

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. June 15, 2007, 9:00 a.m., FAI Marketing Office, Filinvest Corporate City, Alabang, Muntinlupa City
Date, time and place of the meeting of security holders

9. May 25, 2007
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 June 15, 2007 at 9:00 a.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 25, 2007.

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.

The stockholder concerned must have voted against the proposed corporate action in order to avail himself of the appraisal right. As provided in the Corporation Code, the procedure in the exercise of the appraisal right is as follows:

- a) The dissenting stockholder files a written demand within thirty (30) days after the date on which the vote was taken. Failure to file the demand within the 30-day period constitutes a waiver of the right. Within ten (10) days from demand, the dissenting stockholder shall submit the stock certificates to the Company for notation that such shares are dissenting shares. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the shares by the Company, all rights accruing to the shares shall be suspended, except the stockholder's right to receipt payment of the fair value thereof.
- b. If the corporate action is implemented, the Company shall pay the stockholder the fair value of his shares upon surrender of the corresponding certificate/s of stock. Fair value is determined by the value of the shares of the Company on the day prior to the date on which vote is taken on the corporate action, excluding any appreciation or depreciation in value in anticipation of the vote on the corporate action.
- c. If the fair value is not determined within sixty (60) days from the date of the vote, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the stockholder, and the third one chosen jointly by the corporation and the stockholder. The findings of the appraisers will be final, and their award will be paid by the Company within (30) days following such award. Upon such payment, the stockholder shall forthwith transfer his shares to the Company. No payment shall be made to the dissenting stockholder unless the Company has unrestricted retained earnings.
- d. If the stockholder is not paid within thirty (30) days from such award, his voting and dividend rights shall be immediately restored.

There is no corporate matter or proposal that will be taken up at the annual stockholders' meeting with respect to which a stockholder may exercise the right of appraisal under the Corporation Code.

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

No director or executive officer of the Company or nominee for election as such director or officer has any substantial interest, direct or indirect, in any matter to be acted upon at the annual stockholders' meeting, other than election to office. Likewise, none of the directors has informed the Company of his opposition to any matter to be taken up 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 24, 2007.

(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 March 31, 2007 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 (R)	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	339,536,901(R)	5.70%
Common	Lourdes Josephine G. Yap 173 P. Gomez Street, San Juan, Metro Manila/ President of the Company	N.A.	Filipino	339,291,901 (R) ²	5.69%

Total number of shares of all record and beneficial owners as a group is 5,296,094,353 shares, or 88.9%.

Except as stated above, the board of directors and management of the Company have no knowledge of any person who, as of the date of the annual report was directly or indirectly the beneficial owner of more than five percent (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 five percent (5%) of the Company's outstanding common stock.

¹ Mr. Andrew L. Gotianun Sr. and Josephine G. Yap are typically named by ALG as its proxy to vote at the annual meeting of stockholders the shares owned and held by it in the Company.

² In addition, Josephine G. Yap holds jointly with Joseph M. Yap 300,000 shares of stock of the Company.

(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 March 31, 2007 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 (R)	Negligible
Common	Mercedes T. Gotianun	Filipino	3,078,554 (R)	Negligible
Common	Andrew T. Gotianun, Jr.	Filipino	1,554 (R)	Negligible
Common	Jonathan T. Gotianun	Filipino	339,536,901 (R)	5.70%
Common	Lourdes Josephine G. Yap	Filipino	339,291,901 (R)	5.69%
Common	Andrew L. Gotianun, Sr. and/or Mercedes T. Gotianun	Filipino	7,575,000 (R)	Negligible
Common	Michael T. Gotianun	Filipino	38,218,799 (R)	Negligible
Common	Joseph M. Yap and/or Josephine G. Yap	Filipino	300,000 (R)	Negligible
Common	Lamberto U. Ocampo	Filipino	1 (R)	Negligible
Common	Cornelio C. Gison	Filipino	1 (R)	Negligible

Total ownership of all directors and officers as a group is 1,142,996,889 shares or 19%.

(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. Mr. Gotianun, 79, Filipino, is the founder of the Filinvest group of companies and is presently serving in various capacities in the member companies of the group, including *Chairman Emeritus and Director* Filinvest Alabang, Inc. and East West Banking Corporation where he sits as Chairman. He has been a director of the Company for more than five years.

Jonathan T. Gotianun Mr. Gotianun, 53, Filipino, is also the President of Davao Sugar Central Co., Inc., High Yield *Chairman* Sugar 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 Gotianun-Yap Mrs. Yap, 52, Filipino, is also the Executive Vice-President of Filinvest Alabang, Inc. and *President and Director* 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 Mrs. Gotianun, 78, Filipino, is also the Chairperson and Chief Executive Officer of Filinvest *Director* Land, Inc. and director of Filinvest Alabang, Inc. She 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 has been the director of the Company for more than five years.

