

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter Filinvest Development Corporation

3. Philippines
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 51048

5. BIR Tax Identification Code 000-053-167

6. No. 173 P. Gomez St. San Juan, Metro Manila 1500
Address of principal office Postal Code

7. Registrant's telephone number, including area code (02)727-0431 to 55

8. May 26, 2006, 1:30 p.m., FAI Marketing Office, Filinvest Corporate City, Alabang, Muntinlupa City
Date, time and place of the meeting of security holders

9. May 5, 2006
Approximate date on which the Information Statement is first to be sent or given to security holders

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: _____

Address and Telephone No.: _____

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---------------------|---|
| Common | 5,955,725,452 |

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange, ; common shares

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

PART I.

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Annual Meeting of Stockholders

The annual stockholders' meeting of **FILINVEST DEVELOPMENT CORPORATION** (the "Company") is scheduled to be held on May 26, 2006 at 1:30 p.m. at the FCC Marketing Office, Corporate Avenue, Filinvest Corporate City, Alabang, Muntinlupa City. The complete mailing address of the principal office of the Company is No. 173 P. Gomez Street, San Juan, Metro Manila, 1500.

This information statement shall be sent or given to stockholders beginning May 5, 2006.

Item 2. Dissenters' Right of Appraisal

A stockholder of the Company has the right to dissent and demand payment of the fair value of his shares in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and (c) in case of merger or consolidation.

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

There is no matter to be taken up in the annual meeting of the stockholders on May 26, 2006 which would give rise to the exercise of the appraisal right.

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

There is no substantial interest, direct or indirect, by security holdings or otherwise, of each person who has been a director or officer of the Company at any time since the beginning of the last fiscal year, each nominee for election as a director of the Company, or each associate of any of the foregoing persons. There is no director of the Company who has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) ***Number of Shares Outstanding***

The total number of shares outstanding and entitled to vote in the annual stockholders' meeting is 5,955,725,452 shares. All of these are common shares, with each share entitled to one vote in accordance with the By-Laws of the Company.

(b) ***Record Date***

The record date for purposes of determining the stockholders entitled to vote is May 2, 2006.

(c) ***Cumulative Voting Rights***

Stockholders are entitled to cumulative voting in the election of directors of the Company, as provided for in the Corporation Code. Under Section 24 of the Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: *Provided*, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. The stockholder must be a stockholder of record in order that he may exercise cumulative voting rights.

There are no conditions precedent to the exercise of the stockholders' cumulative voting right.

(d)(i) **Security Ownership of Certain Record and Beneficial Owners**

The names, addresses, citizenship, number of shares held, and percentage to total of persons owning more than five percent (5%) of the outstanding voting shares of the Company (all common) as of April 15, 2006 are as follows:

| Title of Class | Name and Address of Record Owner/ Relationship with Company | Name of Beneficial Owner/ Relationship with Record Owner | Citizenship | No. of Shares Held | Percentage Held |
|----------------|--|--|-------------|--------------------|-----------------|
| Common | ALG Holdings Corporation ("ALG") ¹ 173 P. Gomez Street, San Juan, Metro Manila/ Majority Owner of the Company | N.A. | Filipino | 4,201,927,831 (B) | 70.52% |
| Common | Trust for Michael Gotianun 173 P. Gomez Street, San Juan, Metro Manila/ Trustee is a Vice President of the Company | Michael Gotianun/ Trustee of Record Owner | Filipino | 415,337,720 (R) | 6.97% |
| Common | Jonathan T. Gotianun 173 P. Gomez Street, San Juan, Metro Manila/ Chairman of the Company | N.A. | Filipino | 339,291,901 (B) | 5.69% |
| Common | Lourdes Josephine G. Yap 173 P. Gomez Street, San Juan, Metro Manila/ President of the Company | N.A. | Filipino | 339,291,901 (B) | 5.69% |

Total number of shares of all record and beneficial owners as a group is 5,295,849,353 shares, or 88.87%.

Except as stated above, the board of directors and management of the Company have no knowledge of any person who, as of the record date, was directly or indirectly the beneficial owner of more than 5% of the Company's outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than 5% of the Company's outstanding common stock.

(d)(ii) **Security Ownership of Management**

The names, citizenship, number of shares held and percentage to total of persons forming part of the management of the Company as of April 15, 2006 are as follows:

| Title of Class | Name | Citizenship | Amount and Nature of Record/Beneficial Owner | % of Ownership |
|----------------|---|-------------|--|----------------|
| Common | Trust for Michael Gotianun | Filipino | 415,337,720 (R) | 6.97% |
| Common | Andrew L. Gotianun, Sr. | Filipino | 1,458 (B) | Negligible |
| Common | Mercedes T. Gotianun | Filipino | 3,078,554 (B) | Negligible |
| Common | Andrew T. Gotianun, Jr. | Filipino | 1,554 (B) | Negligible |
| Common | Lourdes Josephine G. Yap | Filipino | 339,291,901 (B) | 5.69% |
| Common | Jonathan T. Gotianun | Filipino | 339,291,901 (B) | 5.69% |
| Common | Andrew L. Gotianun, Sr. and/or Mercedes T. Gotianun | Filipino | 7,575,000 (B) | Negligible |
| Common | Michael T. Gotianun | Filipino | 38,218,799 (B) | Negligible |
| Common | Joseph M. Yap and/or Josephine G. Yap | Filipino | 200,000 (B) | Negligible |

Total ownership of all directors and officers as a group is 1,147,398,275 shares or 18.35%.

¹ The voting of the shares owned by ALG, the majority owner of the Company, will be directed by such person as may be duly authorized by the Board of Directors of ALG and as may be named in the proxy letter that will be submitted by ALG to the Corporate Secretary of the Company in accordance with the Company's By-Laws. Either Andrew L. Gotianun or Josephine G. Yap will be named proxy of ALG to vote its shares at the annual meeting of the stockholders of the Company.

(d)(iii) **Voting Trust Agreement**

There is no person who holds more than five percent (5%) of the common stock under a voting trust or similar agreement.

(e) **Change in Control**

No change in control of the Company has occurred since the beginning of its last fiscal year.

Item 5. **Directors and Executive Officers**

(a)(i) Members of the Board serve for a term of one year and until their successors shall have been duly elected and qualified. The following are the current directors and executive officers of the Company:

Andrew L. Gotianun Sr.
Chairman Emeritus and Director Mr. Gotianun, 78, Filipino, is the founder of the Filinvest group of companies and is presently serving in various capacities in different companies of the group. He is also the Chairman of Filinvest Alabang, Inc. and East West Banking Corporation. He has been a director of the Company for more than five years. He was also the President of the Insular Bank of Asia and America from 1982 to 1985.

Jonathan T. Gotianun
Chairman Mr. Gotianun, 52, Filipino, is also the President of Davao Sugar Central Co., Inc., Filinvest Farms Corporation and Cotabato Sugar Central Co., Inc., and Vice-Chairman of East West Banking Corporation. He served as director and Senior Vice-President of Family Bank and Trust Co. until 1984. He has been a director of the Company for more than five years. He obtained a Master's degree in Business Administration from Northwestern University.

