor New Rachadapisek Road,
Klongtoey, Bangkok ,Thailand 10110
Tel : 0-2264-0777, 0-2661-9190
Fax: 0-2264-0789-90, 0-2661-9192



Major Accomplishments of the Company

1994: Siam Future Development Public Company Limited was established with a purpose to conduct an open shopping center development and management services.

1995: The Company's first neighborhood shopping center was opened in Bang Bon with JUSCO as the anchor tenant.

1996: The 2nd and 3rd neighborhood shopping centers were opened in Pracha Uthit and Sukhapiban 3 with JUSCO and Tops Supermarket as the anchor tenants, respectively.

1997: Registered capital was increased to Baht 20 million.

The 4th neighborhood shopping center was opened on Sukhumvit 71 with JUSCO as the anchor tenant.

2000: 14 branches of B-Quik were opened in Bang Bon, PrachaUthit, Sukhapiban3, Sukhumvit71, Ram Indra K.M. 2, Wang Hin, Ratchadaphisek-Huay Kwang, Ratchadaphisek-Rama III, Sathorn, Pattanakarn, Bang Kae, Phaholyothin K.M. 27, Meng Jai and Tapra.

2002: The Company's status was transformed to a public company and the registered capital increased to Baht 150 million, Baht 71 million of which being paid-up capital at par value of Baht 1 per share

The Company was listed on the MAI on 17 December 2002.

2003: The 5th and 6th neighborhood shopping centers were opened in Thong Lor and Thung Mahamek with Tops Supermarket as the anchor tenant.

Registered capital was increased to Baht 500 million. Major Cineplex Group Public Company Limited became one of the shareholders with 25% shareholding.

The Company entered into agreement to open a new shopping center in Thong Lor 15 with Villa Market as the anchor tenant.

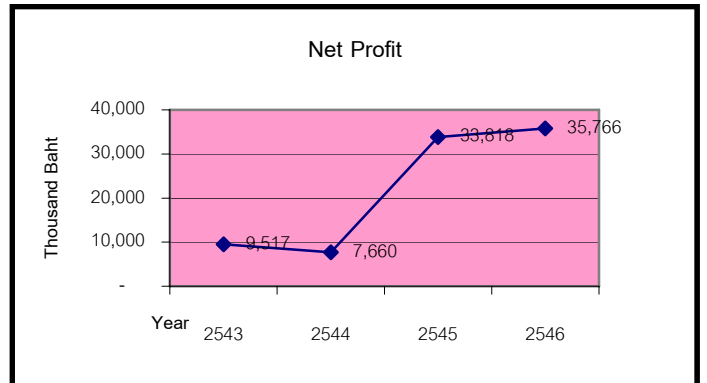
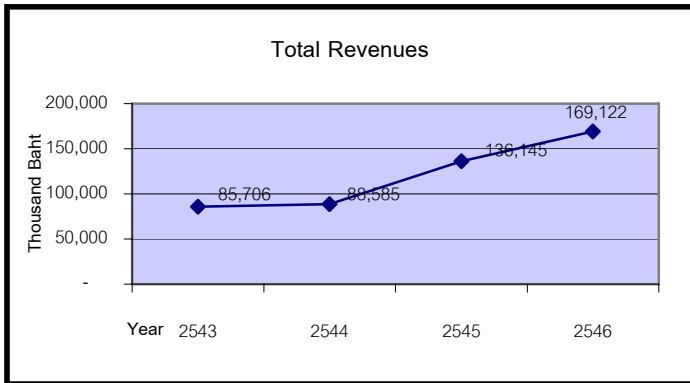
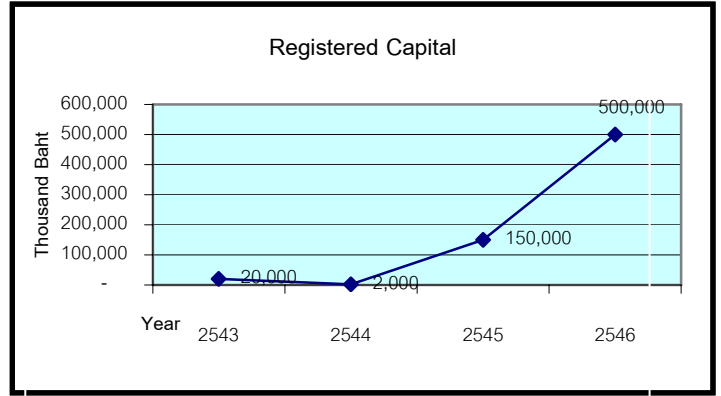
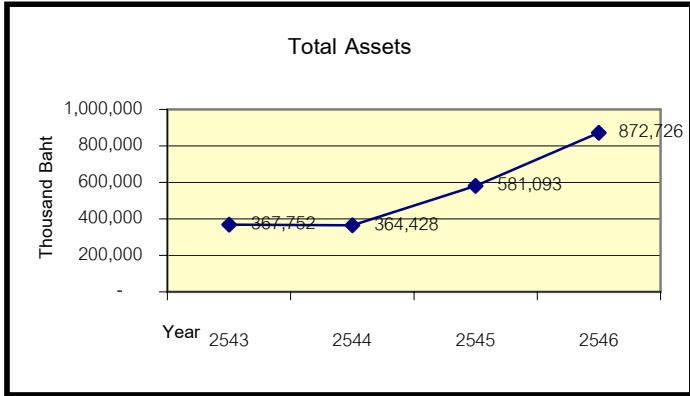
The Company was granted an approval from the SET to transfer its listing from the MAI to the SET on 12 December 2003 and became effective on 1 January 2004.

**Financial Highlights****Siam Future Development Public Company Limited****For the fiscal year ended 31 December**

Unit: Thousand Baht	2003	2002	2001	Change	
				2003/2002	2002/2001
Total Assets	872,726	581,093	364,428	50.2%	59.5%
Total Liabilities	434,376	427,138	367,285	1.7%	16.3%
Registered Capital	500,000	150,000	20,000	233.3%	650.0%
Shareholders' Equity (Deficit)	438,350	153,955	(2,857)	184.7%	N.A.
Total Revenues	169,122	136,145	88,585	24.2%	53.7%
Gross Profit	83,713	76,593	28,053	9.3%	173.0%
Net Profit	35,766	33,818	7,660	5.8%	341.5%
Book Value per Share (Baht)	1.85 ¹	2.17 ²	(0.14) ³	(14.8%).	N.A.
Dividend per Share (Baht)	0.10 ⁴	0.25	0.00		
Net Profit Margin	21.2%	24.8%	8.6%		
Return on Equity (ROE)	8.2%	22.0%	N.A.		
Return on Total Assets (ROA)	4.1%	5.8%	2.1%		
Debt to Equity Ratio (D/E Ratio)	1.0	2.8	N.A.		

Note

1. Issued and paid-up capital was Baht 237,499,935 and number of ordinary shares was 237,499,935 at a par value of Baht 1 per share.
2. Issued and paid-up capital was Baht 71,000,000 and number of ordinary shares was 71,000,000 at a par value of Baht 1 per share.
3. Number of ordinary shares was 20,000,000 at a par value of Baht 1 per share.
4. Dividend per share to be presented to the shareholders' meeting for approval.





Explanation and Analysis on the Financial Status and Operating Performance

Financial Status

Total Assets

As at 31 December 2003 the Company's total assets was at Baht 872.73 million, an increase of Baht 292.13 million or 50.32% from the year 2002 figure. The increased assets consisted of cash and cash equivalent of Baht 69.69 million, current investment of Baht 97.04 million as a result of the Company's increased capital and the exercise the Company's warrants into ordinary shares. Trade receivable also increased by Baht 23.48 million as a result of the location procurement fee receivable of the new project. Contingent deposit increased by Baht 21.20 million due to a deposit to guarantee for the land development project in Phaholyothin (on Kam Paeng Petch 2 Road). Net property, plant and equipment increased by Baht 67.51 million. Deposit for land lease and service increased by Baht 13.03 million due to investment in the 4 new projects, i.e. Siam Future Shopping Center J-Avenue (Thong Lor 15), Siam Future Power Center Cha Choeng Sao, Siam Future Chaeng Wattana Avenue and Siam Future Town Center 10 (Lad Prao 120).

Total Liabilities

As at 31 December 2003, the Company's total liabilities stood at Baht 434.38 million, an increasing of Baht 7.73 million or 1.81% from Year 2002 figure as a result of additional rental and service deposits obtained from the Company's customers.

Shareholders' Equity

The Company's total shareholders' equity stood at Baht 438.35 million, an increase of Baht 284.39 million from Year 2002 figure as a result of the Company's capital increase of Baht 166.5 million, conversion of warrants into ordinary shares of Baht 31.84 million and increase in Year 2003 net profit of Baht 35.77 million. As at 31 December 2003 the Company's retained earnings stood at Baht 51.83 million.

In September 2003 the Company had allocated its increased capital to Major Cineplex Group Public Company Limited at a price of Baht 3.99 compared with par value of Baht 1 per share. Share premium was accordingly increased by Baht 68.02 million.



Operating Performance

For the year ended 31 December 2003, the Company's net profit stood at Baht 35.77 million, increasing by Baht 1.94 million or 5.74% compared with Baht 33.82 million net profit of Year 2002.

Income

The Company's total revenues for Year 2003 was Baht 169.12 million, an increase by Baht 32.98 million or 24.23% from the same period of the year 2002. The 2003 total revenues comprise rental, service and utility income totaling Baht 131.09 million, representing 77.51% of total revenues, Baht 40.79 million above those of last year due to additional incomes from the new projects, i.e. Siam Future Town Center 5 (Thong Lor) and Siam Future Town Center 6 (Thung Mahamek). Whereas Incomes from providing business premises to the anchor tenants in Siam Future Shopping Center J-Avenue, the new project under construction, was Baht 27.5 million declining Baht 40 million from that of year 2002 when 2 new shopping centers were opened. Other incomes rose by Baht 4.69 million as a result of an increase in interest revenue and profit from disposing of investment in subsidiary.

Expense

In Year 2003 total rental and service expenses stood at Baht 85.41 million, accounting for 50.50% of total revenues, the increase of Baht 25.86 million or 43.44% from that of Year 2002 due to the commencement of the operation of 2 new projects.

As a result of the increase of rental, service and utility income, and rental and service expenses, the Year 2003 gross profit stood at Baht 73.18 million, accounting for 46.14% of total revenues, rising by Baht 2.43 million from Year 2002.

Selling and administrative expenses totalled Baht 34.04 million or 20.12% of total revenues, an increase of Baht 12.45 million or 57.67% from the same period of Year 2002 due to the Company's expansion to support the opening of new projects.