Andrew T. Gotianun Jr. <i>Director</i>	Mr. Gotianun, 54, Filipino, is also the Vice-Chairman of Filinvest Land, Inc. He 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 has been a director of the Company for more than five years.
Lamberto U. Ocampo <i>Independent Director</i>	Mr. Ocampo, 81, Filipino, is also an independent director of Filinvest Land, Inc., having been elected as such in 2002. He is a civil engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to 2001, as its Chairman from 1993 to 1995 and its President from 1970 to 1992.
Cornelio C. Gison <i>Independent Director</i>	Mr. Gison, 65, Filipino, is also an independent director of Filinvest Land, Inc., having been elected as such in 2006. He was Undersecretary of the Philippine Department of Finance from 2000 to 2003. He is a consultant of Sycip Gorres & Velayo, and a member of the Advisory Board of the Metropolitan Bank & Trust Co., and a director of the Intex Holdings Group.
Michael Edward T. Gotianun <i>Vice President</i>	Mr. Gotianun, 49, Filipino, is also a director of Filinvest Land, Inc., Filinvest Alabang, Inc. and Festival Supermall, Inc. He served as a general manager of Filinvest Technical Industries, Inc. from 1987 to 1990 and as loans officer of Family Bank and Trust Co. from 1979 to 1984. He obtained his Bachelor's Degree in Business Management from the University of San Francisco in 1979.
Nelson M. Bona <i>Treasurer</i>	Mr. Bona, 55, 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. <i>Corporate Secretary</i>	Mr. Gener, 36, Filipino, joined the Company in September 2000. He is also the Assistant Corporate Secretary of Filinvest Land, Inc. and the Corporate Secretary of Filinvest Alabang, Inc., Festival Supermall, Inc. and The Palms Country Club, Inc.

The directors of the Company are elected at the annual stockholders' meeting to hold office until their respective successors have been duly appointed or elected and qualified. Officers are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

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

In the normal course of business, the Company and the other members of the Filinvest group of companies enter into certain related-party transactions consisting of advances and inter-company charges. In addition, the Company's entered into the following related-party transactions:

- The Company guaranteed the obligations of its subsidiary, Filinvest Land, Inc. ("FLI"), under an "Omnibus Financing Agreement" whereby the International Finance Corporation extended to FLI a ₱2.25-billion credit facility. FLI has so far availed ₱1.125 billion of this facility.
- The Company and FLI entered into an amendment agreement covering the amendments to the terms and conditions of the Php1.2-billion Convertible Bonds issued by FLI and purchased by the Company from the previous bondholder. The Company subsequently converted the bonds into FLI common stock.
- The Company bears jointly with other members of the Filinvest group, expenses relating to common facilities and services made available to each member, such as payroll services, supplies and utilities.
- The Company and its subsidiaries also maintain savings and current accounts and time deposits with EastWest Banking Corporation ("EWBC"), a member of the Filinvest group.
- EWBC also leases from Filinvest Asia Corporation ("FAC") a total of approximately 2,800 square meters of office space in PBCom Tower.

On September 29, 2006, the Company entered into an agreement with FLI and its other subsidiary, Filinvest Alabang, Inc. ("FAI"), covering the acquisition by FLI of the following properties with a total value of ₱12.32 billion:

1. FAI's Festival Supermall complex in Filinvest Corporate City ("FCC"), Alabang, Muntinlupa City;
2. FAI's 60% equity ownership in Cyberzone Properties, Inc., which owns and manages IT-based buildings in the Northgate Cyberzone, the special economic zone in FCC; and

3. the Company's 60% equity ownership in FAC, which is the co-owner of the tallest building in the Philippines, the PBCom Tower, located at the corner of Ayala Avenue and V.A. Rufino Street in Makati City.

In exchange for the above properties and assets, FLI issued to the Company and FAI a total of 5.642 billion shares converted at the price of ₱1.74 per share. Under the aforementioned agreement, FLI also assumed debts of FAI and the Company amounting to ₱2.5 billion. The transactions were intended to meet the following objectives:

1. increase FLI's recurring revenue base,
2. diversify and balance FLI's revenue base,
3. allow FLI to tap the high growth BPO office/Business Park Development market, as well as ensure stable earnings with its entry into shopping mall operations, and
4. increase FLI's asset base.

The Income Approach-Discounted Cash Flow Analysis method was used in the valuation of the said properties. The valuation was provided by Colliers International (Phils.), Inc., an independent, internationally known third party appraiser. The Income Approach proves to be most suitable to transactions such as the ones disclosed since it provides reasonable value estimates based on the properties' anticipated future income. In particular, the value of the properties is derived by using one or more income capitalization procedures to convert the expected income generated from the subject property into present value estimates. The net operating income derived from the cash flow projection made is discounted to arrive at the present value of the properties for each given period arriving at the present open market value of the properties.