Lourdes Josephine G. Yap
President and Director Mrs. Yap, 51, Filipino, is also the Executive Vice-President of Filinvest Alabang, Inc. and President of The Palms Country Club, Inc. She received her Master's degree in Business Administration from the University of Chicago. She has been the President of the Company since the year 2000.

Mercedes T. Gotianun
Director Ms. Gotianun, 77, Filipino, was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the said bank from 1978 to 1984. She obtained her undergraduate degree from the University of the Philippines. She is also the Chairman and Chief Executive Officer of Filinvest Land, Inc. and a director of Filinvest Alabang, Inc. She has been the director of the Company for more than five years.

Andrew T. Gotianun Jr.
Director Mr. Gotianun, 54, Filipino, served as Director of Family Bank and Trust Co. from 1980 to 1984. He has been in the realty business for more than 16 years. He is also the Vice-Chairman and Executive Vice-President of Filinvest Land, Inc. He has been a director of the Company for more than five years.

Alfredo V. Asuncion
Independent Director Mr. Asuncion, 78, Filipino, is an independent director of the Company. He is a civil engineer by profession. He is also a director and president of Pagsanjan Aggregates Corporation.

Lamberto U. Ocampo
Independent Director Mr. Ocampo, 81, Filipino, is also an independent director of the Company. He is a civil engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to 2001, Chairman of the Board of DCCD from 1993 to 1995, and President from 1970 to 1992.

Michael Edward T. Gotianun
Vice President Mr. Gotianun, 49, Filipino, is also a director and Vice President of Filinvest Alabang, Inc. and Festival Supermall, Inc.

Nelson M. Bona
Treasurer Mr. Bona, Filipino, was formerly an Executive Vice-President of East West Banking Corporation and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.

Abner C. Gener, Jr.
Corporate Secretary Mr. Gener, 35, Filipino, joined the Company in September 2000. He is also the Assistant Corporate Secretary of Filinvest Land, Inc. and the Corporate Secretary of Filinvest

(a)(ii) ***Election of Members of the Board***

There will be an election of the members of the Board during the annual stockholders' meeting. Before the meeting, the stockholders of the Company may nominate individuals to be members of the Board. The deadline for submitting nominees for directors is on May 23, 2006.

In accordance with the Company's Manual on Corporate Governance, the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board, taking into account the following qualifications and disqualifications:

Qualifications

- (1) The nominee shall be a holder of at least one (1) share of stock of the Company;
- (2) He shall be at least a college graduate or has sufficient experience in managing the business to substitute for such formal education;
- (3) He shall be at least twenty-one (21) years old;
- (4) He shall have proven to possess integrity and probity; and
- (5) He shall be assiduous.

Disqualifications

- (1) Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- (2) Any person finally found by the Commission or a court or administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the SRC, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas ("BSP"), or any rule, regulation or order of the Commission or BSP;
- (3) Any person judicially declared to be insolvent;
- (4) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- (5) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- (6) All other grounds for disqualification under the Articles of Incorporation and By-Laws of the Company.

Grounds for Temporary Disqualifications

- (1) Refusal to fully disclose the extent of his business interest as required under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- (2) Absence or non-participation for whatever reason for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any 12-month period during said incumbency. This disqualification applies for purposes of the succeeding election;

- (3) Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- (4) Being under preventive suspension by the Company;
- (5) With respect to the independent director, should he become an officer or employee of the Company he shall be automatically disqualified from being an independent director;
- (6) Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

The conduct of the election of directors shall proceed in accordance with the Company's By-Laws.

(a)(iii) ***Recommended Directors For 2006-2007***

The Nomination Committee of the Board of Directors of the Company has determined that the following persons, most of whom are incumbent directors of the Company, possess all the qualifications and none of the disqualifications for directorship set out in the Company's Manual on Corporate Governance, duly adopted by the Board pursuant to SRC Rule 38.1 and SEC Memorandum Circular No. 16, Series of 2002. The nominees of the Company for the election of directors in the annual stockholders' meeting for 2006 are as follows:

Andrew L. Gotianun Sr.
Mercedes T. Gotianun
Andrew T. Gotianun, Jr.
Jonathan T. Gotianun
Josephine G. Yap
Lamberto U. Ocampo (as independent director)
Cornelio C. Gizon (as independent director)

(a)(iv) ***Submission of Nominations for Directors, Including Independent Director***

In accordance with SRC Rule 38 relative to the procedure for nomination and election of independent directors, in relation to SEC Memorandum Circular No. 6, the Company should have two independent directors. As stated above, the Nominations Committee, following the guidelines set forth in the Company's Manual on Corporate Governance, and upon nomination by a stockholder, Luis T. Fernandez, named Messrs. Lamberto U. Ocampo and Cornelio C. Gizon as nominees for independent directors at this year's annual meeting of stockholders. Mr. Fernandez is not related to either nominee.

All nominations for directors, including the independent directors, shall be addressed to the following:

THE NOMINATION COMMITTEE
c/o THE CORPORATE SECRETARY
FILINVEST DEVELOPMENT CORPORATION
2nd Floor, FDC Building, 173 P. Gomez St.
San Juan, Metro Manila
Fax No. 725-6328

and signed by the nominating stockholders together with the acceptance and conformity by the nominees on or before May 23, 2006 at 5:00 p.m. All nominations should include (i) the curriculum vitae of the nominee, (ii) a statement that the nominee has all the qualifications and none of the disqualifications, (iii) information on the relationship of the nominee to the stockholder submitting the nomination, and (iv) all relevant information about the nominee's qualifications.

After the lapse of the deadline set for the nomination of the independent directors, the Nomination Committee shall pre-screen the qualifications of the nominees and prepare a final list of all candidates, which shall contain all the information about all the nominees for independent director, and which list shall be submitted to the Commission through the filing of SEC Form 17-C. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the final list of candidates shall be eligible for election as independent director. No other nomination shall be entertained after the final list of candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

The conduct of the election of independent directors shall be made in accordance with the Company's Manual on Corporate Governance, the pertinent provisions of the Securities Regulation Code and the applicable rules and regulations issued by the Securities and Exchange Commission.

The Chairman of the annual stockholders' meeting shall inform all stockholders in attendance of the mandatory requirement of electing two (2) independent directors. He shall ensure that such independent directors are elected during the annual stockholders' meeting. Seats reserved for the independent directors shall not be filled up by unqualified nominees. In case of failure of election of these independent directors, the Chairman of the annual stockholders' meeting shall call a separate election during the same meeting to fill up the vacancy.

(a)(v) ***No Disagreement with the Company***

No director has resigned or declined to stand for reelection to the Board since the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

(a)(vi) ***Other Significant Employees***

There are no other significant employees.

(a)(vii) ***Family Relationships***

Mr. Andrew L. Gotianun, Sr. is married to Ms. Mercedes T. Gotianun and, together they are the parents of Messrs. Andrew T. Gotianun, Jr., Jonathan T. Gotianun and Michael Edward T. Gotianun, and Ms. Josephine G. Yap. Ms. Yap is married to Mr. Joseph M. Yap.