Cash Flow

The Company's statements of cash flow as at 31 December 2003 indicated ending cash balance of Baht 94.41 million, a net increase of Baht 70.01 million from Year 2002 balance. Such increase was mainly due to capital increase, allowing Baht 273.69 million of net cash from financing activities and 14.01 million from operating activities. However, the net cash used in investing activities stood at Baht 217.69 million.

Cash provided by financing activities was derived mainly from capital increase totaling Baht 238.26 million and from an exercise of the Company's warrant into ordinary shares totaling Baht 31.84 million. Cash received from operating activities was mostly derived from the Company's operation. Cash used in investing activities was a short-term investment in form of deposit and government bond, and investment in the project.



Nature of Business

Chronology and Major Development

Siam Future Development Public Company Limited was established on 29 August 1994 by Mr. Pongkit Suttapong and Mr. Nopporn Witoonchart with a registered capital of Baht 10 million as open shopping center developer and management service provider.

In 1995, the Company opened Bang Bon project as its first neighborhood shopping center with Jusco Supermarket as the anchor tenant.

In 1996 the Company opened its second and third neighborhood shopping centers, i.e. Pracha Uthit and Sukhapiban 3 projects. At present, Jusco Supermarket and Tops Supermarket are the anchor tenants, respectively.

In 1997 the Company increased its registered capital from Baht 10 million to 20 million to support further expansion. Subsequently in 1998 the Company opened its fourth neighborhood shopping center on Sukhumvit 71 (Klong Tan) Road with Jusco Supermarket as the anchor tenant.

In 2000 the Company successfully developed and provided the business premises for B-Quik Service Company Limited, an auto service company under the name of “B-Quik” under its 14 branches. The Company developed 2 branches as convenience centers and 8 branches as stand-alone retail stores. B-Quik’s remaining 4 branches were established on the Company’s existing neighborhood shopping centers.

In 2002, the Company was first listed on the MAI board with an increase in registered capital from Baht 20 million to 150 million and total paid-up capital of Baht 71 million. The Company also opened its fifth neighborhood shopping center in Soi Thong Lor. Tops Supermarket under the name “Market Place” was the anchor tenant.

In March 2003 the Company opened the sixth neighborhood shopping center in Thung Mahamek with Tops Supermarket as the anchor tenant.

In August 2003 the Company entered into a long-term lease agreement with an owner of the land on Thong Lor Soi 15 to be developed as its seventh neighborhood shopping center.

Note:

¹ Convenience center is a small shopping center in an area of around 1 rai close to the main road with a parking lot for merely 3 – 10 cars. The convenience center is available for 2 – 3 tenants, e.g. auto service center, convenience store, video rental and/or school.

² Stand-alone retail store is a one-shop retail store in an area of around ½ rai close to the main road. The stand-alone retail store is available for 1 tenant, e.g. auto service center, convenience store or retail shop.



In September and October 2003 the Company increased its registered capital to Baht 500 million via additional share allocation totaling 24 million shares to Major Cineplex Group Public Company Limited at a price of Baht 3.99 per share, and 142,499,935 shares to the existing shareholders at a proportion of 1:1.5 of existing shares : new shares at a price of Baht 1 per share.

In December 2003 the Company entered into a long-term lease agreement with the landlord of the land on Chaeng Wattana Road for development of its eighth neighborhood shopping center.

The Company was granted an approval to transfer the listing of its shares from the MAI board to the main board on 12 December 2003.



Overview of the Business

The Company was established as a shopping center developer and management service provider with a focus on open shopping center. The Company finds a location which suits the requirement of the customers and develops such land as a shopping center or retailing-related project for both short and long-term lease. The Company also provides management services on the project and common area, provides location procurement services and provides utility services throughout the leasing tenure. Currently all of the Company's projects were developed on the leased lands.

At present, there are 16 projects operated by the Company as follows:

1. Two convenience shopping centers in Ram Indra K.M. 2 and Wang Hin.
2. Six neighborhood shopping centers in Bang Bon, Pracha Uthit, Sukhapiban 3, Sukhumvit 71 (Klong Tan), Thong Lor and Thung Mahamek.
3. Eight stand-alone retail stores in Ratchadaphisek-Huay Kwang, Ratchadaphisek-Rama III, Sathorn, Pattanakarn, Bang Kae, Phaholyothin K.M. 27, Meng Jai and Tapra.

The Company's service incomes can be classified into 4 major categories, which are:

1. Income from project rental.
2. Income from project management and common area maintenance (CAM) services.
3. Income from providing location procurement fee.
4. Income from utility services, i.e. income from electricity, water supplies and telephone



Details of the 16 present operating project (Area and Occupancy Rate)

	Project	Type of Shopping Center	Area (Rai-Ngan-Wah)	Rental Space (Square Meters)	Occupied area (Square Meters)	Occupancy Rate (Percentage)
1.	Bang Bon	Neighborhood Shopping Center	6 – 0 – 0	8,759	7,100	97.3
2.	Pracha Uthit	Neighborhood Shopping Center	6 – 3 – 10	7,116	6,169	93.8
3.	Sukhapiban 3	Neighborhood Shopping Center	7 – 1 – 13	6,794	6,452	100.00
4.	Sukhumvit 71	Neighborhood Shopping Center	0 – 3 – 80	2,468	1,423	100.00
5.	Ram Indra K.M. 2	Convenience Shopping Center	1 – 0 – 0	780	780	100.00
6.	Wang Hin	Convenience Shopping Center	0 – 1 – 71	612	535	100.00
7.	Bang Kae	Stand-Alone Retail Store	0 – 1 – 33	364	364	100.00
8.	Meng Jai	Stand-Alone Retail Store	0 – 1 – 99	466	466	100.00
9.	Phaholyothin K.M.27	Stand-Alone Retail Store	0 – 1 – 70	433	433	100.00
10.	Huay Kwang	Stand-Alone Retail Store	0 – 0 – 99	300	314	100.00
11.	Tapra	Stand-Alone Retail Store	0 – 1 – 43	355	355	100.00
12.	Sathorn	Stand-Alone Retail Store	0 – 1 – 14	314	314	100.00
13.	Pattanakarn	Stand-Alone Retail Store	0 – 0 – 80	318	318	100.00
14.	Rama III	Stand-Alone Retail Store	0 – 1 – 27	343	343	100.00
15.	Thong Lor	Neighborhood Shopping Center	3 – 0 – 60	4,029	3,014	100.00
16.	Thung Mahamek	Neighborhood Shopping Center	2 – 0 – 85	3,521	2,894	100.00
	Grand Total		32 – 2 – 92	36,972	31,274	99.44

Note : As of February 25,2004

Project No.7-14 occupied by B-Quik, the auto service center.

Market and Competition

Industry Overview

Shopping center development and management business directly relates to retail business. As the retail business expands, demand for business premise will increase accordingly.

Over the past 2 – 3 years, domestic retail business has grown significantly due to the entrance of many foreign retailers. Retailers from overseas with high investment power opened a great number of branches both in Bangkok and upcountry. Such growth was also attributable to an increase in consumer spending as a result of economic recovery from recession during the year 1997 – 1999 in the country. In addition, the change in lifestyle of domestic consumers from buying products from the traditional retail stores, e.g. grocery stores and wet markets, to the shopping centers and modern trade retail stores helps spur the business in the shopping centers.

Industry Outlook

Retail business in Thailand has a tendency to continue to grow, which, in the same direction, will create continuous growth to the shopping center development and management business. Most of the existing retailers in the country plan to continue their business expansion. Moreover, some of the discount store retailers, such as Tesco Lotus and Big C, have a definite plan to expand their branches in form of supermarket in the neighborhood shopping centers operated by the Company as a result of a new regulation of the Ministry of Interior and Bangkok zoning. Other retailers who have no presence in the country, e.g. drugstore, furniture store and supermarket, also plan to enter Thailand market.

Industry Competition

There is an intense competition for close shopping center development and management business in Thailand. However, level of competition for open shopping center is lower as there are not many players in the market, many of which have closed its operation during the economic recession in the past few years while the remaining are not direct shopping center developers and management providers. Although some competitors are the owners of the land with high investment power, they are not specialists in the business per se.

Shopping center development and management business requires intensive operational experience and fundamental knowledge. For example, A) selecting the right land plot needs to take into consideration of the location, entrance and exit, land size, zoning, traffic condition and direction in the neighboring area, number of population in the area and passer by, population expansion tendency, numerous related laws and regulations, utility system, number of competitors in the area, etc. B) business feasibility study, e.g. level of land rental, level of rental and service fee chargeable from the customers, land development cost, cost of construction, exterior design, electricity, water and telephone system installation, investment and cash management and return on investment C) understanding of the business trend, e.g. appropriate concept of open shopping center which meets the requirement of tenants and consumers and appropriate tenant mix D) relationship with tenants in which the tenants must be confident that their business in the Company's



shopping center area will be successful. For example, the shopping center developer and management provider should not do the business that compete with its tenants. The project concept should not be changed and any future construction which would be detrimental to any tenant should not be made throughout the long-term lease of 10 – 30 years, and E) knowledge and experience in common area management (CAM) in order to ensure that the project is run smoothly and in an orderly manner.

The fact that intensive experience and fundamental knowledge in the shopping center development and management business is required as mentioned above could be one of the major barriers of entry. As a result, only a small number of direct competitors exist. And, at the same time, the new entrants find it difficult to operate business successfully or to establish trust with tenants within a short period of time.



Risk Factors

Risk of land acquisition for new projects

Land is the major raw material in developing and managing the shopping centers. The search for land in a proper area with the upside potential for the business both operationally and financially may take some time. In some area, there are only a few suitable places available. In renting or purchasing the lands, the negotiation with landlords can take both time and effort especially when there are many owners involved in the negotiation. Moreover, the expansion of large modern trade retailers would elevate the Company's risk in the search of lands for new projects as those retailers will compete with the Company in the searching process.

However, with long-time experience in the business, management of the Company has effective skills and techniques in contacting and negotiating with landlords. Thus, the Company has received considerably good conditions in rental agreements for every project. The Company also received the advices from retailers on the land which retailers would like the company to develop the new projects.

About the competition with other retailers in land acquisition, the Company will moderate the risk by signing the memorandum of understanding with landlords before negotiation in order to prevent the owners from contacting with other retailers. The Company tries not to offer higher price for the lands to compete with retailers since the higher price affects the project feasibility or the profit level. In contrast, the Company will negotiate with other competing retailers to develop and manage the shopping centers for them instead.

Risk of Business Competition

Risk of business competition mostly incurred from the indirect competitors, which are retailers who want to develop and manage the shopping centers themselves. Those retailers would compete with the Company in land acquisition and customers and tenants' attraction. The Company also faces risk of lower number of consumers which are tenants' customers if there are other new shopping centers opened in the nearby areas. This will affect the businesses of tenants, which in turn has an affect on the occupancy rates and rental and service fees of the company. From the past experience, the indirect competition does not have strong impact on the company as the company's projects located in the most outstanding location in the area. In addition, the coverage areas¹ of the Company's open shopping centers² are only 1-2

Note

¹ Coverage Area is defined by the household area of which the target consumer for tenants located.