There were no transactions during the last two years, or any proposed transactions, to which the Company was or is to be a party, in which any director or executive officer of the Company, any nominee for election as such director or executive officer, 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.

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

There will be an election of the members of the Board during the annual stockholders' meeting. The stockholders of the Company may nominate individuals to be members of the Board of Directors. The deadline for submission of nominees is June 8, 2007.

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 June 8, 2007 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.

The Nomination Committee created under the Company's Manual on Corporate Governance endorsed the nominees of ALG Holdings Corporation to the Board of Directors, as well as the nominees for independent directors of Mr. Luis T. Fernandez, a stockholder, for reelection at the upcoming annual stockholders' meeting, in accordance with the qualifications and disqualifications set forth in the Manual, as follows:

Qualifications

- (1) Holder of at least one (1) share of stock of the Company;
- (2) He shall be at least a college graduate or have 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 Securities and Exchange Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Securities and Exchange Commission or Bangko Sentral ng Pilipinas;
- (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.

Temporary Disqualifications

- (1) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code 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/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (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) If the independent director becomes 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.

Recommended Directors For 2007-2008

The Nomination Committee of the Board of Directors of the Company has determined that the following, a majority of whom are incumbent directors, 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. Below is the list of candidates prepared by the Nomination Committee:

Andrew L. Gotianun Sr.
Mercedes T. Gotianun

Andrew T. Gotianun, Jr.
Jonathan T. Gotianun
Josephine G. Yap
Lamberto U. Ocampo (as independent director)
Cirilo T. Tolosa (as independent director)

Independent Directors

The Nomination Committee, upon nomination by Mr. Luis T. Fernandez and following the guidelines provided under the Club's Manual on Corporate Governance, named Lamberto U. Ocampo and Cirilo T. Tolosa as nominees for this year's annual meeting as independent directors. Mr. Ocampo is an incumbent independent director of the Company. Atty. Tolosa, 67, Filipino, has been a lawyer since 1963, retiring in February 2005 from the law firm Sycip Salazar Hernandez & Gatmaitan where he took on corporate law, banking and real estate as fields of concentration. Mr. Fernandez is not related to the nominees. The Nomination Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Manual of Corporate Governance.

Before the annual meeting, a stockholder of the Company may nominate individuals to be independent directors, taking into account the following guidelines:

- A. "Independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:
 - i. is not a director or officer or substantial stockholder of the Company or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
 - ii. is not a relative of any director, officer or substantial stockholder of the Company, any of its related companies or any of its substantial stockholders. For this purpose, "relative" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
 - iii. is not acting as a nominee or representative of a substantial stockholder of the Company, any of its related companies or any of its substantial stockholders;
 - iv. has not been employed in any executive capacity by the Company, any of its related companies or by any of its substantial stockholders within the last five (5) years;
 - v. is not retained as professional adviser by the Company, any of its related companies or any of its substantial stockholders within the last five (5) years, either personally or through his firm;
 - vi. has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial stockholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial stockholder, other than transactions which are conducted at arm's length and are immaterial or insignificant.
- B. When used in relation to the Club subject to the requirements above:
 - i. Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
 - ii. Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
- C. An independent director shall have the following qualifications:
 - i. He shall have at least one (1) share of stock of the Company;
 - ii. He shall be at least a college graduate or he shall have been engaged in or exposed to the business of the Company for at least five (5) years;
 - iii. He shall possess integrity/probity; and
 - iv. He shall be assiduous.

- D. No person enumerated under Section II(5) of the Manual of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:
- i. He becomes an officer or employee of the Company, or becomes any of the persons enumerated under item (A) hereof;
 - ii. His beneficial security ownership exceeds 10% of the outstanding capital stock of the Company;
 - iii. Fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;
 - iv. Such other disqualifications as the Manual on Corporate Governance may provide.

The Nomination Committee receives nominations for independent directors as may be submitted by the stockholders. After the deadline for the submission thereof, the Nomination Committee meets to consider the qualifications as well as grounds for disqualification, if any, of the nominees based on the criteria set forth in the Company's Manual on Corporate Governance and Rule 38 of the Securities Regulation Code. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Nomination Committee shall then prepare a Final List of Candidates enumerating the nominees who passed the screening. The name of the person or group of persons who recommends nominees as independent directors shall be disclosed along with his or their relationship with such nominees.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent directors. 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 annual meeting.

The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company and its by-laws. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the annual meeting. Specific slots for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

(a)(iv) ***Other Significant Employees***

The Company has no significant employees other than those already mentioned above.

(a)(v) ***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)(vi) ***Involvement in Certain Legal Proceedings***

The Company is not aware of any legal proceedings where its directors or executive officers have been impleaded in their capacity as directors or executive officers of the Company.

The Company is not aware of the occurrence of any of the following events within the past five years up to the date of this annual report: (a) any bankruptcy petition filed by or against any business in which any of its 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, of, or any criminal proceeding, domestic or foreign, pending against, any of its directors or officers in his capacity as such director or officer; (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 its 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 its 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.