(a)(viii) ***Involvement in Certain Legal Proceedings***

The Company is not aware of any legal proceedings involving its directors or executive officers that materially affect their ability or integrity to act as such directors or officers.

The Company is not aware of any of the following events having occurred during the past five years up to the date of this information statement: (a) any bankruptcy petition filed by or against any business in which any of the directors or officers or persons nominated for election as directors or officers was a general partner or officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any of the directors, or officers or persons nominated for election as directors or officers; (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the directors, officers or persons nominated for election as directors or officers in any type of business, securities, commodities or banking activities, and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization that any of the directors or officers or persons nominated for election as directors or officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated, which occurred during the past five years.

The Company and its subsidiaries are subject to lawsuits and legal actions in the ordinary course of their real estate development and other allied activities. However, it does not believe that any such lawsuits or legal actions will have a significant impact on the financial position or result of operations of the Company or its subsidiaries. Following are the cases involving certain properties of the Company or the subsidiary involved that impact on its financial position more than its other properties, but which it believes will be eventually resolved in its favor:

1. *Abdul Backy, et al. vs. Filinvest Land, Inc. et al.*

This is an action for the declaration of nullity of deeds of conditional and absolute sales of certain real properties located in Tumbler, General Santos City executed between the Company's subsidiary, Filinvest Land, Inc. ("FLI") and the plaintiffs' patriarch, Hadji Gulam Ngilay. The Regional Trial Court (RTC) of Las Piñas City (Br. 253) decided the case in favor of FLI. The decision is on appeal with the Court of Appeals.

2. *Emelita Alvarez et al. vs. FDC*

On or about March 15, 1995 certain persons claiming to be beneficiaries under the Comprehensive Agrarian Reform Program (CARP) of the National Government filed an action for annulment/cancellation of sale and transfer of titles, maintenance of peaceful possession, enforcement of rights under CARP plus damages before the Regional Agrarian Reform Adjudicator, Adjudication Board, Department of Agrarian Reform, which action is docketed as DARAB Case No. IV-RI-010-95. The property involved, located in San Mateo, Rizal, was purchased by the Company from the Estate of Alfonso Doronilla. A motion to dismiss is pending resolution.

3. *Meritville Alliance vs. FLI*

On March 27, 1996 certain alleged flood-affected homeowners of Meritville, a subdivision developed by FLI in a topographically depressed area of Las Piñas City, filed a complaint with the Housing and Land Use Regulatory Board (HLURB) against FLI to require elevation of the portions of the subdivision (with an aggregate area of approximately 0.6 hectares) frequently visited by flooding on which 77 housing units have been constructed. FLI has assailed with the Supreme Court the decision of the Court of Appeals affirming the decisions of the Office of the President and the Board of Commissioners of the HLURB adverse to FLI.

4. *Republic of the Philippines vs. Rolando Pascual, et al.*

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being part of the forest lands. The case is now pending with the RTC of General Santos City (Br. 36).

5. *Adia vs. FLI*

Various CLOA holders based in Brgy. Hugo Perez, Trece Martirez City filed a complaint with the RTC of Trece Martirez against FLI for recovery of possession with damages, claiming that in 1995 they surrendered possession of their lands to FLI so that the same can be developed pursuant to a joint venture arrangement allegedly entered into with FLI. They now seek to recover possession of said lands pending the development thereof by FLI. The RTC rendered a decision ordering FLI to vacate the subject property. FLI filed a motion for reconsideration which is now pending with RTC.

6. *Alberto D. Hilapo et al. vs. Republic of the Philippines, et al.* (Civil Case No. 99-0075, RTC-Muntinlupa, Br. 256); *Alberto D. Hilapo, et al. vs. Hon. Alberto L. Lerma, et al.* (CA G.R. SP No. 77969, Court of Appeals); *Alberto D. Hilapo, et al. vs. Republic of the Philippines, et al.* (G.R. No. 161639, Supreme Court)

Plaintiffs in Civil Case No. 99-075 claim to be the owners of the 244-hectare parcel of land known as the Alabang Stock Farm which is the subject of a joint venture between the Government and the Company. Civil Case No. 99-0075 is a civil action seeking principally the annulment of Transfer Certificate of Title No. 185552 issued in the name of the Republic of the Philippines which covers the entire Alabang Stock Farm area subject of the corresponding Joint Venture Agreement, as well as the transfer certificates of title derived therefrom, including titles to portions of the Alabang Stock Farm in the name of the Company's subsidiary and assignee of its interest under the joint venture, Filinvest Alabang, Inc. ("FAI"). The RTC of Muntinlupa City dismissed the case per in its Resolution dated December 19, 2002 and Order dated April 21, 2003. The plaintiffs filed a petition for *certiorari* (CA G.R. SP No. 77969) with the Court of Appeals seeking the reversal of the aforesaid dismissal. In a Decision dated October 10, 2003, the Court of Appeals dismissed the petition. In a Resolution promulgated on January 8, 2004, the Court of Appeals (Seventeenth Division) denied petitioners' motion for the reconsideration of the aforesaid Decision. The said petitioners have assailed before the Supreme Court the decision and resolution of the Court of Appeals.

7. *Alberto D. Hilapo, et al. vs. Hon. Alberto L. Lerma, et al.* (CA G.R. SP No. 61888, Court of Appeals)

This is a special action for *certiorari* instituted by the plaintiffs in Civil Case No. 99-0075 (see above) seeking the nullification of the Orders of the Regional Trial Court of Muntinlupa City (Br. 256) dated May 5, 2000 and September 4, 2000 which directed the lifting of the notice of *lis pendens* that said plaintiffs caused to be annotated on the titles of the Government and of FAI over various portions of the Alabang Stock Farm. The case is pending with the Court of Appeals.

8. *Heirs of Rufino Hilapo and Gregoria Arevalo vs. Republic of the Philippines, et al.* (Civil Case No. 99-320, RTC-Muntinlupa, Br. 256)

As in Civil Case No. 99-075 (see above), the plaintiffs in this case claim to be the owners of the 244-hectare parcel of land known as the Alabang Stock Farm which is the subject of a joint venture between the Government and the Company. It seeks principally the annulment of Transfer Certificate of Title No. 185552 issued in the name of the Republic of the Philippines which covers the entire Alabang Stock Farm area subject of the corresponding Joint Venture Agreement, as well as the transfer certificates of title derived therefrom, including titles to portions of the Alabang Stock Farm in the name of FAI. The plaintiffs herein likewise seek the reconveyance of the Alabang Stock Farm in their favor. By Resolution dated December 19, 2002, the RTC of Muntinlupa City required the plaintiffs to pay the docket fees corresponding to the value of the property subject of this case. To date, the plaintiffs have not done so. The case is still pending with the RTC of Muntinlupa City.