² Open Shopping Center is the shopping center where the parking lots are provided in the front of center. There are normally 1-3 Floors in comprise of 1-3 buildings shaped in either straight line, L shape or U shape. The air-condition corridor shall not be found on this type of center. On the other hand, Enclosed Shopping Center has parking area and shopping area within the building. The air-condition is provided among retail shops. At present, most of Thailand shopping center are account for this type of center such as Central Plaza, The Emporium, Seacon Square, Maboonkrong, Siam Discovery and Future Park.



kilometers, thus, the company is not significantly affected from the opening of new shopping centers in the same area.

However, in order to reduce the effect of competition and to maintain the occupancy rate and rental and service fees, the company has done promotions occasionally and rolled over the tenants on the magnet areas to attract more tenants and consumers to the shopping centers. Presently, there are new shopping centers opens nearby the Company's Bang-Bon project and Pracha-Uthit project. However, the occupancy rates in both of the Company shopping centers are still higher than 90% all the time.

The Company also faces direct competition but at the low magnitude because there are few numbers of open shopping center operators and most of them are small entrepreneurs who are not professional operators. Besides, the other large capitalized competitors For example the discount stores such as Tesco Lotus and Big C are tendency to focus only on retail distributors. Therefore, these competitors are likely to be our potential business partner by our project management services.

Risk of Dependence on Anchors of the Neighborhood Shopping Centers

Anchors¹ in the neighborhood shopping centers will draw co-tenants² to Company's projects. Therefore, the Company would incur risk if the anchors terminate the contracts or close their businesses, in which may cause the co-tenants to terminate contracts with the Company. This results in the lower revenue of the firm. However, the Company has requested the down payments of rental and service fees from all anchors and some co-tenants on the contract date, so the risk would be much lower. In case that the anchors terminate the contracts because of their internal policy such as when Seiyu Supermarket ("Seiyu") from Japan, the previous anchor of Sukhapibal 3 neighborhood shopping center³, had policy to close its foreign stores, Seiyu then found another anchor (with approval from the Company) to re-rent the spaces (at present, Tops Supermarket is the anchor at Sukhapibal 3 neighborhood shopping center). The Company then earns revenue continuously. In developing and managing 14 branches of B-Quik Auto Service Center, the Company has signed the long-term rental contracts with every land lord on the condition that the Company can terminate the rental contracts if B-Quik terminates the business with the Company. Therefore, the Company is not accountable for the rental expenses with income from B-Quik. Moreover, if any tenants close the businesses and do not pay rental and service fees, the Company can repossess the spaces and re-rent to other anchors without refunding of prepaid rental and services fees.

Note :

1 Anchors are the leasee who take major of the project rental space, commonly they are supermarkets or drug stores. These anchors would be like magnet for co-tenants to take other rental spaces in the project.

2 Co-tenants refer to the retail shops who join parts of the project's leasable area such as restaurants, beauty salon, book stores, video rental shops, language school, and clinic.

3 Neighborhood Shopping Center is a moderate size of shopping center nearby the community. It is designed for the consumer's convenience. Common size of these shopping center is about 3-5 Rai, providing the rental spaces about 2,700-14,000 Sq.m. The attraction to draw the consumers will be the Anchors such as supermarkets or drug stores complied with other 15-20 tenants who regularly are restaurants, book stores and etc.



Currently, the Company believes that there will be no problem in finding new tenants especially the anchors because of the continuous expansion in retail business. The Company also frequently receives rental demand from potential tenants.

Risk of Finding Tenants

The Company may have risk in finding tenants in some shopping centers such as Bang Bon Project and Pracha Uthit Project where the Company has longer – term contracts with landlords but has only 15- year and 20-year contracts with tenants, respectively. Therefore, in the 15th and 20th year of mentioned projects, the Company has to find other anchors to rent the spaces for another 15 years and 10 years accordingly. However, the Company believes that there will be no problem in finding the new tenants because of the rapid expansion in retail business. The Company also receives rental demand from potential tenants continuously.

Another risk is the risk in finding tenants to meet 100% occupancy rate especially in some space that are not of the interest of tenants such as on the 3rd floor of the shopping centers. The Company solves the problem by finding tenants who do not require the space on the 1st and 2nd floors but prefer quiet atmosphere on the 3rd floor and lower rental fee when compare to the 1st and 2nd floors such as language schools, tutorial schools, and tae kwon do schools.

Though there are only few spaces left in some shopping centers, the Company strictly consider tenants who are not directly compete with the existing ones, operate the moral businesses, have strong financial position, and create the good tenants mix of each project.

Risk of an Increasing cost of Land for the New Projects

The cost of lands for new projects may increase either because the rental fees increase or because the Company has to purchase the lands. Rental fees may increase due to higher market price of land, The Company may have to purchase land due to landlords want to sell instead of renting in the long-run and there are no other good potential areas for shopping center development in each region. Generally, the Company chooses to develop only the profitable projects. If cost of the lands increase, the Company would charge higher rental and service fees in order to sustain the current rate of return. Then, the Company can reduce risk if an increasing cost of lands. Due to the stronger competition in retail business, most retailers are willing to pay high rental charge to take advantage of the superior locations over the competitors

Risk of Discontinuity on Projects

As the Company rents lands from landlords for the shopping center operation, the Company incurs risk if the rental agreements are not extended after they are expired. However, the Company has long-term rental agreements for every current projects and the remaining life of the contracts exceed 10 years(except Ramindra KM.2 project, Bangkae project, and Pattanakarn project where there are remaining 8,7,and 4 years contract life respectively.) However, the Company intends to extend the contracts as appropriate.

**Risk of Dependence on Limited Numbers of Experienced Personnel**

The development and management of shopping centers require experienced and expert personnel for land acquisition, concept design of projects, tenant finding, and management of the project and common areas. If the Company loses or does not have sufficient number of personnel, the operation would be affected. The Company has prevented this type of risk by, firstly, providing both on-the job training and outside training to improve knowledge, skills, and experience of the employees. Employees of the Company can rotate to do the job in case some resign. Moreover, the Company encourages the employees to acquire additional knowledge about developing and managing the shopping centers. The Company also provides additional source of information, for instance, books, magazines, and other related techniques that concern the business so that employees have sufficient knowledge and are able to apply the knowledge to actual operations.

Risk of Future Exercise of Warrants

The Company has allotted the newly common shares for the exercise of warrants, which now remain 170,655,827 shares after the 4th exercise on 30 December, 2003. Though there will be no dilution effect on existing shareholders and the investors if exercise all warrant, the exercise of warrants in the future will reduce the earning per share if the company cannot generate sufficient profit to compensate the increase in numbers of shares from the exercise of warrants.

To reduce this risk, the company plans to open new neighborhood shopping centers and other type of open shopping centers in the future. Source of capital would be from the company's working capital, loans from financial institution (if necessary to lower the corporate income tax and increase return to shareholders) and capital from the exercise of warrants. The increase of profit from expansion would help lower the impact of the exercise of warrants on earning per share.

Risk of Adjustment of Exercise Price and Exercise Ratio of Warrants

The prospectus section 4 No. 1.14 regarding the conditions on the adjustment of warrants stated that the company has to adjust the exercise price of warrant and the exercise ratio in order to maintain the benefits of warrant holders if some situations occur and affect their benefits after the issue of warrants.

Nevertheless, the adjustment will only reflect the intrinsic value of the warrants but ignore the effect of time value of the warrants. Thus, warrant holders incur the risk of receiving lower benefits as the adjustment cannot fully compensate for the benefits of warrant holders.



Shareholding Structure and Management

Shareholders

The top 10 major shareholders as listed in the shareholders' registration as at 21 November 2003 are as follows:

	Name of Shareholders	Number of Shares	Percentage
1.	Witoonchart Group	37,164,840	15.6%
2.	Suttapong Group	36,170,362	15.2%
3.	Jantaraprapa Group	26,826,362	11.3%
4.	Major Cineplex Group Public Company Limited	60,000,000	25.3%
5.	Mr. Atikrai Jathikavanich	10,000,000	4.2%
6.	Credit Agricole Indosuez Luxembourg	6,750,000	2.8%
7.	Ms. Puntaree Sawangwongsakul	5,019,750	2.1%
8.	Kim Eng (Thailand) Securities Public Company Limited	3,750,000	1.6%
9.	Ms. Sasithorn Ek-attasit	3,425,454	1.4%
10.	Ms. Nisakorn Dhevakul na Ayudhaya	3,000,000	1.3%
	Total	192,106,858	80.9%



Management Structure

Directors of Siam Future Development Public Company Limited can be divided into 3 categories as follows:

- Board of Directors
- Executive Board of Directors
- Audit Committee

- Board of Directors

The Company's Board of Directors consists of 11 directors as follows:

	First Name – Last Name	Position
1.	Mr. Oranop Jantaraprapa	Chairman
2.	Mr. Pongkit Suttapong	Vice Chairman and Chairman of Executive Board
3.	Mr. Nopporn Witoonchart	Director and Chief Executive Officer
4.	Mr. Somnuk Pojkasemsin	Director and President
5.	Mr. Anuphab Akanisirichai	Director and Executive Vice President
6.	Mr. Vicha Poolvaraluck	Director
7.	Mr. Verawat Ongvasith	Director
8.	Mr. Chai Jarungtanapibal	Director
9.	Ms. Nantiya Montriwat	Chairman of the Audit Committee
10.	Mr. Dusit Nontanakorn	Member of the Audit Committee
11.	Ms. Sabaiithip Suntaros	Member of the Audit Committee

Authorized director

Directors authorized to sign on behalf of the Company are Mr. Pongkit Suttapong, Mr. Nopporn Witoonchart, Mr. Somnuk Pojkasemsin and Mr. Anuphab Akanisirichai. Documents must be signed by any two of these Directors and affixed with the Company's stamp to bind the Company.

Authority and Responsibility of the Company's Board of Directors

1. Duty of the Board of Directors

In performing their duties, the Board of Directors has carefully utilized their knowledge, capability and experiences and complied with the Company's objectives, articles of association and shareholders' resolutions for the best interest of the Company and responsibility to the shareholders.

2. Review and approval of the appropriate policy

Except for the matters which prior resolution from the shareholders' meeting is required by law, the Board of Directors is responsible to review and providing opinion on the Company's policies and business strategies proposed by the Executive Board of Directors.

3. Governing of the Executive Board of Directors

The Board of Directors is responsible for supervising the Executive Board of Directors to effectively comply with the policies set forth and the regulations of SET and SEC on the applicable material matters and connected transactions. The Board of Directors may engage an independent advisor to provide professional opinion and/or advice to assist the Board of Directors in making their decisions on the matters materially affect the Company's operations, where necessary.