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>					
Lamberto U. Ocampo <i>Independent Director</i>					
Cornelio C. Gison <i>Independent Director</i>					
All officers and directors as a group unnamed	2007-Est.	18.7 Million	1.6 Million	-	20.3 Million
	2006	18.7 Million	1.6 Million	-	20.3 Million
	2005	18.9 Million	3.1 Million		22.0 Million

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

Except for a per diem of ₱25,000 being paid to each director for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

(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 June 15, 2007 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 appointment as external auditor for the year 2007-2008. 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) **Information Required**

(1) ***Audited Financial Statements***

The audited financial statements of the Company for the year ended 2006 are attached to form part of this information statement.

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

Result of Operations

• **2006**

Real estate operations posted 19% growth in net revenue, to ₱4.7 billion from ₱3.9 billion in 2005.

Sale of lots, condominium and residential units, and club shares has collectively grown by 14% to ₱3.25 billion. Sale of lots and house and lot packages almost came from all real estate sectors, and new projects generated substantial contribution to sales. In the residential sector, sales came from FLI's Laeuna de Taal and Palm Ridge in Batangas (affordable), Sta. Isabel in Mission Hills (middle – income), Villa Mercedita II in Davao (middle – income), and Brentville in Laguna (high – end). In the industrial sector, the high percentage of increase in sales was due to higher contract prices. The residential farm estate sector contributed increases in the number of lots sold in Forest Farm and Nusa Dua. Higher recorded sales for Belleview, Bevedere and Blue Isle subdivisions spurred the growth in sales of socialized housing sector. Intensive marketing activities, promotions and incentives, the availability of affordable financing packages, and attractive pricing, coupled with strong OFW demand and strong government support, are the major reasons cited for the good project sales performance of the Filinvest group of companies. In the commercial development sector, sale of condominiums has improved mainly due to strong performance of FAI in selling West Parc Alder and West Parc Birch condominium units. For club shares, 118 shares were sold in 2006 compared to 77 in the previous year. Deferred gross profit went down by 65% as a result of lower sales booked under the installment method, and when significant part of the sales booked during the year came from bank-financing, deferred cash payment, and PAG-IBIG financing.

In the leasing sector, mall and rental revenues, accounting for 27% of consolidated net revenue, provided an increase of 27% over last year's. Festival Supermall provided a steady source of revenue with its 87% occupancy level by yearend. The latest additions to its roster of about 600 stores include Powerbooks, People R People, and EP Espada from Thailand. Additions to the dining choices were Las Paellas, The Old Spaghetti House, Cabalen, Sid Sports Bar, Giligan's Island, and Aplaya. In the office sector, Filinvest Asia Corporation maintained its 100% occupancy status while rental rates escalated by 20%. The stronger demand for BPO/contact center locations was cited as the major reason for the good rental revenue performance. The same reason was cited for the almost 100% occupancy in Northgate Cyberzone where Cyberzone Properties, Inc. has constructed a number of I.T. buildings that offer office spaces for lease. Capitalizing on its location, which is south of Metro Manila, the zone has expanded to reach a GLA of 61,533 square meters to accommodate the strong demand for BPO offices. In 2006, newest additions to its growing list of tenants include Genpact LLC, eTelecare, Firstsource Solutions, and Verizon Communications Phil. Further, the Convergence Block, which caters to the 24/7 community in the area, opened in the third quarter of 2006 and Informatics International College, Advanced Research and Competency Development Institute, YBM school are currently housed therein.

Other income growth was mainly attributed to the amortization during the year of deferred income arising from the exchange of parcels of land by the Company with FAI in 1996. The gain was initially deferred subject to the eventual development and sale of lots to a third party. Annual amortization is made based on actual sale of lots.

Real estate operating expenses grew by 12% mainly as a result of: higher selling and marketing expenses as a result of product launchings, special events, advertisements and overhead costs incurred by newly established sales offices as part of the Filinvest group's aggressive marketing campaign during the year, in addition to the higher brokers' commissions and incentives as a result of increase in sales; higher interest expense due to increase in loans which is expected however to taper off in 2007 with the replacement of subsisting high-cost loans; higher provision of impairment

of assets; and higher miscellaneous expenses resulting from the integration of FLI's computer systems; and expenses relating to a corporate advertising campaign in 2006.

Banking operations net revenue remained steady in 2006 at ₱1.3 billion. A slight decline in interest income was noted, attributable to lower interest rates, specifically in regular government securities that went down to 4% during the year compared to 7% in 2005. This decline was offset by the growth in Other Income mainly coming from service charges, fees and commissions. Banking operating expenses increased by 18% mainly: from higher provision for probable losses; increased Gross Receipt Tax for Other Income, from 5% in 2005 to 7% this year; and all other operating expenses as a result of expanded activities during the year.