9. *Luciano Paz vs. The Republic of the Philippines* (Civil Case No. 00-059, RTC-Muntinlupa City); *Luciano Paz vs. Hon. N.C. Perello, et al.* (CA G.R. SP No. 66677, Court of Appeals); *Luciano Paz vs. Republic of the Philippines, et al.* (G.R. No. 157367, Supreme Court)

In a petition instituted with the RTC of Muntinlupa City (Civil Case No. 00-059) petitioner sought the cancellation of the title of the Government over the Alabang Stock Farm, and titles derived therefrom, including those in the name of FAI. The RTC of Muntinlupa City dismissed the case on June 4, 2001. The petitioner then instituted a special civil action for *certiorari* (CA G.R. SP No. 66677) with the Court of Appeals seeking the nullification of the dismissal of Civil Case No. 00-059. On August 1, 2002, the Court of Appeals promulgated a Decision denying due course and dismissing the petition in CA G.R. SP No. 66677. In April 2003, the petitioner filed a petition for review on *certiorari* (G.R. No. 157367) with the Supreme Court seeking the reversal of the dismissal of CA G.R. SP No. 66677 and Civil Case No. 00-059. The case is still pending with the Supreme Court.

10. *Luciano Paz vs. Hon. N.C. Perello, et al.* (CA G.R. SP No. 87864, Court of Appeals)

This is a special civil action for *certiorari* instituted by Luciano Paz, the plaintiff in Civil Case No. 00-059 (see above) seeking the nullification of the Order of the RTC of Muntinlupa City (Br. 276) ordering the cancellation of the notice of *lis pendens* which petitioner Paz caused to be annotated on some of the titles covering the Alabang Stock Farm. By Resolution dated January 4, 2005, the Court of Appeals dismissed the petition in this case. The Court of Appeals ordered entry of judgment in a Resolution dated April 25, 2005.

11. *Commissioner of Internal Revenue vs. FDC and FAI* (CTA Case No. 6128, Court of Tax Appeals); *Commissioner of Internal Revenue vs. FDC and FAI* (CA-G.R. SP No. 74510, Court of Appeals); *Commissioner of Internal Revenue vs. FDC and FAI* (G.R. No. 167689, Supreme Court)

On January 26, 2005, the Court of Appeals rendered its Decision in CA-G.R. SP No. 74510 denying due course to the Commissioner of Internal Revenue's Petition for Review and dismissing the same. Previously on September 10, 2002, the Court of Tax Appeals (CTA) rendered its Decision in CTA Case No. 6128, which found the Petition for Review of the Company and FAI in said case partly meritorious and cancelled and set aside the following assessments against the Company and FAI: (1) Assessment Notice No. SP-INC-96-00018-2000, imposing deficiency income tax on the Company for taxable year 1996, in the amount of ₱150,074,006.27; (2) Assessment Notice No. SP-DST-96-00020-2000 and SP-DST-97-00021-2000, imposing deficiency documentary stamp tax on the Company for taxable years 1996 and 1997, in the amounts of ₱10,425,487.06 and ₱5,796,699.40, respectively; and (3) Assessment Notice No. SP-INC-97-00027-2000 imposing deficiency income tax on FAI for taxable year 1997, in the amount of ₱1,477,494,638.23, but sustained Assessment Notice No. SP-INC-97-00019-2000, which imposed a deficiency income tax on the Company for taxable year 1997, and ordered the Company to pay the amount of ₱5,691,972.03, the alleged interest income on the advances extended by the Company to its subsidiaries/affiliates, plus 20% deficiency interest computed from February 16, 2000 until full payment thereof. The Commissioner filed the Petition in CA-G.R. SP No. 74510 in the Court of Appeals on January 13, 2003 by way of appeal from the aforementioned Decision rendered by the CTA on September 10, 2002 in CTA Case No. 6128, insofar as the assessments against the Company and FAI which were cancelled by the CTA are concerned. On February 17, 2005, the Commissioner filed a Motion for Reconsideration of the January 26, 2005 Decision which the Court of Appeals denied on March 31, 2005.

The Company is not aware of any other information as to any other legal proceedings known to be contemplated by government authorities or any other entity.

(a)(ix) ***Certain Relationships and Related Transactions***

In the normal course of business, the Company and its subsidiaries and affiliates enter into certain related-party transactions principally consisting of advances and inter-company charges.

The Company retains the law firms of Sycip, Salazar, Hernandez & Gatmaitan and Atty. Estelito P. Mendoza and is paying them legal fees that the Corporation believes to be reasonable for the services rendered.

There is no other transaction during the last two years, or proposed transaction, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

Item 6. Compensation of Directors and Executive Officers

(a)(i) **Summary Compensation Table**

| (a) Name and Principal Position | (b) Year | (c) Salary (P) | (d) Bonus (P) | (e) Other Annual Compensation | TOTAL |
|--|-------------|-------------------|------------------|----------------------------------|----------------|
| Jonathan T. Gotianun <i>Chairman</i> | | | | | |
| Josephine G. Yap <i>President and Director</i> | | | | | |
| Andrew L. Gotianun Sr. <i>Director</i> | | | | | |
| Mercedes T. Gotianun <i>Director</i> | | | | | |
| Andrew T. Gotianun Jr. <i>Director</i> | | | | | |
| Alfredo V. Asuncion <i>Independent Director</i> | | | | | |
| Lamberto U. Ocampo <i>Independent Director</i> | | | | | |
| All officers and directors as a group unnamed | 2006-Est. | 18.684 Million | 3.114 Million | - | 21.798 Million |
| | 2005 | 18.684 Million | 3.114 Million | - | 21.798 Million |
| | 2004 | 24.9 Million | 3.6 Million | | 28.5 Million |

(a)(ii) **Compensation as Directors**

Directors of the Company receive no compensation as such directors.

(a)(iii) **No Action to be Taken on Bonus, Profit Sharing, Warrants, Etc.**

There is no action to be taken at the annual meeting of the stockholders on May 26, 2006 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of the Company will participate. Neither is there any proposed grant or extension to any such person of any option, warrant or right to purchase any securities of the Company.

Item 7. Independent Public Accountants

The auditing firm of Sycip, Gorres, Velayo & Co. ("SGV") is the current independent auditor of the Company. The Company has not engaged any other independent auditor in the past. SGV is being recommended for election as external auditor for the year 2006-2007. Representatives of SGV are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

In compliance with SEC Memorandum Circular No. 8, series of 2003, the Company changed engagement partners of the said auditing firm in the latter part of 2003. Since then, the engagement partner assigned to the Company is Mr. Ramon D. Dizon.

Item 8. No Action to be Taken on any Compensation Plan

There is no action to be taken at the annual stockholders' meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities other than for Exchange**

There is no action to be taken at the annual stockholders' meeting with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10. **Modification or Exchange of Securities**

There is no action to be taken at the annual stockholders' meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization of any class of securities of the Company in exchange for outstanding securities of any other class.

Item 11. **Financial and Other Information**

(a) ***Audited Financial Statements***

The audited financial statements of the Company for the year ended 2005 are attached to form an integral part hereof.