4. Establishment of an internal audit and control

The Board of Directors has supervised the Company to establish the effective internal control and internal audit systems in order to monitor the operations of the Company and to coordinate with the Audit Committee.

5. Independence of non-executive Directors' duty

The Audit Committee has independently and adequately utilized their discretion in reviewing the Company's strategies, business management, appointment of directors, matters affecting the stakeholders, accessing financial & other business information, operational policies as well as annual budget.

■ **Executive Board of Directors**

The Executive Board of Directors comprises 6 Directors as follows:

	First Name – Last Name	Position
1.	Mr. Pongkit Suttapong	Chairman of Executive Board
2.	Mr. Nopporn Vitoonchart	Executive Director
3.	Mr. Somnuk Pojkasemsin	Executive Director
4.	Mr. Anuparb Akaneesirichai	Executive Director
5.	Mr. Vicha Poonvorluck	Executive Director
6.	Mr. Warawoot Woothivongsa	Executive Director

Authority and Responsibility of the Executive Board of Directors

1. Directors.
2. To approve the new investment projects.
3. To approve the expenses or payments beyond the authority of management.
4. To appoint the staff and manage from the department level and above for the benefits of effective and transparent management.



5. To determine the employees' benefits that suit the situations, and norms and at the same time comply with the prevailing laws
6. To perform other functions as occasionally assigned by the Board of Directors.

The approvals from the Executive Board of Directors discussed above will not include transactions related to members the Board of Directors or person with potential conflict of interest with the Company or subsidiary as well as the connected transactions and acquisition/disposal of the material assets of the Company of which resolution from the shareholders is required pursuant to the SET regulation.

■ **The Audit Committee**

The Audit Committee comprises 3 members as follows:

	First Name – Last Name	Position
1.	Ms. Nantiya Montriwat	Chairman of the Audit Committee
2.	Mr. Dusit Nontanakorn	Member of the Audit Committee
3.	Ms. Sabaihip Suntaros	Member of the Audit Committee

Authority and Responsibility of the Audit Committee

- (1) To review the company's financial report to ensure accuracy and adequacy;
- (2) To ensure that the company has an appropriate and efficient internal control system and internal audit;
- (3) To review the company's performance to ensure compliance with the Securities and Exchange Law, the regulations of the Stock Exchange of Thailand or laws relating to the company's business;
- (4) To consider, select, nominate and propose remuneration of an external auditor;
- (5) To consider the disclosure of the company's information in the case that there is a connected transaction or transaction that may lead to conflict of interest, so as to ensure accuracy and completeness;
- (6) To prepare the Audit Committee report, duly endorsed by the Chairman of the Audit Committee, to be disclosed in the company's annual report; and
- (7) To perform any other tasks as assigned by the Board of Directors with the approval of the Audit Committee

In performing the above-mentioned duties, the Audit Committee is directly responsible for the Board of Directors' action. The Board of Directors, however, continues its responsibility to the external parties for the company's operation.



BOARD OF DIRECTOR

Name / Position	Age (Yrs)	Education	Experience		
			Duration	Position	Company / Type of Business
1. Mr.Oranop Jantaraprapa Chairman of the Board of Director	56	MBA East Texas State University	2002 - Present	Chairman of the board of director	Siam Future Development Plc. Shopping Center Developer
		B.A. (Accountancy) Chulalongkorn University	1996 - 1998	Executive Vice President	Thai Telephone & Telecommunication Plc. Telecommunication
			1990 – 1993	President	International Engineering Plc. Telecommunication
			1983 - 1990	Vice President, Operation Division	The Siam Cement Group Cement
				President	SCT Computer Co.,Ltd. (Siam Cement Group) Computer
				President	Pan Supplies Co.,Ltd (Siam Cement Group) Construction & Supply Machine
				Manager, Accounting department Manager, Trading department Manager, Finance department	Siam Cement Trading Co.,Ltd (Siam Cement Group) International Trading



Name / Position	Age (Yrs)	Education	Experience		
			Duration	Position	Company / Type of Business
2. Mr.Pongkit Suttapong Chairman of Executive Committee, Director and Authorized director	43	MBA (Marketing) National Institute of Development Administration (NIDA)	1994 - Present	Chairman of Executive Committee	Siam Future Development Plc. Shopping Center Developer
		B.E. (Industrial Engineering) Khon-Kaen University	2003 - Present	Board of director committee	SC Asset Corporation Plc. Real Estate Developer
			1994 - Present	Chairman of Board of Directors	Thonglor Pet Hospital
			1993 - 1994	Director & General Manager	The International Engineering Public Co., Ltd. Telecommunication
			1990 - 1993	Senior Vice President	
		Director Certification Program(DCP)	1986 - 1989	Mobile Phone Department Manager	
			1992 - 1994	Director	Shinawatra Telewitz Co.,Ltd Commerce & Service
			1991 - 1994	Director	Micronetic Co., Ltd. Telecommunication
		1989 - 1990	Regional Marketing Manager (South East Asia) Nokia Mobile Phone	Nokia (SEA) PTE. LTD, Singapore Office Mobile Phone	
		3. Mr.Nopporn Witoonchart Chief Executive Officer Director Authorized director	38	B.E.(Computer Engineering), King Mongkut's Institute of Technology	1994 - Present
1994 - Present	General Manager				Sieng Somboon Co.,Ltd. Shopping Center Developer
1990 - Present	Executive Director				Witoon Holding Co.,Ltd. Real Estate
1987 - 1990	Engineer				SCT Computer Co.Ltd. (Siam Cement Group) Computer



Name / Position	Age (Yrs)	Education	Experience		
			Duration	Position	Company / Type of Business
4. Mr.Somnuk Pojkasemsin President Director Authorized Director	46	MS. (Accounting) Thammasat University	2002 - Present	President Director	Siam Future Development Plc. Shopping Center Developer
			2001 - 2002	Corporate Services Group Director	MotivationAsia (Thailand) Ltd. Marketing Service
		B.A. (Accounting) Chulalongkorn University	1995 - 1999	Senior Vice President Internal Affair	International Engineering Public Co., Ltd. (IEC) Telecommunication
			1991 - 1995	Vice President Finance and Administrative Division	
			1988 - 1991	Finance Manager	Bangkok Weaving Mill Co., Ltd Weaving
			1985 - 1988	Cost Accountant	Laem-Thong Corporation Agricultural Industry
		1980 - 1985	Senior Auditor	SGV-Na Thalang & Co., Ltd Audit Firm	
		5.Mr.Anuphab Arkaniairichai Executive Vice President Director And Authorized Director	47	MBA (Marketing), National Institute of Development Administration (NIDA)	1994 - Present
1993 - 1994	Distribution Center Manager				F.E. Zuellig (Bangkok) Co.,Ltd. Pharmacy
B.S. (Agriculture) Kasetsart University	1991 - 1992			Credit & Collection Manager	Shinawatra Directories Co.,Ltd.
	1988 - 1990			Production Planning Manager	Telephone Directory
	1985 - 1987			Printing & Distribution Manager	AT&T Directories (Thailand) Co.,Ltd. Telephone Directory



Name / Position	Age (Yrs)	Education	Experience		
			Duration	Position	Company / Type of Business
6. Mr. Vicha Poolvaraluck Director	39	MBA - Marketing Sandiago University, USA.	2003 - Present	Director	Siam Future Development Plc. Shopping Center Developer
			1998 - Present	Chairman of the Board of Directors President	Major Cineplex Group Plc. Cinema and Bowling
		B.A. (Accounting) Chulalongkorn University	2003 - Present	Director	California Fitness Center Co.,Ltd Fitness Center
7. Mr. Verawat Ongvasith Director	32	MBA. Boston University, USA.	2003 - Present	Director	Siam Future Development Plc. Shopping Center Developer
			1998- Present	Director	Major Cineplex Group Plc. Cinema and Bowling
		Director		Ratchayotin Realty Co.,Ltd Property Developer	
		Director		Ratchayotin Cinema Co.,Ltd Cinema	
		2003 - Present	Director	California Fitness Center Co.,Ltd Fitness Center	
8. Mr. Chai Jarungtanapibal Director	47	Ms. (Accounting) Thammasat University	2003 - Present	Director	Siam Future Development Plc. Shopping Center Developer
			20032- Present	Chairman of the Audit Committee	Major Cineplex Group Plc. Cinema and Bowling
		B.A. (Accounting) Chulalongkorn University		2000 - Present	Independent Director



Name / Position	Age (Yrs)	Education	Experience		
			Duration	Position	Company / Type of Business
			1998 - 1999	Executive Consultant	Minor Group Hotel, Food & Beverage
9. Ms.Nantiya Montriwat Chairman of the Audit Committee	55	MS.(Mathematical Insurance) University of Manitoba Canada	2003 - Present	Chairman of the Audit Committee	Siam Future Development Plc.
			2002-2003	Member of Audit Committee	Shopping Center Developer
			2000 - Present	Senior Executive Vice President	Muang Thai Life Insurance Co.,Ltd
		Bachelor of Statistic Chulalongkorn University	1995	Executive Vice President	Insurance
			1990	Executive Vice President	
			1988	Senior Director, Administration division	
			1979	Director, Administration division	
10. Mr.Dusit Nontanakorn Member of Audit Committee	56	Executive Program Harvard University	2002 - Present	Member of Audit Committee	Siam Future Development Plc. Shopping Center Developer
		Executive Program Stanford University	1999 - Present	President	Siam Cement Trading Co.,Ltd (SiamCement Group)
		MBA (Marketing), University of California, in Los Angeles (UCLA)	1995	Executive Vice President	The Siam Cement Group Ceramic Industry
			1991 - 1995	President	Siam Gardian Glass Co.,Ltd Glass Industry



Name / Position	Age (Yrs)	Education	Experience			
			Duration	Position	Company / Type of Business	
		Ms.(Civil Engineering) Ohio State University	1987 - 1991	President	Siam Cement Trading Co.,Ltd (SiamCement Group) Building & Decoration materials	
			1982 - 1987	Director, Distribution Division		
			1981 - 1982	Director, Public Relation Division		
		Bachelor in Science of Civil Engineering Youngstown State University, Ohio	1979 - 1981	Chief of Marketing Division		
			1977 - 1979	Chief of Construction, Sales and Public		
11.Ms. Sabaithip Suntaros Member of Audit Committee	56	B.A. (Accounting) Chulalongkorn University	2003 - Present	Member of Audit Committee	Siam Future Development Plc. Shopping Center Developer	
			2002 - Present	Member of working group		Tisco Charity Foundation
			2001 - 2002	Senior Director Custodian Services		TISCO Finance Plc.
			1997 - 2001	Senior Director Financial Division		TISCO Finance Plc.