As a result, the Filinvest group posted almost ₱2 billion of Income Before Income Tax or a 16% increase over last year's, mainly sourced from the growth in real estate operations. Income tax was at the same level, bringing the Net Income to ₱1.4 billion representing a 21% growth.

The Filinvest group's total assets stood at ₱86.4 billion, an increase of ₱7 billion or 9% over 2005's level of ₱79 billion. The growth mainly came from increases in Cash and Cash Equivalents, Loans and Receivables, Interbank Loans and Receivables, AFS Financial Assets, Subdivision lots, condominiums and residential units for sale, Land and land development, partially offset by decline in Other Assets.

Cash and Cash equivalents, which stood at ₱5.7 billion, increased by 59% over last year, mainly due to the new BSP Circular 539 implemented during the year mandating banks to change the liquidity reserve requirement from holding government securities bought directly from the BSP to placing term deposits in the reserve deposit account. This resulted to a change in the accounting classification of government securities as part of the reserve requirement, from a Held-to-maturity financial asset to a Cash and Cash equivalent. This explained the drop of the Held-to-maturity asset by P1.6 billion in 2006 compared to 2005. Other reason for the growth in Cash and Cash equivalents is the increase in liquidity funded from higher deposit level during the year.

The increase in loans and receivables from real estate operations was because of the higher journalized sales in 2006. Loans and receivables from banking financial services was mainly brought about by an upsurge in auto loans, which increased from ₱2.9 billion in 2005 to ₱4.5 billion in 2006, as the Filinvest group's banking arm, EastWest Banking Corporation ("EWBC"), focused more on consumer financing.

AFS financial assets grew by ₱2.1 billion as a result of reclassification of some securities held by EWBC previously categorized as Financial Assets at Fair Value Through Profit and Loss ("FVPL") in 2005. These securities were not to be traded within the year and therefore reclassified as AFS financial assets in 2006. This also explained the drop in FVPL in 2006 by ₱1.8 billion or 73%. Another reason for the increase in AFS is the higher volume of placements during the year.

Interbank Loans and Receivables significantly increased by 131%, equivalent to ₱1.7 billion, as EWBC continued to be in a lending position towards the yearend of 2006. More funds were available for lending with the upsurge in the volume of deposits.

Increases in Subdivision lots, condominium and residential units for sale, and Land and land development were due to completed and continuing projects developed by the Filinvest group during the year. Several new projects were also introduced.

Other assets declined by 25% or ₱409 million, attributed to the conversion into FLI shares on September 29, 2006 of the FLI convertible bonds owned by the Company, the premium of which was classified under Other Assets in 2005.

Total liabilities got higher by P14% or ₱6 billion as Deposit liabilities significantly increased by almost ₱5 billion or 24%, mainly credited to new deposit campaigns launched in 2006. Bills and acceptances payable likewise grew by ₱1 billion or 963% as EWBC borrowed from the Trust fund to support the requirement of the new BSP Circular 539, as discussed previously. Note however that the bank gained a 5% spread over the borrowing rate of 7% from the Trust fund, through investing in BSPs special accounts (RDA and SDA) at 7.5% interest.

Retained earnings growth of ₱2 billion or 17% was related to the net income of ₱1.2 billion earned during the year and the adjustment to minority interest for additional equity in affiliates amounting to ₱819 million.

Minority interest dropped by ₱549 million or 11% as the effective shareholdings of the Company in FLI rose to 65% in 2006 compared to 53% in 2005, by way of asset swap as previously discussed.

Performance Indicators

	<u>2006</u>		<u>2005</u>		<u>2004</u>	
Earning per share (basic)	P 0.240	/share	P 0.198	/share	P 0.149	/share
<hr/>						
Net Income						
<hr/>						
Weighted average number of outstanding common shares						
<hr/>						
Price Earnings Ratio	5.01	times	6.06	times	6.86	times
<hr/>						
Closing Price						
<hr/>						
Earnings per share						
<hr/>						
Return on Gross Revenue	17%		15%		14%	
<hr/>						
Net Income						
<hr/>						
Total Revenue						
<hr/>						
Debt to equity ratio (gross)	0.32		0.33		0.29	
<hr/>						
Notes Payable & Long-term Debt						
<hr/>						
Total Stockholders' Equity						
<hr/>						
EBITDA to Total Interest Paid	3.53	times	3.75	times	2.87	times
<hr/>						
EBITDA						
<hr/>						
Total Interest Payment						

The profitability of the Company is reflected in the earnings per share, which improved from ₱0.149 per share in 2004 to ₱0.240 per share in 2006 mainly due to positive growths consolidated income over the three-year period. The price earnings ratio decreased mainly due to the higher earnings per share. The market closing price per share was the same at ₱1.20 for the years 2006 and 2005, and at ₱1.02 in 2004.