(b) ***Management's Discussion and Analysis and Plan of Operation***

(b)(1) **Result of Operations for 2005**

Real estate operations posted 6% growth in net revenue, to P3.8 billion from P3.6 billion in 2005. Filinvest Alabang, Inc. ("FAI"), the Filinvest Group's commercial property developer, registered a rental income growth of 19% or ₱165 million with the increased occupancy of commercial spaces in Festival Mall and South Station, and of leasable spaces in Filinvest Corporate City, including Westgate and Northgate Cyberzone. The Group welcomed new tenants such as Wilcon Builder's Depot, Alabang Home Depot and South Supermarket in Filinvest Corporate City. Eighty-four new stores were added in Festival Mall, while Westgate greeted establishments such as Belo Medical Center, Gymboree, Zong Restaurant, UCC Coffee, Wine Depot, Med Express and Cest Si Bon French Restaurant. The Company's other subsidiary, Filinvest Land, Inc. ("FLI"), expanded its sales by 7% with mostly coming from the middle-income sector, beefed up by a strong OFW demand. This was offset by the decline in the sale of lots and residential condominium units of FAI of 57% and 42%, respectively. Such decline was partially eased with the improvement in sale of commercial condominium units, which increased by 1,281%. Coupled with the lower sale of shares of The Palms Country Club (the "Club"), which went down by 42%, and higher deferred gross profit due to more sales booked under the installment method, total gross profit declined by 17%. Other income rose to ₱1.4 billion, up by 31% from ₱1.1 billion in 2005, mainly sourced from interest in installment contracts receivable, investment in bonds and gain from the exchange of land.

Real estate operating expenses grew by 19% mainly as a result of higher fuel costs which increased tripping and transportation expenses, higher travel expenses because of more regional projects; fees incurred for the increase in capitalization of FLI, incidental expenses for various loan availments, and higher marketing expenses and taxes and licenses.

Banking operations net revenue escalated by 65%, to ₱1.2 billion from ₱760 million in 2004. With the focus of the Group's banking arm, EastWest Banking Corporation, on consumer financing, interest income grew by 72%, mainly derived from auto loans, credit card, salary loans, and investments, which increased loans receivables by 11%. With the bank's aggressive deposit campaigns and introduction of new products, volume of deposits grew by 15%, bringing the cost of financial services up to ₱1.2 billion from ₱922 million in 2004. Operating expenses was at ₱1 billion, a 19% increase over last year's with the new personal banking centers and advertising costs for the new products and product lines. The bank capped a successful year with a net income of ₱117 million, an increase of 139% from ₱84 million earned the previous year.

As a result, the Group's EBITDA rose by 14% to ₱2.6 billion. Depreciation and amortization increased by 31% due to decomponetization of the Festival Mall and CPI buildings, adjusting their useful life from 50 to 20 years, as required by the reporting standards. Interest expenses declined by 42% with the Group taking advantage of the low interest rates while obtaining new loans of ₱4.4 billion, a move which improved the company's maturity schedule from 2.3 to 4 years and translated to savings of over ₱100 million a year in terms of interest costs.

Consolidated net income registered a 65% growth, to ₱878 million from ₱533 million the previous year.

Cash and cash equivalents stood at ₱3.6 billion, an increase of 9% over last year, brought about by cash proceeds from loan availments. Long-term debt was at ₱11 billion, up by 21%. On December 12, 2005, the Company purchased the convertible bonds issued by FLI on February 7, 2002 amounting to ₱1.2 billion to Reco Grandhomes Pte. Ltd. ("Reco"), a

Singaporean company. Prior to the purchase on December 14, 2005 and the amendment of the "Bond Subscription Agreement" between FLI and Reco, the bonds had a maturity date of February 7, 2007, earned for Reco interest at the rate of 10% payable semi-annually, and were redeemable, at the option of Reco, at an amount such that the annualized internal rate of return on the bonds would be equivalent to 19% per annum. The amendment agreed upon between the Company and FLI extended the maturity of the bonds to December 14, 2010, and fixed the interest rate at 12.2% payable quarterly and the redemption price at the face value of the bonds.

The Group's receivables rose by 51% primarily due to higher installment receivables of FLI. Moreover, 2005 recorded higher receivables from financial institutions as a result of more affordable financing packages offered by banks to customers. Subdivision lots, condominiums, and residential lots for sale increased to ₱7.7 billion from the previous year's ₱7 billion mainly as a result of land and housing developments for Brentville, Mandala Farm Estate, Aldea del Sol, Fuente de Villa Abrille and other new projects set up during the year. Other assets were higher by 33% with the increase in prepayments, additional costs of computer systems, and deferred charges incurred in connection with newly-availed long-term debts.

The increase in accounts payable and accrued expenses of 10% was due to temporary advances and payments outstanding as of yearend. Unrealized gross profit on installment contracts receivable, sale of condominium units and Club shares increased by 56% with higher sales booked by FLI during the year. Estimated liability for land and property development was up by 151% with the provisions for new and on-going projects such as Samanea, Timberland Heights, Forest Farm, the new regional projects, Villa Montserrat, and Palms Pointe.

With the growth in net income, retained earnings stood at ₱12 billion, up by 7% over the previous year.

Performance Indicators

| | <u>As of December 31, 2005</u> | <u>As of December 31, 2004</u> |
|--|--------------------------------|--------------------------------|
| Earning per share (basic) | P 0.147 /share | P 0.090 /share |
| <hr/> Net Income <hr/> Weighted average number of outstanding common shares after giving retro active adjustment for stock dividend | | |
| Price Earnings Ratio | 8.13 times | 11.39 Times |
| <hr/> Closing Price <hr/> Earnings per share | | |
| Return on Gross Revenue | 17% | 11% |
| <hr/> Net Income <hr/> Total Revenue | | |
| Debt to equity ratio (gross) | 0.30 | 0.26 |
| <hr/> Notes Payable & Long-term Debt <hr/> Total Stockholders' Equity | | |
| EBITDA to Total Interest Paid | 6.917 times | 3.514 times |
| <hr/> EBITDA <hr/> Total Interest Payment | | |

The profitability of the Company is reflected in the earnings per share, which improved from ₱0.090 a share in 2004 to ₱0.147 a share in 2005 due to a positive 65% growth in terms of consolidated income for the year 2005. The price earnings ratio decreased due to the higher earnings per share partially mitigated by the improvement in end of the period's closing price (market price per share as of 2005 is ₱1.2 and ₱1.02 as of 2004) for the year 2004 compared to 2003.

Return on gross revenue increased due to improved income generated both by the real estate operations and financial and banking services.

Total debt to equity ratio increased from 0.26:1 to 0.30:1 due to avancement of new loans, but at much lower interest rates and stretched maturity periods.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The major capital expenditures planned by FDC are intended for its upcoming leisure project in Mactan, Cebu named "Seascapes Resort Town", among other development projects. This project is designed to be Cebu's premier seaside residential resort offering private lots, villas, casitas and condominium units, and a Beach Club. The funds for such expenditures are expected to be internally generated.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have favorable or unfavorable impact on net revenues or income from continuing operations of the Company.

The operating activities of the Company are carried uniformly over the calendar year. There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no seasonal aspects that had a material effect on the Company's financial conditions or results of operations.