Management

Name / Position	Age (Years)	Education	Experiences		
			Period	Position	Company
1. Mr. Pongkit Suttapong Chairman of Executive Committee And Authorized Director	43		Please see the Details in Board of Directors.		
2. Mr. Nopporn Witoonchart Chief Executive Officer, Director and Authorized Director	38		Please see the Details in Board of Directors.		
3. Mr. Somnuk Pojkasemsin President, Director and Authorized Director	46		Please see the Details in Board of Directors.		
4. Mr. Anuphab Arkanisirichai Executive Director and Executive Vice President	47		Please see the Details in Board of Directors.		
5. Miss Sumontha Meksingwee Vice President — Accounting Division	35	Certificate of Auditing Chulalongkorn University	2539 - Present	Vice President — Accounting Division	Siam Future Development PLC. Shopping Center Development
		Bachelor of Accounting The University of the Thai Chamber of Commerce	2533 - 2539	Senior Auditor	Deloitte Touche Tomutsu (Thailand) Co.,Ltd. Audit Firm



Selection of the Directors and Executives

The Company does not have a committee to select the Directors. The qualification, capability, experience and availability to regularly attend the meeting with the Board of Directors are the criteria considered by the Company in selecting the Directors. However, the appointment of Directors must be approved by the resolution of shareholders' meeting, according to the following procedures:

1. Each share has one voting right.
2. Each shareholder may exercise all of his/her voting rights pursuant to 1) above to appoint one or several persons as Director(s). In case the shareholder votes for more than one person, his/her voting right must be allocated equally among the nominees voted for by such shareholder.
3. The Directors will be appointed based upon the number of votes of each nominee and the number of nominees to be appointed will be in accordance with the then vacancy. In a situation where there is more than one nominee with equal number of votes, the final selection will be made by Chairperson of the meeting at his/her discretion.

In the first and second year after becoming a public company, the term of service of one-third of the Board of Directors will expire randomly. In the following years, the Directors who have been in their position for the longest period will be automatically ceased from service. However, the leaving Directors according to their term of service may be re-elected.

Report on Compliance with Principles of Good Corporate Governance

The Board of Directors recognizes the role, duty and responsibility in compliance with the Code of Best Practices for a listed company to ensure the transparency and to increase credibility and sustainable prosperity of the Company. The Company is in compliance with principles of good corporate governance by determining approach, policy and operational method which suits the nature of the organization characteristics with material contexts as follows:

1. Policy on corporate governance

The Company sets a policy regarding corporate governance and provides a great effort in treating all parties equitably, whether shareholders, stakeholders or other persons related to the Company, by disclosing sufficient information in a transparent and provable manner. The Company establishes an evaluation and risk control policy to control operational risk which may not be avoidable. It sets a sufficient control and internal audit, and policy on business conduct to be in accordance with the laws and business ethics.

2. Shareholders' right

The Company recognizes the importance of the right of shareholders and sufficient and prompt information necessary for decision making. Report of the news and information of the Company is provided in accordance with the regulations of related agencies. For example, in an invitation to the shareholders' meeting, the Company delivers invitation letter for shareholders' meeting together with annual report, supporting information required for the meeting agenda and opinion of the Board of Directors prior to the meeting date as abided by the laws. The shareholders are entitled to vote and appoint a proxy to attend the meeting on their behalf. The document containing such information is provided to the shareholders in accordance with the SET regulations. The Company's news is also reported via electronic system through the SET.

3. Stakeholders' right

The Company recognizes the importance of the rights of all groups of stakeholders by continually considering a protection of the rights and fair treatment among all groups of stakeholders, e.g. fair treatment to business counterparts, arrangement to provide to the staff and management remuneration in accordance with the scope of work, strict compliance with related laws and regulations.

4. Shareholders' meeting

The Company's Directors recognize the importance of participation in all shareholders' meeting. In 2003, 2 shareholders' meetings, one being annual ordinary meeting and one extraordinary meeting, were held. All Directors participated in these meetings. The Chairman of the meeting provided an equal opportunity for the shareholders to raise their inquiries and express their opinion and suggestions. The Company replied and provided complete information as requested by the shareholders.

5. Leadership and vision

The Board of Directors participates in providing approval in determining vision, duty, strategy, target, business plan and budget of the Company. The Board of Directors also clearly determines duty of the Executive Board of Directors and management, and supervises the management to effectively and efficiently perform in accordance with the set plan and budget.

6. Conflict of interest and use of internal information

To prevent the operation which might cause conflict of interest, the Company sets the policy on operation and transactions which might cause conflict of interest and connected transactions, and determines regulations prohibiting the management from using internal information for their personal interest as follows:

- It is the Board of Directors' authority to consider the connected investment or transaction. Directors who are connected to and/or have interest in such transaction are prohibited from voting on such matter in the meeting.
- The Company requires the Directors and management to report on a change in their holding of the Company's shares in compliance with the SEC regulations.
- The Company prohibits the management from trading the Company's shares for a period of 1 month prior to a release of the Company's financial statements to public.

In addition, the Company supervises the use of internal information by requiring the management and staff to keep the information regarding the Company and its customers confidential and prohibiting the use of such information available to them by authority for their personal interest or other purposes which might cause damage to the Company and its customers.

7. Business ethics

The Company' commitment requires the Board of Director, management and staff to conduct their duties with loyalty, fairness and responsibility which will ensure the transparency and provability of the operation.

8. Balance of power for non-executive Directors

In the Company's Board of Directors, 6 of them are executive Directors, 2 non-executive Director and 3 independent Directors. Independent Directors accounts for 30% of the Board of Directors which balance the power to ensure effectiveness of the management.

9. Segregation of positions

Chairman of the Board of Directors is a different person from Chairman of the Executive Board. These two positions have clearly separated duty and authority to provide confidence to the shareholders and stakeholders on the independence and appropriate balance of power.

10. Remuneration for Directors and management

The remuneration policy for Directors and management is clearly set. The shareholders will determine a fixed amount of Directors' remuneration annually. The Board of Directors establishes a policy regarding Directors' remuneration in an appropriate level which is sufficient to attract and retain the capable Directors. Remuneration for Directors and management for 2003 consists of salary and meeting allowance totaling Baht 14.05 million:

10.1 11 members of the company's Board of Directors received total meeting allowance of Baht 2.91 million.

10.2 7 Executive Directors and management received total remuneration of Baht 11.14 million.

10.3 No remuneration was paid in non-cash items.

11. Board of Directors' meeting

The Board of Directors' meeting is normally held every 3 months with a meeting date set in advance. Additional meeting may be called if required. The company's secretarial department will prepare the documents, meeting invitation letter together with meeting agenda at least 7 days prior to the meeting to allow sufficient timing for the Board of Directors to study on the information prior to attending the meeting. In 2003, 9 Board of Directors' meetings were held and each meeting took about 3 – 4 hours. The secretarial department had noted and prepared the minutes of all meetings in writing, and had kept the minutes certified by the Board of Directors to be examined by other parties.

12. Control and internal audit system

The company recognizes the importance of a good internal control system to ensure transparency and to develop the operational system which will maximize the operational efficiency. However as the company is considered a moderate size company in term of the number of staff with a simple management structure which is considered one of the company's advantages. The internal control and internal audit can be conducted quite easily through the review of the hierarchy of approval and authority, flow of document and clear separation of the duty. In addition, the company arranges to have balance power and cross examination in an appropriate manner and appropriate control of use of the company's asset in the way that the company's benefit can be optimized.

The company also arranges to have a risk management to mitigate any damage which might be arisen by seeking opinion from an independent financial expert before entering into risk involved transactions, e.g. registration of the high-priced long-term lease of land comparing with the company's total assets, or offer of ordinary shares through private placement.

13. Directors' report

The Board of Directors is responsible for the company's financial statements and financial information provided in the annual report. They need to ensure that such financial statements are prepared in conformity with the Generally Accepted Accounting Principle of Thailand using the most appropriate accounting policy which is consistently applied, based on their conservative judgment and forecast. The Board of Directors needs to ensure that material information is sufficiently disclosed in the notes to financial statements. The Board of Directors



establishes an efficient internal control system to reasonably ensure that the accounting records are correct, complete and sufficient to control assets and to reasonably create creditworthiness of the company's financial statements.

14. Relationship with the investors

The company has not established a specific unit to particularly deal with the investor relation issues as the level of such transactions is still modest. However the company assigns appropriate persons to, as appropriate, answer the inquiries and communicate with the investors and the analysts from various institutions. The company regularly discloses the information and news through electronic channel and other media of the SET and the company's web-site. The investors can obtain further information regarding the company at tel. (02) 729-4969 or <http://www.siamfuture.com>.



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2003 AND 2002



Report of Independent Auditor

To the Board of Directors and Shareholders of

Siam Future Development Public Company Limited

I have audited the balance sheets of Siam Future Development Public Company Limited as at 31 December 2003 and 2002, and the related statements of earnings, changes in shareholder's equity and cash flows for the years then ended, and the consolidated balance sheet of Siam Future Development Public Company Limited and its subsidiary as at 31 December 2002, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the companies' management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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 provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Siam Future Development Public Company Limited as at 31 December 2003 and 2002, the results of its operations and cash flows for the years then ended, and the financial position of Siam Future Development Public Company Limited and its subsidiary as at 31 December 2002, the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.



As discussed in Note 18 to the financial statements, the Annual General Meeting of the Company's shareholders resolved to net the deficit of Baht 22.98 million as at 1 January 2002 against the share premium arising as a result of the increases in the Company's share capital in July and December 2002. The Company's management has received confirmation from an independent legal counselor that this resolution does not contravene the relevant laws, and the Company has therefore recorded the above transaction by restating the financial statements as at 31 December 2002, presented herein for comparative purposes.

As discussed in Note 2 to the financial statements, there is no presentation of the consolidated financial statements for the year ended 31 December 2003 of Siam Future Development Public Company limited and its subsidiary since the Company sold all of its investment in the subsidiary to unrelated parties in March 2003.