Return on gross revenue increased due to improved income generated principally by the real estate operations.

Total debt to equity ratio slightly lowered to 0.32:1 in 2006 from 0.33:1 in 2005, attributable to higher net income earned during the year, while long-term debt remained at almost the same level.

Other Notes to Financial Statements

There are no known trends, events or uncertainties that have had or that are reasonably expected to have favorable or unfavorable impact on net sales or 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 are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company.

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.

- 2005

Real estate operations posted 16% growth in net revenue to ₱3.9 billion from ₱3.4 billion in 2004. Mall and rental revenues increased by 8% or P71 million with the increased occupancy in Festival Supermall, FAI lots, Westgate Center, South Station Mall and Northgate Cyberzone. The Filinvest group welcomed new tenants such as Wilcon Builder's Depot and Alabang Home Depot in Filinvest Corporate City; 84 new stores were added in Festival Supermall; and, Westgate Center's newest establishments were Belo Medical Center, Gymboree, Zong Restaurant, UCC Coffee, Wine Depot, Med Express, Cest Si Bon French Restaurant, and Westgate Alabang Home Depot. 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 sales of lots and residential condominium units of FAI, which decreased by 57% and 42%, respectively. It was however partially eased with the improvement in sales of commercial condominium units, which increased by 1281%. Coupled with the lower sales of club shares, which went down by 42%, and higher deferred gross profit due to more sales booked under installment method, total gross profit declined by 3%. Other income rose to ₱1.6 billion, up by 90% from ₱825 million in 2004, mainly sourced from interest in installment contracts receivable, investment in bonds, and gain from the exchange of land.

Real estate operating expenses grew by 25% 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 68% to ₱1.3 billion from ₱764 million in 2004. With the EWBC's focus on consumer financing, interest income grew by 35% mainly supplied by 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, the volume of deposits grew by 15%, which brought costs of financial services to ₱1.2 billion or a 28% increase from ₱922 million in 2004. Operating expenses stood at ₱1.2 billion, a 31% increase over last year's with the introduction of new personal banking centers and incurrence of 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 the ₱84 million earned the previous year.

As a result, the Filinvest group's EBITDA rose by 14% to ₱2.6 billion. Depreciation and amortization increased by 40% due to decomponetization of Festival Supermall and the buildings of Cyberzone Properties, Inc., adjusting the useful life thereof from 50 to 20 years, as required by the new reporting standards. Interest expenses increased by 30% mitigated by the Filinvest group's taking advantage of the low interest rates as it obtained new loans of ₱4.4 billion, a move which improved the Company's maturity schedule from 2.3 years to four, and savings of over ₱100 million a year in terms of interest costs.

This consolidated net income for 2005 registered a 33% growth to ₱1.2 billion from P885 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 bonds issued by FLI on February 7, 2002 amounting to ₱1.2 billion from Reco Grandhomes Pte. Ltd. ("Reco"), a Singaporean company. Prior to the purchase in December 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 in the bonds is equivalent to 19% per annum. The new agreement between the Company and FLI set 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 Filinvest 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.

- **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 Palms Country 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 Filinvest 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 Filinvest group generated consolidated net revenues of ₱4.339 billion in 2004, 13% higher than the ₱3.831 billion net revenues generated in 2003.

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 ten 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, EWBC 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 Filinvest group during the then current year.

Other assets decreased by 20% from ₱2.029 billion in 2003 to ₱1.614 billion 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 billion as of December 31, 2004 because of the aggressive marketing, intensified promotional activities, launching of new and attractive products and additional branches opened by EWBC.

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.

(3) Legal Proceedings

The Filinvest group is subject to lawsuits and legal actions in the ordinary course of its 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 Group. Noteworthy are the following cases involving the Company and its subsidiaries, FLI and FAI:

- a. *FLI vs. Abdul Backy, et al.*
G.R. No. 174715
Supreme Court

This is an offshoot of a civil 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, 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. On appeal, the Court of Appeals rendered a decision partly favorable to FLI. FLI's petition for review on *certiorari* to question that portion of the decision declaring as void the deeds of sale of properties covered by free patents issued in 1991, is now pending with the Supreme Court.

- b. *Emelita Alvarez, et al. vs. FDC*
DARAB Case No. IV-RI-010-95
Adjudication Board, Department of Agrarian Reform

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. 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.

- c. *FLI vs. Flood Affected Homeowners of Meritville Alliance*
G.R. No. 165955
Supreme Court

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. The petition of FLI remains pending with the Supreme Court.

- d. *Republic of the Philippines vs. Rolando Pascual, et al.*
Civil Case No. 7059
Regional Trial Court

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).

- e. *Adia vs. FLI*
CA-G.R. CV No. 87424
Court of Appeals

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 appealed the decision to the Court of Appeals where it is pending.