There is no material change from previous reporting period of the financial statements to the present one.

(b)(2) **Result of Operations for 2004**

FLI booked total sales of ₱2.236 billion, which is 52% higher than the 2003 sales. On the other hand, FAI posted net earnings after tax amounting to ₱231.9 million, a 162% growth over the past year. The Company posted a positive year-on-year growth of about 223% in terms of consolidated net income for the year 2004. Net income for 2004 amounted to ₱541.3 million, or an increase of ₱373.8 million from the previous year's ₱167.5 million, as a result of the factors mentioned below.

On the real estate operations for the year 2004, the Company's consolidated sales of lots, condominium and residential units and Club shares increased by 44% from ₱2.022 billion in 2003 to ₱2.911 billion. FAI, as the Group's commercial property and condominium developer, posted a 72% increase in the sale of its commercial lots and condominium projects compared to the previous year's sales while FLI, as the residential property developer, posted a 52% increase in the sale of its residential units. During 2004, FAI sold more commercial lots and started booking the sales of lots from its premiere project, the Palms Pointe, a residential development right across the "Club. FLI, on the other hand, reported higher sales from the middle-income and affordable projects. However, because of fewer Club shares sold in 2004 as FAI neared completion of the sale of total authorized shares to be sold, sale of Club shares decreased from ₱197.4 million in 2003 to ₱102.7 million. Realized (deferred) gross profit from prior years' real estate sales increased from ₱56.7 million to ₱46.2 million. The increase is due to the partial recognition of profit from previous years' sales of condominium projects, installment sales and discounting of receivables.

The financial and banking services of the Group recorded a positive growth in revenues as interest income increased by 14% from ₱984.3 million to ₱1.118 billion coming mostly from additional loans granted. Receivables from customers increased from ₱8.249 billion as of end 2003 to ₱9.109 billion as of end 2004. Also, the other income of financial and banking services increased by 19% due to higher service charges, fees, commissions and other income earned during the year 2004. Thus, net revenues of the financial and banking services increased by 13% to ₱759.6 million for the year ended December 31, 2004.

The Group generated consolidated net revenues of ₱4.339 billion during the year, 13% higher than the ₱3.831 billion net revenues generated last year.

The increase in the operating expenses of the financial and banking services from ₱805.4 million to ₱1.025 billion for 2004 is due mainly to additional expenses incurred by 10 new personalized banking centers opened during the year, additional manpower, amortization and depreciation of fixed assets and deferred charges on the acquisition of new equipment and software and additional provision for probable losses booked in 2004.

Because of the huge provision for income tax in 2003 resulting from the utilization of a substantial portion of the Company's net loss carry over (NOLCO), provision for income tax decreased by 22% from ₱627.6 million in 2003 to ₱489.8 million in 2004.

Receivables increased by 17% from ₱3.756 billion in 2003 to ₱4.408 billion as of December 31, 2004 due to higher sales booked by the commercial lots, condominium and residential units.

Receivable from customers increased from ₱8.249 billion as of December 31, 2003 to ₱9.109 billion as of December 31, 2004 because of additional loans granted by the bank resulting from the aggressive campaign for its loan programs catering mostly to the consumer/retail market. As stated above, EastWest Bank added 10 new personalized banking centers, which also contributed to loans and deposit generation.

Investments increased by ₱2.474 billion from ₱4.080 billion in 2003 due to additional acquisitions made during the year 2004 of trading and investment securities by the financing and banking services unit.

Property and equipment increased by ₱4.969 billion or 25% mainly because of higher revaluation of land of a subsidiary booked during the year. This also explains the increase in revaluation increment in land account under stockholders' equity from ₱8.223 billion in 2003 to ₱11.188 billion in 2004.

Deferred tax assets decreased by 14% due to the adjustment on this account corresponding to the NOLCO utilized and/or written off by the Group during the then current year.

Other assets decreased by 20% from ₱2.029 billion in 2003 to ₱1.614 million as of December 31, 2004 due to amortization of deferrals and prepayments during the year and reduction in advances to contractors/suppliers, creditable withholding tax and other assets.

Deposit liabilities increased by 27% from ₱13.697 billion in 2003 to ₱17.410 as of December 31, 2004 because of the aggressive marketing, intensified promotional activities, launching of new and attractive products and additional branches opened by EastWest Bank.

Income tax payable represents the current provision for income tax net of the application of creditable withholding tax of a subsidiary.

The increase in deferred tax liabilities of ₱1.908 billion represents mainly the deferred tax on the additional revaluation increment in land booked in 2004 as earlier mentioned.

Bonds payable decreased by 9% due to the payment of US\$2.15 million guaranteed convertible bonds that matured last February 28, 2004.

Unrealized gross profit on installment contracts receivable, sales of condominium units and Club shares decreased by 19% because of the realization of gross profit pertaining to receivables discounted during 2004.

The decrease in estimated liability for land and property development of ₱129.4 million in 2004 represents land development and construction costs spent during the year.

As of December 31, 2004 the total consolidated assets stood at ₱76.878 billion while stockholders' equity amounted to ₱29.404 billion. The consolidated bonds payable and long-term debt amounted to ₱9.535 billion as of December 31, 2004. The debt-to-equity ratio was 0.32:1.00 as of December 31, 2004.

(b)(3) **Result of Operations for 2003**

The year 2003 fared better than 2002 for the Group insofar as the results of operations is concerned. The Group generated consolidated net revenues of ₱3.831 billion in 2003, a 19% increase over the ₱3.219 billion net revenues generated in 2002. Income before income tax amounted to ₱1.054 billion in 2003 or a 169% increase while the net income amounted to ₱167.5 million or an increase of 222% over the ₱52.0 million of the previous year as a result of the factors mentioned below.

The 2003 real estate operations yielded better results than 2002 operations. The Company's consolidated sales of lots, condominium and residential units and Club shares for 2003 increased by ₱21.9 million from ₱2.0 billion in 2002 to ₱2.022 billion in 2003 because of higher sales booked by FAI. FAI's sales amounted to ₱354.9 million in 2003, 288% higher than 2002's sales. Cost of sales of lots, condominium and residential units and Club shares decreased from ₱928.7 million in 2002 to ₱750.9 million despite the increase in sales since a larger percentage of sales were contributed by FAI commercial lots with higher profit margin. The gross profit margin on FLI sales improved during the year which also contributed to the lower cost. However, realized gross profit from real estate sales decreased from ₱142.5 million in 2002 to ₱56.7 million in 2003. The decrease was a result of a substantial amount of profit realized in

2002 from the sales of Club shares with the completion of the country club structure in 2002, and income from Club shares are accounted for under the percentage of completion method.

Rentals and other income increased by 39% from ₱1.394 billion to ₱1.944 billion. Such increase is attributed to higher rentals generated from Festival Mall, PBCOM Tower, the I.T. Buildings at Northgate Cyberzone, Westgate Center and certain lots in FCC. Interest income also increased by 95% from ₱155.6 million to ₱304.1 million because of higher interests earned from trade receivables and temporary placements.