A handwritten signature in black ink, appearing to read 'S. Phanyawattano'.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 10 February 2004



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	Consolidated	The Company Only	
		2002 (Restated)	2003	2002 (Restated)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		24,717,761	94,411,637	24,403,829
Current investments	4	81,202,010	178,243,609	81,202,010
Trade accounts receivable				
Unrelated parties		2,871,044	26,346,376	2,757,815
Related parties	5	-	-	24,873
Total trade accounts receivable		2,871,044	26,346,376	2,782,688
Short-term loans to other company	6	-	-	5,000,000
Other current assets				
Prepaid expenses		1,485,651	4,061,046	1,478,984
Advances		8,912,159	512,159	8,912,159
Others		7,005,081	11,311,327	6,804,272
TOTAL CURRENT ASSETS		126,193,706	314,886,154	130,583,942
NON-CURRENT ASSETS				
Fixed deposits with restrictions	7	3,151,400	24,351,400	3,151,400
Property, plant and equipment - net	9	443,239,542	510,746,591	440,630,726
Other non-current assets				
Retentions for leased land and services		3,668,468	16,699,668	2,699,668
Deposits for utility use		1,482,318	874,409	1,298,318
Withholding income tax		2,476,937	2,465,780	2,465,780
Others		390,553	2,702,390	263,153
TOTAL NON-CURRENT ASSETS		454,409,218	557,840,238	450,509,045
TOTAL ASSETS		580,602,924	872,726,392	581,092,987

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	Consolidated	The Company Only	
		2002	2003	2002
		(Restated)		(Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank overdrafts and loans from financial institutions	10	17,241,935	45,306,243	17,241,935
Trade accounts payable		18,382,462	6,351,643	18,382,462
Current portion of unearned rental and service income		26,488,147	26,495,639	26,488,147
Current portion of liabilities under financial lease agreements		1,858,362	2,022,627	1,858,362
Current portion of hire purchase creditor		1,132,118	1,208,855	1,132,118
Other current liabilities				
Corporate income tax payable		1,345,907	5,779,614	1,345,907
Others		10,926,658	17,415,730	10,382,798
TOTAL CURRENT LIABILITIES		77,375,589	104,580,351	76,831,729
NON-CURRENT LIABILITIES				
Unearned rental and service income - net of current portion		270,915,209	244,524,439	270,915,209
Liabilities under financial lease agreements - net of current portion		5,113,331	3,090,704	5,113,331
Hire purchase creditor - net of current portion		3,292,645	2,083,789	3,292,645
Deposits and lease retentions		69,950,744	80,096,830	69,948,244
Provision for loss of subsidiary	8	-	-	1,036,423
TOTAL NON-CURRENT LIABILITIES		349,271,929	329,795,762	350,305,852
TOTAL LIABILITIES		426,647,518	434,376,113	427,137,581

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	Consolidated	The Company Only	
		2002 (Restated)	2003	2002 (Restated)
SHAREHOLDERS' EQUITY				
Share capital	11, 12			
Registered				
500,000,000 ordinary shares of Baht 1 each				
(2002 : 150,000,000 ordinary shares of Baht 1 each)		150,000,000	500,000,000	150,000,000
Issued and fully paid				
237,499,935 ordinary shares of Baht 1 each				
(2002 : 71,000,000 ordinary shares of Baht 1 each)		71,000,000	237,499,935	71,000,000
Share premium	11, 18	49,137,035	117,154,844	49,137,035
Share subscription received in advance	12	-	31,844,173	-
Unrealised gains from changes in fair value of investments in available-for-sale securities		-	16,328	-
Retained earnings				
Appropriated - statutory reserve	13, 18	1,690,919	3,479,250	1,690,919
Unappropriated	18	32,127,452	48,355,749	32,127,452
TOTAL SHAREHOLDERS' EQUITY		153,955,406	438,350,279	153,955,406
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		580,602,924	872,726,392	581,092,987

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

DIRECTORS



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED

EARNINGS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2002	2003	2002	2002
REVENUES					
Rental income		51,803,179	68,329,612	51,803,179	
Service income and location procurement fees		58,314,197	60,481,721	58,314,197	
Utility service income		20,185,921	29,775,559	20,185,921	
Food sales		1,890,874	-	-	
Other income					
Gain on sales of investment in subsidiary		-	1,938,662	-	
Others		5,717,365	8,596,770	5,841,211	
TOTAL REVENUES		137,911,536	169,122,324	136,144,508	
EXPENSES					
Cost of rental and services		59,551,552	85,409,183	59,551,552	
Cost of food sales		1,903,949	-	-	
Selling and administrative expenses		23,493,125	34,035,766	21,593,623	
Directors' remuneration	14	1,780,000	2,910,000	1,780,000	
Share of loss from investment accounted for under equity method		-	392,239	1,546,423	
TOTAL EXPENSES		86,728,626	122,747,188	84,471,598	
EARNINGS BEFORE INTEREST EXPENSES, INCOME TAX AND MINORITY INTEREST					
		51,182,910	46,375,136	51,672,910	
INTEREST EXPENSES		(721,091)	(860,347)	(721,091)	
CORPORATE INCOME TAX	15	(17,133,448)	(9,748,161)	(17,133,448)	
EARNINGS BEFORE MINORITY INTEREST		33,328,371	35,766,628	33,818,371	
MINORITY INTEREST IN LOSS OF SUBSIDIARY		490,000	-	-	
NET EARNINGS FOR THE YEAR		33,818,371	35,766,628	33,818,371	
EARNINGS PER SHARE					
Basic earnings per share					
Net earnings	17	0.47	0.23	0.47	
Diluted earnings per share					
Net earnings	17	0.46	0.16	0.46	

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

Consolidated

	Note	Consolidated					Total
		Issued and fully paid share capital	Share premium	Unrealised gains from changes in fair value of investments in available-for- sale securities	Retained earnings Appropriated- statutory reserve	Unappropriated (deficit)	
Balance as of 31 December 2001		20,000,000	-	126,293	-	(22,983,322)	(2,857,029)
Issue of ordinary shares at premium	11	51,000,000	72,120,357	-	-	-	123,120,357
Appropriation to statutory reserve	13	-	-	-	541,752	(541,752)	-
Reclassify investments in available-for-sale securities							
to investments in securities for trading		-	-	(126,293)	-	-	(126,293)
Net earnings for the year		-	-	-	-	33,818,371	33,818,371
Balance as of 31 December 2002 - as previously reported		71,000,000	72,120,357	-	541,752	10,293,297	153,955,406
Effect from net deficit against share premium	18	-	(22,983,322)	-	1,149,167	21,834,155	-
Balance as of 31 December 2002 - restated		71,000,000	49,137,035	-	1,690,919	32,127,452	153,955,406

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

		The Company Only						
				Share	Unrealised gains	Retained earnings		
		Issued and	subscription		from changes in fair			
		fully paid	received in		value of investments	in available-for-	Appropriated-	Unappropriated
Note	share capital	Share premium	advance	sale securities	statutory reserve	(deficit)	Total	
	Balance as of 31 December 2001	20,000,000	-	-	126,293	-	(22,983,322)	(2,857,029)
	Issue of ordinary shares at premium	51,000,000	72,120,357	-	-	-	-	123,120,357
	Appropriation to statutory reserve	-	-	-	-	541,752	(541,752)	-
	Reclassify investments in available-for-sale securities							
	to investments in securities for trading	-	-	-	(126,293)	-	-	(126,293)
	Net earnings for the year	-	-	-	-	-	33,818,371	33,818,371
	Balance as of 31 December 2002 - as previously reported	71,000,000	72,120,357	-	-	541,752	10,293,297	153,955,406
	Effect from net deficit against share premium	-	(22,983,322)	-	-	1,149,167	21,834,155	-
	Balance as of 31 December 2002 - restated	71,000,000	49,137,035	-	-	1,690,919	32,127,452	153,955,406
	Issue of ordinary share at premium	166,499,935	68,017,809	-	-	-	-	234,517,744
	Appropriation to statutory reserve	-	-	-	-	1,788,331	(1,788,331)	-
	Dividend payment	-	-	-	-	-	(17,750,000)	(17,750,000)
	Receipt of share subscription in advance	-	-	31,844,173	-	-	-	31,844,173
	Increase in fair value of investments	-	-	-	16,328	-	-	16,328
	Net earnings for the year	-	-	-	-	-	35,766,628	35,766,628
	Balance as of 31 December 2003	237,499,935	117,154,844	31,844,173	16,328	3,479,250	48,355,749	438,350,279

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED
CASH FLOWS STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Consolidated	The Company Only	
	2002	2003	2002
Cash flows from (used in) operating activities			
Net earnings	33,818,371	35,766,628	33,818,371
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities :-			
Depreciation	17,410,526	26,808,492	17,279,456
Amortisation of leaseholds	6,025,065	8,234,578	6,025,065
Share of loss from investment accounted for under equity method	-	392,239	1,546,423
Minority interest in loss of subsidiary	(490,000)	-	-
Gains on sales of investment in subsidiary	-	(1,938,662)	-
Gains on sales of investments in associated companies	(32,400)	-	(32,400)
Gains on sales of securities	(2,485)	(282,562)	(2,485)
Unrealised gains from changes in fair value of trading securities	(258,901)	-	(258,901)
Amortisation of investment premium (discount)	42,047	(35,288)	42,047
(Gains) loss on sales of equipment	(1,127,629)	58,478	(1,127,629)
Realisation of unearned rental and service income	(25,027,995)	(26,383,278)	(25,027,995)
	<u>30,356,599</u>	<u>42,620,625</u>	<u>32,261,952</u>
(Increase) decrease in operating assets :-			
Trade accounts receivable - unrelated parties	(422,750)	(23,588,561)	(309,521)
Trade accounts receivable - related parties	462,017	-	437,144
Withholding income tax	5,807,146	-	5,818,303
Prepaid expenses	(376,395)	(2,582,062)	(369,728)
Advances	(8,912,159)	8,400,000	(8,912,159)
Other current assets	(2,925,198)	(4,411,694)	(2,724,389)
Other non-current assets	(2,251,937)	(16,015,328)	(971,737)
Increase (decrease) in operating liabilities :-			
Trade accounts payable - unrelated parties	18,300,792	(12,030,819)	18,300,792
Trade accounts payable - related parties	(909,500)	-	(909,500)
Corporate income tax payable	(1,329,088)	4,433,707	(1,329,088)
Other current liabilities	4,506,801	7,032,932	3,963,441
Deposits and lease retentions	17,409,307	10,148,586	17,406,807
Unearned rental and service income	22,908,057	-	22,908,057
Net cash flows from operating activities	<u>82,623,692</u>	<u>14,007,386</u>	<u>85,570,374</u>