- f. *FDC vs. Commissioner of Internal Revenue*
G.R. No. 146941
Supreme Court

This case involves a petition for review on *certiorari* filed by the Company with the Supreme Court to assail the Court of Appeal's Decision dated August 18, 2000. This Decision affirmed the denial by the Court of Tax Appeals of the refund of the amount of ₱3,173,868.00 representing creditable withholding taxes overpaid by the Company for the years 1995 and 1996. The case is pending decision with the Supreme Court.

- g. *Padua, et al. vs. DENR, et al.*
CA-G.R. SP No. 93908
Court of Appeals

This involves a petition for *mandamus* to compel the Department of Environment and Natural Resources and Lands Management Bureau to give due course to "Miscellaneous Sales Patents" filed by individual petitioners in 1969 covering a 3,000 square meter-parcel of land that now forms part of the Filinvest Corporate City. The petitioners also seek to nullify the "Joint Venture Agreement" dated April 14, 1993 between the Republic of the Philippines and the Company for the horizontal development and subdivision of the Alabang Stock Farm. The petition is pending with the Court of Appeals.

- h. *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)

The 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 Republic of the Philippines 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 Joint Venture Agreement dated April 14, 1993, as well as the transfer certificates of title derived therefrom. The RTC of Muntinlupa City dismissed the case. The plaintiffs filed a petition for *certiorari* (CA G.R. SP No. 77969) with the Court of Appeals seeking the reversal of the dismissal. They now assail before the Supreme Court the decision of the Court of Appeals dismissing their petition.

- i. *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. 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 Joint Venture Agreement dated April 14, 1993, as well as the transfer certificates of title derived therefrom. The plaintiffs likewise seek the reconveyance of the Alabang Stock Farm in their favor. By its 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 trial court.

- j. *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 Republic of the Philippines over the Alabang Stock Farm and the titles derived therefrom. The trial court 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.

- k. *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); *FDC and FAI vs. Commissioner of Internal Revenue* (CA-G.R. SP No. 72992, Court of Appeals); *Commissioner of Internal Revenue vs. FDC and FAI* (G.R. Nos. 163653 and 167689, Supreme Court)

The Bureau of Internal Revenue (BIR) assessed the Company with deficiency income taxes for taxable years 1996 and 1997 in the sums of ₱150,074,066.27 and ₱5,716,972.03, respectively. It also assessed the Company deficiency documentary stamp taxes for 1996 and 1997 in the sums of ₱10,425,487.06 and ₱5,796,699.40, respectively. Finally, it assessed FAI with deficiency income tax of ₱1,477,494,638.23.

After exhausting its remedies at the administrative level, the Company and FAI questioned the assessments on both legal and factual grounds before the Court of Tax Appeals (CTA) in CTA Case No. 6182. After proceedings were duly had, the CTA found merit in the Company's and FAI's petition and, in its Decision dated September 10, 2002, set aside all the assessments except for the assessment of the Company's alleged deficiency income tax for 1997 amounting to ₱5,691,972.03, which it ordered the Company to pay.

The Company appealed the CTA Decision, but only insofar as it upheld the 1997 deficiency income tax assessment against the Company. In its Decision dated December 16, 2003 in CA-GR SP No. 72992, the Court of Appeals granted the Company's petition for review and annulled the said assessment.

The BIR also appealed the CTA Decision. The Court of Appeals denied the BIR's appeal in CA-GR SP No. 74510 and upheld the CTA Decision.

The BIR appealed the decisions of the Court of Appeals in CA-GR SP Nos. 72992 and 74510 with the Supreme Court. The BIR's petitions for review are docketed as G.R. Nos. 163653 and 167689. Upon motion by the Company, the Supreme Court ordered the consolidation of G.R. Nos. 163653 and 167689.

- i. *Special Task Force created by virtue of Executive Order No. 525 dated April 10, 2006 vs. Alcasabas, et al.*
I.S. Nos. 2007-001 and 2007-011
Department of Justice, Manila

On the complaint of a Special Task Force created by the government for enhancement of revenue collection, the Department of Justice (DOJ) recently began investigation of alleged capital gains tax and documentary stamp tax deficiencies due on certain raw land acquisitions of FLI in Calamba and San Pedro, Laguna in 2004. The members of the Board of Directors and three senior officers of FLI are named respondents in the complaint together with officers and personnel of the district office of the BIR. The investigation is ongoing.

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.

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**

The aggregate fees billed to the Filinvest group for professional services rendered by the external auditor for the examination of the annual financial statements amounted to P2.6 million in 2006 and P2.4 in 2005, net of VAT. There are no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Group's financial statements.

(b) **Tax Fees**

For each of the last two fiscal years, SGV did not render tax accounting, compliance, advice and planning and any other form services for which it billed the Company and the Filinvest 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.

Information on Subsidiaries

The subsidiaries of the Company include the following:

1. FLI, which is one of the country's leading real estate developers, providing a wide range of real estate products to customers from diverse income segments. Its projects include integrated residential township developments

and stand-alone residential subdivisions which offer lots and/or housing units to customers in the low-cost segment and in the middle-income and the high-end markets.