The financial and banking services likewise posted positive growth in revenues. Net revenues from this segment amounted to ₱673.1 million or a 10% increase from 2002. Interest income increased by 15% from ₱858.1 million to ₱984.3 million because of additional loans granted during 2003. Receivables from customers increased from ₱7.396 billion as of end 2002 to ₱8.249 billion as of end 2003. Interests realized from various trade transactions (investment) contributed also to the increase. Other income likewise increased by 26% from ₱378.0 million to ₱475.8 million because of higher income generated from trading transactions and foreign exchange profits and other service fees earned during the year. But the costs and expenses of the financial and banking services also increased from ₱624.4 billion to ₱787.0 million for 2003 due mainly to interest expense on a larger deposit base including FCDU (deposit liabilities increased from ₱10.784 billion as of December 31, 2002 to ₱13.697 billion as of 2003).

Operating expenses of the real estate operations decreased by 6% as a result of several cost-cutting measures being adopted by the management while those of the financial and banking services increased from ₱701.5 million to ₱805.4 million because of the overhead of additional branches of EastWest Bank established during 2003 (i.e. seven Personalized Banking Centers) and amortization of fixed assets and deferred charges due to the acquisition of new equipment and software.

Provision for income tax in 2003 amounted to ₱627.6 million (₱103.8 million in 2002) increased because of the adjustment made on deferred income tax related to the utilization of a substantial portion of the Company's NOLCO.

The Company's cash and cash equivalents increased from ₱2.122 billion as of December 31, 2002 to ₱3.244 billion as of 2003 mainly because of the increase in deposits made with Bangko Sentral ng Pilipinas and other banks by EastWest Bank and cash remaining from discounting of receivables.

Receivable from customers consisting substantially of loans and discounts increased by ₱853.1 million from ₱7.396 billion as of December 31, 2002 to ₱8.249 billion as of end 2003 because of additional loans granted by EastWest Bank resulting from the aggressive campaign for its loan programs catering mostly to the consumer/retail market. As stated above, East West added in 2003 seven new branches which also contributed to its loans and deposit generation.

Subdivision Lots, Condominium and Residential Units for Sale account balance increased from ₱8.208 billion as of December 31, 2002 to ₱9.045 billion. The increase represents land acquisition and development costs of new projects like Nusa Dua and Village Front and the condominium projects in FCC.

Investments increased from ₱3.580 billion to ₱4.080 billion as of December 31, 2003 primarily because of additional trading and investments securities maintained at EastWest Bank's inventory at end of 2003.

Land and Land Development also increased by ₱527.3 million to ₱16.906 billion because of additional development and capitalized borrowing costs incurred on FLI's various land and FAI's Filinvest Corporate City project.

Property and Equipment account decreased by ₱66.7 million due to depreciation provision and disposals of certain equipment, net of some acquisitions during 2003.

As previously mentioned, there was an adjustment made on deferred income tax related to the utilization of substantial portion of the Company's NOLCO. Such adjustment caused the decrease in the balance of Deferred Income Tax account from ₱1.652 billion to ₱1.073 billion.

The decrease of other assets from ₱1.495 billion as of December 31, 2002 to ₱1.010 billion as of December 31, 2003 was caused by the reduction of EastWest Bank ROPOA and deferred charges.

Deposit liabilities increased by ₱2.913 billion because of the aggressive marketing, intensified promotional activities and additional branches opened by EastWest Bank.

Accounts payable and accrued expenses decreased by ₱1.279 billion due to settlement of certain accounts payable and other liabilities and the application of some accounts receivable during 2003.

Long-term debt was higher as of December 31, 2003 at ₱8.337 billion compared to 2002's ₱8.093 billion because of additional loans obtained to partially finance the Group's development activities.

Unrealized gross profit on installment contracts receivable, sales of condominium units and Club shares increased by 95% from ₱52.6 million in 2002 to ₱102.4 million in 2003 due to the sales booked by the commercial and condominium sector which are accounted for under the percentage of completion method.

As of December 31, 2003, the total consolidated assets stood at ₱66.183 billion while stockholders' equity amounted to ₱30.041 billion. The consolidated debt-to-equity ratio was 0.32:1.00 as of December 31, 2003.

Item 12. No Action to be Taken on Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken at the annual stockholders' meeting with respect to any merger or consolidation involving the Company, the acquisition by the Company of another entity, going business or of the assets thereof, the sale or other transfer of all or any substantial part of the assets of the Company, or the liquidation or dissolution of the Company.

Item 13. No Action to be Taken on Acquisition or Disposition of Property

There is no action to be taken at the annual stockholders' meeting with respect to any acquisition or disposition of property by the Company requiring the approval of the stockholders.

Item 14. No Action to be Taken on Restatement of Accounts

There is no action to be taken at the annual stockholders' meeting with respect to any restatement of any asset, capital or surplus account of the Company.

1. Part III, Paragraph (B) of Annex "C", Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

(1) There have been no changes during the two most recent fiscal years or any subsequent interim period in independent accountant who was previously engaged as principal accountant to audit the Company's financial statements.

(2) There have been no disagreements with the Company's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Information on Independent Accountant

(a) **Audit and Audit-Related Fees**

In consideration for the following professional services rendered by SGV as the independent auditor of the Company and the Group in general:

1. the audit of the Group's annual financial statements and such services normally provided by an external auditor in connection with statutory and regulatory filings or engagements for those fiscal years;
2. other assurance and related services by SGV that are reasonably related to the performance of the audit or review of the Company's financial statements

SGV billed the Group for fees totaling ₱3.11 million and ₱3.32 million for fiscal years 2004 and 2005, respectively.

(b) **Tax Fees**

For each of the last two fiscal years, SGV did not render for tax accounting, compliance, advice and planning services for which it billed the Company and the Group in general the corresponding professional fees.

(c) **All Other Fees**

For each of the last two fiscal years, SGV did not render services in addition to the services described above for which it billed the Company and the Group in general the corresponding professional fees.

(d) **Approval Policies and Procedures for Independent Accountant's Services of Management/Audit Committee**

In giving its stamp of approval to the audit services rendered by the independent accountant and the rate of the professional fees to be paid, the Audit Committee, with inputs from the management of the Company, makes a prior independent assessment of the quality of audit services previously rendered by the accountant, the complexity of the transactions subject of the audit, and the consistency of the work output with generally accepted accounting standards.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The minutes of the last annual meeting of the stockholders held on June 10, 2005 will be submitted to the stockholders for approval.

Item 16. No Action to be Taken on Matters Not Required to be Submitted

There is no action to be taken at the annual stockholders' meeting with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. No Amendment of Articles of Incorporation and By-Laws Required to be Submitted

There is no action to be taken at the annual stockholders' meeting with respect to any amendment of the Company's Articles of Incorporation and By-Laws.

Item 18. Other Proposed Action

The following are the other matters to be taken up during the annual stockholders' meeting:

- (a) Approval of the minutes of the annual meeting of stockholders held on June 10, 2005;
- (b) Presentation of the President's report;
- (c) Presentation and approval of the Company's audited financial statements for the year ended 2005;
- (d) General ratification of corporate acts since the last annual stockholders' meeting;
- (e) Appointment of external auditors.