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED

CASH FLOWS STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Consolidated	The Company Only	
	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash flows from (used in) investing activities			
Increase in fixed deposits with restrictions	(1,140,800)	(21,200,000)	(1,140,800)
Increase in short-term loans to subsidiary	-	-	(5,000,000)
Decrease in short-term loans to related company	190,000	-	190,000
Decrease in short-term loans to other company	-	5,000,000	-
Decrease in short-term loans to director	1,681,492	-	1,681,492
Proceeds from sales of investment in subsidiary	-	510,000	-
Proceeds from sales of investments in associated companies	69,400	-	69,400
Increase in fixed deposits	(70,000,000)	(30,000,000)	(70,000,000)
Increase in treasury bills	-	(64,935,753)	-
Decrease (increase) in investments in debt securities	(3,723,220)	11,407,844	(3,723,220)
Increase in investments in unit trusts	-	(13,250,000)	-
Proceeds from sales of equipment	1,635,514	57,500	1,635,514
Purchases of fixed assets	(146,900,634)	(105,274,913)	(144,160,748)
Net cash flows used in investing activities	(218,188,248)	(217,685,322)	(220,448,362)
Cash flows from (used in) financing activities			
Increase in bank overdrafts and loans from financial institutions	16,257,659	28,064,308	16,257,659
Increase (decrease) in liabilities under financial lease agreements	6,971,693	(1,858,362)	6,971,693
Increase (decrease) in hire purchase creditor	4,424,763	(1,132,119)	4,424,763
Repayment of short-term loans from directors	(4,110,500)	-	(4,110,500)
Proceeds from capital increase	131,500,000	238,259,935	131,500,000
Cash paid for the costs of issuing ordinary shares	(8,379,643)	(3,742,191)	(8,379,643)
Proceeds from the exercises of warrants	-	31,844,173	-
Proceeds from call in arrears of subsidiary	300,000	-	-
Dividend paid	-	(17,750,000)	-
Net cash flows from financing activities	146,963,972	273,685,744	146,663,972
Net increase in cash and cash equivalents	11,399,416	70,007,808	11,785,984
Cash and cash equivalents at beginning of year	13,318,345	24,403,829	12,617,845
Cash and cash equivalents at end of year	24,717,761	94,411,637	24,403,829
Supplemental cash flows information :			
Cash paid during the year for Interest expenses	721,092	860,347	721,092
Cash paid during the year for Corporate income tax	18,473,693	5,325,949	18,462,537

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



SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Siam Future Development Public Company Limited (hereinafter referred to as “the Company”) was incorporated as a limited company under Thai laws and registered to change its status to a public company under the Public Limited Company Act on 13 August 2002. Its principal activity is the space rental building and utilities services, and its registered address is 7/5 Moo 1, Ramkamhang Road, Kwaeng Saphansoong, Khet Saphansoong, Bangkok.

2. BASIS OF CONSOLIDATION

The consolidated financial statements as at 31 December 2002 incorporate the financial statements of Siam Future Development Public Company Limited (hereinafter called “The Company”) and Siam Food Center Company Limited (hereinafter called “Subsidiary”), of which 51 percent of ordinary shares, as at 31 December 2002 amounting to Bath 1 million, are owned by the Company. The subsidiary is engaged in the restaurant business.

As at 31 December 2002, the total assets and total revenues of the subsidiary constituted 0.8 percent of the consolidated total assets and 1.4 percent of the consolidated total revenues.

Outstanding balances and material transactions between the Company and its subsidiary have been eliminated from the consolidated financial statements.

There is no presentation of consolidated financial statements of Siam Future Development Public Company Limited and its subsidiary for the year ended 31 December 2003 since the Company sold all of its investment in the subsidiary to unrelated parties in March 2003.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act B.E. 2543.



Significant accounting policies adopted by the Company are summarised below :-

3.1 Revenues recognition

Rental income is recognised over the period of the lease agreement, while service income is recognised when the service has been rendered.

Location procurement fee is recognised as income when the service contract is signed.

Utilities service income is recognised in the month in which the invoice is issued.

3.2 Unearned rental and service income

This represents rental and service income received in advance from customers under rental and service agreements. It is recognised as income over the terms of the agreement, which are for between 10 and 20 years.

3.3 Investments

Investments in subsidiary and associated companies are stated under the equity method.

Investments in securities for trading, are stated at fair value. The change in the value of investments is included in determining earnings.

Investments in available-for-sale securities are determined at fair value. Gains or losses on changes in the value of investments are shown as a separate item under the shareholders' equity in the balance sheet.

Investments in held-to-maturity securities are determined at cost after amortisation.

Premium and discounts on debt securities are amortised using the effective interest rate method and included in interest income.

3.4 Property, plant and equipment / Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of plant and equipment is calculated by reference to their costs on the straight-line method over their estimated useful lives, which are as follows :-



Leaseholds and leasehold improvements	-	Period of land lease
Building on leased land	-	Period of land lease
Office improvements	-	5 years
Office equipment	-	5 years
Computer and equipment	-	3 years
Vehicles	-	5 years

No depreciation is provided for work in progress.

3.5 Earnings per share

Basic earnings per share is determined by dividing net earnings for the year by the number of ordinary shares, which is determined by multiplying the weighted average number of ordinary shares in issue during the year by an adjustment factor (determined by dividing fair value per share prior to the exercise of rights by the theoretical ex-rights fair value per share) due to the Company made a rights offering to its existing shareholders to purchase additional shares at a price lower than the fair value, as discussed in Note 11 to the financial statements.

Diluted earnings per share is calculated by dividing net earnings for the year, adjusted to reflect the effect of transactions relating to potential shares, by the sum of the weighted average number of ordinary shares in issue multiplied by the aforementioned adjustment factor, and the weighted average number of ordinary shares to be issued for conversion of all potential shares to ordinary shares.

3.6 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.



4. CURRENT INVESTMENTS

As at 31 December 2003 and 2002, the Company had the following current investments :-

	(Unit : Baht)		
	Consolidated	The Company Only	
	<u>2002</u>	<u>2003</u>	<u>2002</u>
Investments in debt securities - trading securities			
Debentures and warrants	8,665,753	-	8,665,753
Government bonds	<u>2,070,000</u>	-	<u>2,070,000</u>
Total	10,735,753	-	10,735,753
Add : Investment premium	<u>207,356</u>	-	<u>207,356</u>
Cost of investments	10,943,109	-	10,943,109
Add : Unrealised gains from changes in fair value of investments	<u>258,901</u>	-	<u>258,901</u>
Fair value of investments	<u>11,202,010</u>	-	<u>11,202,010</u>
Investments in unit trusts - available-for-sale securities			
Investments in open – end mutual fund	-	13,250,000	-
Add : Unrealised gains from changes in fair value of investments	<u>-</u>	<u>16,328</u>	<u>-</u>
Fair value of investments	<u>-</u>	<u>13,266,328</u>	<u>-</u>
Investments in held-to-maturity securities			
Treasury bills	<u>-</u>	<u>64,977,281</u>	<u>-</u>
Fixed deposits	<u>70,000,000</u>	<u>100,000,000</u>	<u>70,000,000</u>
Total current investments	<u>81,202,010</u>	<u>178,243,609</u>	<u>81,202,010</u>

During the current year, the Company invested in unit trusts of open-end mutual fund totaling Baht 13.25 million. The Company intends to hold these investments as available-for-sale securities and recognises changes in fair value of investments as a separate item under the shareholders' equity in the balance sheet.

**5. RELATED PARTY TRANSACTIONS**

The Company had business transactions with subsidiary, associated and related companies (related by way of common shareholders and/or common directors). Such transactions were concluded on the terms and basis as determined by the Company and those companies and in the ordinary course of business. Significant transactions were payments of management fee to an associated company for the year ended 31 December 2002 of approximately Baht 2.5 million (2003 : Nil).

6. SHORT-TERM LOANS TO OTHER COMPANY

Short-term loans to other company (as at 31 December 2002 this company was a subsidiary) comprise promissory notes repayable at call and carrying interest at a rate of 9.25% per annum. During the second quarter of 2003, the Company decreased the interest rate to 2% per annum. The other company made full repayment of these loans in December 2003.

7. FIXED DEPOSITS WITH RESTRICTIONS

These represent fixed deposits with banks which are pledged as collateral to secure the issuance of bank guarantees by those banks.

8. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD / PROVISION FOR LOSS OF SUBSIDIARY

(Unit : Baht)

	The Company Only	
	<u>2003</u>	<u>2002</u>
Investment in subsidiary		
(eliminated from the consolidated financial statements)		
Acquisition cost	-	510,000
Less : Accumulated share of loss	-	<u>(1,546,423)</u>
Investment in subsidiary (provision for loss of subsidiary)	<u>-</u>	<u>(1,036,423)</u>

In March 2003, the Company sold all of its investment in subsidiary to the unrelated parties.

**9. PROPERTY, PLANT AND EQUIPMENT**

(Unit : Baht)

	The Company Only							Total
	Leaseholds and leasehold improvements	Building on leased land	Office improvements	Office equipment	Computer and equipment	Vehicles	Work in progress	
Cost :								
31 December 2002	188,886,461	250,690,124	1,079,611	15,294,501	486,889	21,181,425	79,539,253	557,158,264
Acquisitions	1,558,646	28,349,212	65,614	2,057,476	306,353	287,394	72,847,477	105,472,172
Disposals during the year	-	-	-	(165,858)	(89,989)	-	-	(255,847)
Transfers in (transfers out)	-	101,106,456	-	124,903	-	-	(101,231,359)	-
31 December 2003	<u>190,445,107</u>	<u>380,145,792</u>	<u>1,145,225</u>	<u>17,311,022</u>	<u>703,253</u>	<u>21,468,819</u>	<u>51,155,371</u>	<u>662,374,589</u>
Accumulated depreciation :								
31 December 2002	40,145,731	64,475,910	593,828	8,948,922	90,495	2,272,652	-	116,527,538
Depreciation for the year	8,933,368	19,721,799	163,447	1,942,638	198,650	4,282,056	-	35,241,958
Disposals during the year	-	-	-	(96,456)	(45,042)	-	-	(141,498)
31 December 2003	<u>49,079,099</u>	<u>84,197,709</u>	<u>757,275</u>	<u>10,795,104</u>	<u>244,103</u>	<u>6,554,708</u>	<u>-</u>	<u>151,627,998</u>
Net book value :								
31 December 2002	<u>148,740,730</u>	<u>186,214,214</u>	<u>485,783</u>	<u>6,345,579</u>	<u>396,394</u>	<u>18,908,773</u>	<u>79,539,253</u>	<u>440,630,726</u>
31 December 2003	<u>141,366,008</u>	<u>295,948,083</u>	<u>387,950</u>	<u>6,515,918</u>	<u>459,150</u>	<u>14,914,111</u>	<u>51,155,371</u>	<u>510,746,591</u>
Depreciation (included in earnings statements)								
Year 2002								<u>23,304,521</u>
Year 2003								<u>35,043,070</u>

During the current year, the Company capitalised depreciation of leaseholds amounting to approximately Baht 0.2 million (2002 : Baht 1.2 million) as part of the cost of work in progress.

The land lease agreements stipulate a significant condition obliging the Company to transfer the ownership of the premises on the leased land to the lessors when the agreements expire and to adjust the rental at the rates of 10%-50% per annum for the period of 3-5 years.

10. BANK OVERDRAFTS AND LOANS FROM FINANCIAL INSTITUTIONS

Bank overdrafts and loan facilities obtained from financial institutions are secured by the guarantee of the Company's shareholders, directors and a related individual, and the transfer of part of the Company's leasehold rights.