2. FAI, which is the Filinvest group's commercial property and condominium developer. It developed the 244-hectare Alabang Stock Farm into a mixed-use urban center known as the Filinvest Corporate City in Alabang, Muntinlupa City.
3. EastWest Banking Corporation, which is the Filinvest group's vehicle in providing financial and banking services to the public.
4. Seascapes Beach Club and Spa, Inc., which would operate the Seascapes Resort Town, a master-planned resort community located in Mactan, Cebu that offers private lots, casitas, villas, condominium units and a beach club.
5. FDC Capital (Cayman Islands) Ltd., whose business was limited to the issuance of US\$150 million convertible bonds guaranteed by the Company. With most of the bonds successfully retired, it is now no longer operational.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The minutes of the last annual meeting of the stockholders held on May 26, 2006 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 May 26, 2006;
- (b) Presentation of the President's report;
- (c) Approval of the Company's audited financial statements for the year ended 2006;
- (d) General ratification of the acts and resolutions of the Board of Directors and management for 2006;
- (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 June 15, 2007. 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 2006. The general ratification of the acts of the Board and management refer to the approval by the stockholders of the resolutions passed and the matters acted upon, as the case may be, by the Board and management relating to the operations of the Company. These resolutions and acts include the following:

1. negotiation and execution of an Amendment Agreement between the Company and FLI covering the amendments to the terms and conditions of the ₱1.2-billion Convertible Bonds issued by FLI and purchased by the Company from the previous bondholder;
2. procurement by the Company of an additional ₱400-million loan from Sunlife of Canada (Phils.), Inc. and its execution of a commitment letter in favor of the latter governing the terms of the loan;
3. execution by the Company of an Omnibus Corporate Notes Facility Agreement with the Development Bank of the Philippines covering the terms of the issuance by the Company of corporate notes in favor of the financial institution for the principal amount of ₱1 billion;
4. conversion by the Company of the ₱1.2 Convertible Bonds issued by FLI into FLI common stock;
5. appointment of the officers of the Company and the members of its Audit, Nomination and Compensation Committees;

6. execution by the Company of a Deed of Exchange with FLI and FAI whereby the Company assigned to FLI all its rights in Filinvest Asia Corporation, which owns half of the 52-storey PCom Tower in Makati City, in exchange for FLI common shares and the assumption by FLI of certain debts of the Company.

Item 19. Voting Procedures

With respect to (i) the approval of the minutes of the annual stockholders' meeting held on May 26, 2006, (ii) the approval of the audited financial statements for the year ended 2006, (iii) the ratification of corporate acts, and (iv) the appointment of the external auditor of the Company for the year 2007-2008, 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	3.15	1.18	2.90
Second Quarter	4.05	2.65	2.75
Third Quarter	3.35	2.26	2.85
Fourth Quarter	4.05	1.18	1.20
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 20, 2007, the closing price of the Company's shares was ₱5.40.

Common shares issued and outstanding as of April 20, 2007 were 5,955,725,452. Also as of this date, the number of stockholders of record of the Company was 5,141.

**Top 20 Stockholders
As of March 31, 2007**

<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	339,536,901	5.70%
Common Lourdes Josephine G. Yap	339,291,901 ³	5.69%
Common PCD Nominee Corp. (Filipino)	229,265,260	3.85%
Common PCD Nominee Corp. (Non-Filipino)	183,000,134	3.07%
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 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 Mercedes T. Gotianun	3,000,000	0.05%
Common Filinvest Development Corporation Treasury Shares	2,398,400	0.04%
Common Helen Reyes	2,183,380	0.04%
Common Manuel Castillo	2,161,190	0.04%
Common Emily Benedicto	2,000,000	0.03%
Total	5,911,387,719	99.2%

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

The Company is in substantial compliance with its Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees of the Company; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) the Company's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by the Company.

In order to keep itself abreast with the leading practices on corporate governance, the Company encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions. In support of an independent assessment of its compliance with leading practices on corporate governance, the Company recently took part in the Institute of Corporate Directors' "Corporate Governance Scorecard Project for Publicly-listed Companies in the Philippines" and dutifully submitted such corporate documents as the institution requested. The results of the study are expected to be made available later this year.

³ In addition, Josephine G. Yap holds jointly with Joseph M. Yap 300,000 shares of stock of the Company.

The Company welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from the Company's Manual on Corporate Governance.

UNDERTAKING: A COPY OF THE ANNUAL REPORT ON SEC FORM 17-A FOR THE YEAR ENDED 2006 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 4th day of May 2007 in San Juan, Metro Manila.

FILINVEST DEVELOPMENT CORPORATION

By:

ABNER C. GENER JR.
Corporate Secretary and Compliance Officer