The above items are part of the agenda of the annual stockholders' meeting of the Company to be held on May 26, 2006. The President's report discusses the operational highlights of the Company since the last annual stockholders' meeting. The audited financial statements refer to financial operations, balance sheet and income statement of the Company for the year ended 2005. The general ratification of the acts of the Board and the management since the last annual meeting refers to the approval by the stockholders of all actions and matters taken up and approved by the Board and the management relating to the Company's operations, including the opening of bank accounts and designation of signatories to the said accounts, the procurement of loans and credit lines, and the execution of various agreements.

Item 19. Voting Procedures

With respect to (i) the approval of the minutes of the annual stockholders' meeting held on June 10, 2005, (ii) the approval of the audited financial statements for the year ended 2005, (iii) the ratification of corporate acts, and (iv) the appointment of external auditor for the year 2006-2007, the voting procedure shall be as follows:

1. The chairman of the meeting announces that the particular item is subject to motion for approval by the stockholders.
2. A stockholder moves for the approval of the item.
3. Another stockholder seconds the motion.
4. The chairman of the meeting states that the motion is carried in case no objection on the floor is raised.
5. Should there be an objection, the approval or denial of the motion shall be decided by the plurality vote of stockholders present or by proxy and entitled to vote thereat, a quorum being present.

The election of directors need not be done by ballot. If the nominees for election prescreened by the Nomination Committee do not exceed the number of directors to be voted upon, all the nominees shall be declared duly elected directors. However, should the number of nominees exceed the number of board seats, the seven nominees garnering the highest number of votes shall be declared as duly elected, subject to the stockholders' right to cumulative voting and the guidelines on the election of the independent directors as set forth above. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such a proxy, and shall state the number of shares voted by him.

The voting procedures outlined above assume the existence of a quorum at the meeting.

Item 20. Market for registrant's Common Equity and Related stockholder Matters

Cash Dividend

No cash dividends were declared for the past three years. The payment of cash dividends in the future will depend upon the Company's earnings, cash flow, financial condition, capital investment requirements and other factors (including certain restrictions on dividends imposed by the terms of loan agreements). Pursuant to the loan agreements entered into by the Company and certain financial institutions, the Company needs the lender's prior consent in cases of cash dividend declaration.

Market Information

The shares of the Company are listed on the Philippines Stock Exchange (PSE). The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE.

| STOCK PRICES | <u>High</u> | <u>Low</u> | <u>Period end</u> |
|----------------|-------------|------------|-------------------|
| 2006 | | | |
| First Quarter | | | |
| 2005 | | | |
| First Quarter | 1.78 | 1.36 | 1.50 |
| Second Quarter | 1.36 | 1.14 | 1.16 |
| Third Quarter | 1.14 | 1.08 | 1.12 |
| Fourth Quarter | 1.24 | 1.18 | 1.20 |
| 2004 | | | |
| First Quarter | 1.00 | 1.00 | 1.00 |
| Second Quarter | 1.02 | 1.00 | 1.00 |
| Third Quarter | 0.98 | 0.98 | 0.98 |
| Fourth Quarter | 1.02 | 0.95 | 1.02 |

As of April 27, 2006, the closing price of the Company's shares was ₱3.30.

Common shares issued and outstanding as of April 26, 2006 were 5,955,725,452. Also as of this date, the number of stockholders of record of the Company was 5,586.

Top 20 Stockholders As of April 15, 2006

| <i>Class</i> | <i>No. of Shares Held</i> | <i>% to Total</i> |
|--|---------------------------|-------------------|
| Common ALG Holdings Corp. | 4,201,927,831 | 70.52% |
| Common Trust for Michael Gotianun | 415,337,720 | 6.97% |
| Common Jonathan T. Gotianun | 339,291,901 | 5.69% |
| Common Lourdes Josephine G. Yap | 339,291,901 | 5.69% |
| Common PCD Nominee Corp. (Non-Filipino) | 239,235,134 | 4.01% |
| Common PCD Nominee Corp. (Filipino) | 140,314,845 | 2.35% |
| Common FDC Equities Investment Ltd. | 79,733,354 | 1.34% |
| Common Michael Gotianun | 38,218,799 | 0.64% |
| Common Ricardo Alonzo | 23,214,024 | 0.39% |
| Common East-West Banking Corp. FAO Trust Acct. No. 135 | 19,750,000 | 0.33% |
| Common Teresita Dela Cruz | 10,960,000 | 0.18% |

| | | | |
|--------|--|---------------|--------|
| Common | Hongkong Bank OBO Manila A/C 000-118976/150 | 10,119,500 | 0.17% |
| Common | Andrew Gotianun, Sr &/or Mercedes T. Gotianun | 7,575,000 | 0.13% |
| Common | East-West Banking Corp. FAO Trust Acct. No. 132 | 6,942,900 | 0.12% |
| Common | Hongkong Bank OBO Manila A/C 000-118976/150 | 5,764,100 | 0.10% |
| Common | Hongkong Bank OBO Manila on behalf of Mla A/C 118976/150 | 4,128,515 | 0.07% |
| Common | Efren C. Gutierrez | 3,301,388 | 0.06% |
| Common | Enrique Cheng | 3,300,000 | 0.06% |
| Common | Mercedes T. Gotianun | 3,000,000 | 0.05% |
| Common | Filinvest Development Corporation Treasury Shares | 2,398,400 | 0.04% |
| Total | | 5,883,800,891 | 98.96% |

Recent Sale of Unregistered Securities

There are no securities sold by the Company in the past three (3) years which were not registered under the Code.

Compliance with Lending Practices on Corporate Governance

By way of evaluation of the level of compliance by the management and Board of the Company with its Manual on Corporate Governance, the Compliance Officer is made to report at the meetings of the Board what the pertinent requirements on corporate governance are at the time and the Board determines how best to comply with such requirements.

Part of the measures being adopted by the Company in order to comply with the leading practices on corporate governance is the participation and attendance by members of top level management and the Board at seminars on corporate governance initiated by accredited institutions. The Company welcomes proposals, whether sourced internally or from institutions and entities such as the SEC to improve corporate governance.

There are no known material deviations from the Company' Manual on Corporate Governance.

SEC FORM 17-A

A COPY OF THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED 2005 WILL BE PROVIDED, WITHOUT ANY CHARGE, TO ANY STOCKHOLDER OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO:

**ABNER C. GENER JR.
CORPORATE SECRETARY
FILINVEST DEVELOPMENT CORPORATION
FDC BUILDING, 173 P. GOMEZ STREET
SAN JUAN, METRO MANILA**

PART II

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct in all material respects. Pursuant to the requirements of the Securities Regulation Code, the Company has duly caused this statement to be signed on its behalf by the undersigned hereunto duly authorized, this 2nd day of May 2006 in San Juan, Metro Manila.

FILINVEST DEVELOPMENT CORPORATION

By:

(ORIG. SGD.)

ABNER C. GENER JR.

Corporate Secretary and Compliance Officer