11. SHARE CAPITAL

On 19 July 2002, an extraordinary meeting of shareholders of the Company resolved to split the Company's 2,000,000 ordinary shares of Baht 10 each into 20,000,000 ordinary shares of Baht 1 each, and increase the Company's registered capital from Baht 20 million to Baht 150 million through the issue of 130,000,000 new ordinary shares of Baht 1 each. The Company registered the share split and the increase in its registered capital on 13 August 2002.

In July 2002, the Company allotted 20,000,000 additional shares to existing shareholders in a ratio of 1 existing share to 1 new share, at a price of Baht 1 per share. Subsequent to this, the Company made another allotment of 21,000,000 additional shares to existing shareholders in a ratio of 1.9 existing shares to 1 new share, at a price of Baht 1.5 per share. The Company registered the increase in its issued and fully paid share capital to Baht 61 million (61,000,000 ordinary shares of Baht 1 each) on 2 September 2002.

In December 2002, the Company allotted 10,000,000 additional shares to the public, at a price of Baht 8 per share. The Company registered the increase in its issued and fully paid share capital to Baht 71 million (71,000,000 ordinary shares of Baht 1 each) on 12 December 2002.

The above allotments of 51,000,000 additional ordinary shares in July and December 2002 resulted in share premium of Baht 72.1 million, after deducting the costs of approximately Baht 8.4 million incurred in issuing such ordinary shares.

On 24 September 2003, an extraordinary meeting of the shareholders of the Company resolved to reduce the Company's registered capital from Baht 150 million (150,000,000 ordinary shares of Baht 1 each) to Baht 142 million (142,000,000 ordinary shares of Baht 1 each) by canceling 8,000,000 unissued shares, and to increase the Company's registered capital from Baht 142 million (142,000,000 ordinary shares of Baht 1 each) to Baht 500 million (500,000,000 ordinary shares of Baht 1 each) through the issue of 358,000,000 new ordinary shares. These new ordinary shares are to be allotted as follows :-

- No more than 24,000,000 ordinary shares are to be offered to Major Cineplex Public Company Limited at a price of Baht 3.99 per share.
- No more than 131,500,000 ordinary shares are to be additionally reserved for the exercise of warrants, after the adjustment of the exercise ratio as a result of the increase in share capital (as discussed in Note 12 to the financial statements).



- No more than 202,500,000 ordinary shares are to be offered to existing shareholders in a ratio of 1 existing share to 1.5 new shares, at a price of Baht 1 per share.

The Company registered the increase in its share capital to Baht 500 million (500,000,000 ordinary shares of Baht 1 each) with the Ministry of Commerce on 26 September 2003.

On 29 September 2003, the Company allotted 24,000,000 additional shares to Major Cineplex Group Public Company Limited at Baht 3.99 per share, a price approved by an independent financial advisor. The Company registered the increase in its issued and fully paid share capital to Baht 95 million (95,000,000 ordinary shares of Baht 1 each) with the Ministry of Commerce on 3 October 2003.

In October 2003, the Company allotted 142,499,935 additional shares to offer to existing shareholders in a ratio of 1 existing share to 1.5 new shares, at a price of Baht 1 per share. The Company registered the increase in its issued and fully paid share capital to Baht 237.5 million (237,499,935 ordinary shares of Baht 1 each) with the Ministry of Commerce on 21 November 2003.

The above allotments of 166,499,935 additional ordinary shares in September and October 2003 resulted in additional share premium of Baht 68 million, after deducting the costs of approximately Baht 3.7 million incurred in issuing such ordinary shares.

12. WARRANTS

On 13 December 2002, the Company issued 71,000,000 registered, transferable warrants with a term of three years from the issue date (13 December 2002) to its shareholders, without charge. The warrants can be exercised to subscribe to new ordinary shares in a ratio of 1 warrant per 1 ordinary share, at an exercise price of Baht 2 per share, with the exercise period being every 30th of March, June, September, and December (the first exercise date being 30 March 2003).

As discussed in Note 11 to the financial statements, on 29 September 2003, the Company allotted 24,000,000 additional shares to Major Cineplex Group Public Company Limited at a price of Baht 3.99 per share. Such price is more than 10 percent below the market price of the Company's ordinary shares and therefore, in order to comply with the adjustment conditions stipulated in the prospectus for the Company's share offering, the Company adjusted the exercise price and exercise ratio of the Company's warrants. As a result, the exercise price of the warrants was changed from Baht 2 per share to Baht 1.722 per share and the exercise ratio of the warrants was changed from 1 warrant per 1 ordinary share to 1 warrant per 1.16132 ordinary shares. The adjusted exercise price and exercise ratio were effective from 29 September 2003.



As discussed in Note 11 to the financial statements, in October 2003 the Company allotted 142,499,935 additional shares for offer to existing shareholders in a ratio of 1 existing share to 1.5 new shares, at a price of Baht 1 per share. This price is more than 10 percent less than the market price of the Company's ordinary shares and therefore, in order to comply with the adjustment conditions as stipulated in the prospectus for the Company's share offering, the Company adjusted the exercise price and exercise ratio of the Company's warrants. As a result, the exercise price of the warrants was changed from Baht 1.722 per share to Baht 1 per share and the exercise ratio of the warrants was changed from 1 warrant per 1.16132 ordinary shares to 1 warrant per 2.62683 ordinary shares. The adjusted exercise price and exercise ratio were effective from 15 October 2003.

On 30 December 2003, 12,122,674 warrants were exercised. The Company represents proceeds from the exercise of these warrants, amounting to Baht 31,844,173, as share subscription received in advance in the balance sheet since the Company registered the increase in its issued and fully paid share capital on 13 January 2004. After the exercises, a total of 58,877,326 warrants remained unexercised.

13. STATUTORY RESERVE

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.

14. DIRECTORS' REMUNERATION

This director's remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Company Act, exclusive of salaries and related benefits payable to executive directors.

15. CORPORATE INCOME TAX

Corporate income tax has been calculated on net earnings for the years after adding back expenses and deducting income which are disallowable for tax computation purposes in accordance with the Revenue Code.

**16. NUMBER OF EMPLOYEES AND RELATED COSTS**

	Consolidated	The Company Only	
	2002	2003	2002
Number of employees at end of year (Persons)	46	21	21
Employee costs for the year (Thousand Baht)	13,028	17,010	11,956

17. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	Net earnings		Weighted average number of ordinary shares (after adjustment the result of the right issue)		Earnings per share	
	2003	2002	2003	2002	2003	2002
	Baht	Baht	Shares	Shares	Baht	Baht
Basic earnings per share						
Net earnings	35,766,628	33,818,371	156,746,006	71,298,000	0.23	0.47
Effect of dilutive securities						
71,000,000 warrants						
Diluted earnings per share	-	-	67,819,334	1,888,609		
Net earnings of ordinary shareholders assuming the conversion of dilutive securities	35,766,628	33,818,371	224,565,340	73,186,609	0.16	0.46

The diluted earnings per share for the year ended 31 December 2003 was calculated assuming the conversion of the warrants on the date of their issue (13 December 2002), since the exercise price was lower than the market price of the shares, without reference to the exercisable period.

As discussed in Note 11 to the financial statements, on 24 September 2003 an extraordinary meeting of the shareholders of the Company approved a rights offering to existing shareholders to purchase additional shares at a price lower than the fair value. For comparative purposes, the basic earnings per share and the diluted earnings per share for the year ended 31 December 2002 were recalculated by multiplying the previous weighted average number of ordinary shares by the adjustment factor determined by dividing the fair value per share prior to the exercise of the rights by the theoretical ex-rights fair value per share.



18. PRIOR YEAR ADJUSTMENT

On 2 April 2003, the Annual General Meeting of the Company's shareholders resolved to net the deficit of Baht 22.98 million as at 1 January 2002 against the share premium arising as a result of the increases in the Company's share capital in July and December 2002 in order to allow a dividend to be paid in respect of the full amount of the 2002 earnings. The Company's management has received confirmation from an independent legal counselor that this resolution does not contravene the relevant laws, and the Company has therefore recorded the above transaction by restating the financial statements as at 31 December 2002, presented herein for comparative purposes. The effects to the adjustment to the financial statements are summarised below :-

1. Share premium decreased from Baht 72.12 million to Baht 49.14 million.
2. Statutory reserve increased from Baht 0.54 million to Baht 1.69 million.
3. Unappropriated retained earnings increased from Baht 10.29 million to Baht 32.13 million.

19. DIVIDEND

On 2 April 2003, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.25 per share (totaling Baht 17.75 million) to its shareholders in respect of 2002 earnings.

20. FINANCIAL INFORMATION BY SEGMENT

The operation of the Company involves a single industry segment i.e. building rental and provision of utilities services, and is carried on only in Thailand. As a result, all the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

21. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2003, the Company had the following commitments and contingent liabilities :-

- 21.1 Commitments to pay future land rental charges totaling approximately Baht 648 million (2002 : Baht 303 million) under long-term lease agreements which will be terminated within 2004 through 2024.

- 21.2 Payment commitments of Baht 3 million under lease agreements for the leaseholds to land and buildings.
- 21.3 Commitments under department store building construction contracts that the Company had to pay to contractors of approximately Baht 7.8 million (2002 : Baht 14 million).
- 21.4 Bank guarantees totaling Baht 24.4 million (2002 : Baht 3 million) which have been issued by the banks in respect of certain performance bonds as required in the normal course of business of the Company.
- 21.5 Contingent liabilities from rental retentions totaling Baht 2 million (2002 : Baht 2 million).

22. PROVIDENT FUND

The Company and its employees have participated in the registered Thai Munkong Provident Fund under the Provident Fund Act B.E. 2530. The fund is contributed to by both employees and the Company. This fund is managed by Krung Thai Asset Management Public Company Limited and will be paid to the employees upon termination in accordance with the rules of the fund.

23. FINANCIAL INSTRUMENTS

Financial risk management and policies

The Company has no policy to hold or issue derivative instruments either for speculative or trading purposes.

Interest rate risk

The interest rate risk is generally the risk that future movements in market interest rates could affect the operating results and cash flows of the Company. The Company's exposure to interest rate risk relates primarily to its deposits with bank and financial institution, bank overdrafts and loans from financial institution, and liabilities under hire purchase and financial lease agreements. Since the majority of these financial assets and liabilities are short-term and interest is charged on most of the long-term liabilities at fixed rates, the Company does not use derivative financial instruments to hedge such risk.

Foreign currency risk

The Company has no foreign currency risk, since all business transactions of the Company are denominated in Thai Baht.



Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. However, due to its prudent credit policy and its close follow up of debt, the Company does not anticipate material losses from its debt collection.

Fair value

Since the majority of the financial assets and liabilities are short-term and the loans carry interest at rates close to market rates, the managements believe that the fair values of the Company's financial assets and liabilities do not materially differ from their carrying values.

24. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors