



Filinvest Development Corporation

July 11, 2006

Disclosure Department
PHILIPPINE STOCK EXCHANGE
4th Floor, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Ms. Jurisita M. Quintos
Senior Vice President

Re: Clarification on article "*SEC imposes*
₱4.15-M fine on Filinvest Devt Corp."

Gentlemen:

We refer to your email of July 11, 2006 seeking confirmation of the veracity of the information contained in the above referenced news article, which appeared in the July 11, 2006 issue of the *BusinessMirror* (Internet Edition). The pertinent portion of the article reads as follows:

THE Securities and Exchange Commission (SEC) will impose a monetary fine of ₱4.15 million on the Gotianun-controlled Filinvest Development Corp. (FDC) for not filing on time its Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B), an automatic violation of the Securities Regulation Code (SRC).

According to the corporate finance department (CFD) of the SEC, the FDC failed to thoroughly disclose the transaction involving the acquisition in December 2005 of some ₱1.2 billion worth of convertible bonds from Reco Grandhomes Pte. Ltd. The convertible bonds were issued in February 2002 by FDC's property unit Filinvest Land Inc. (FLI) and were subscribed to by Reco.

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"The disposition of said shares by FDC and the acquisition of the same by Reco are subject to report through SEC Form 23-B, which was filed on time by Reco. However, with respect to FDC, it was filed six days after

due date. Hence, a show cause letter was issued against FDC", the CFD said.

FDC, for its part, responded on February 20, 2006, raising the defense of excusable oversight taking into consideration that a SEC form 23-B was earlier filed by the Government of Singapore Investment Corp. Pte. Ltd. (GIC) on January 10, 2006 disclosing the same transaction. GIC's wholly owned unit, GIC Real Estate Pte. Ltd., manages Reco.

"With due respect to this commission, the penalty of ₱4.15 million is not only highly disproportionate to its omission, but confiscatory given the fact that our company merely came to the aid of FLI, and it actually disclosed in a timely manner the disposition of the shares as part of payment for the bonds by way of SEC Form 17-C and not SEC Form 23-B", FDC explained.

We wish to clarify that in its letter dated February 21, 2006, the Corporate Finance Department ("CFD") of the Securities and Exchange Commission (SEC) imposed a penalty of ₱4,148,171.00 on our company ("FDC") for its alleged failure to file within the prescribed period its Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B). The Statement disclosed the sale by FDC of 309,520,254 Filinvest Land, Inc. ("FLI") shares to Reco Grandhomes Pte Ltd ("Reco"), as partial consideration for the ₱1.2-Billion convertible bonds issued by FLI in favor of Reco and then subsequently purchased by FDC.

In its letter dated March 7, 2006, FDC sought a reconsideration of the penalty imposed by the CFD. To clarify, the statements of FDC quoted in the news article were culled from such March 7 letter, not from its letter dated February 20, 2006 referred to in the article as FDC's response. FDC further stated in its March 7 letter that:

It is the position of our company that the purpose behind Rule 23 was served when the transaction subject of SEC Form 23-B filed by it on January 16, 2006 had been earlier disclosed, via (1) a similar SEC Form 23-B filed on or about January 6, 2006 by the Government of Singapore Investment Corporation Pte Ltd ("GIC"), and (2) the "Current Report Under Section 17 of the Securities Regulation Code and SRC Rule 17.2(c) Thereunder" (SEC Form 17-C) filed by our company on December 12, 2005 (copy enclosed).

The transaction involves the sale by our company of 309,520,254 Filinvest Land, Inc. ("FLI") shares (the "Shares") to Reco Grandhomes Pte Ltd ("Reco"), as partial consideration for the ₱1.2-Billion convertible bonds (the "Bonds") issued by FLI in favor of Reco and then subsequently purchased by our company.

To recall, FLI and Reco entered into a "Subscription Agreement" dated February 5, 2002 upon the terms and conditions of which Reco agreed to subscribe to, and FLI agreed to issue, the Bonds. In December 2005, FDC purchased the Bonds from Reco pursuant to a "Bond Sale and Purchase Agreement". As payment for the bonds, Reco received about ₱1.3 Billion in cash and the Shares from our company. Consistent with the foregoing, our company reported in the said SEC Form 17-C that "as payment for the bonds, the bondholder will receive a total payment of about ₱1.3 Billion in cash and 310 million existing FLI shares owned by FDC".

Further, GIC, whose wholly-owned subsidiary, GIC Real Estate Pte Ltd, manages Reco, filed its SEC Form 23-B on or about January 6, 2006 to disclose the acquisition of the Shares from our company. Thus, there was nothing left undisclosed to this Honorable Commission and the investing public by the time that our company filed its SEC Form 23-B regarding its disposition of the same 309,520,254 common shares of FLI.

Since the transaction was made public by our company as early as December 12, 2005, and with the timely disclosure by GIC of its acquisition of the Shares, we humbly submit that the interest of the stakeholders of the company, including the investing public, was not in any way prejudiced by its belated filing of SEC Form 23-B. In fact, in the interest of justice and equity, this Honorable Commission may see fit to consider the filing by our company of SEC Form 17-C on December 12, 2005, viewed together with the filing by GIC of its own SEC Form 23-B, as substantial compliance with Rule 23 of the SRC.

The request for reconsideration sought in FDC's letter dated March 7, 2006 is pending resolution with the SEC. As of the date of this letter, FDC has not received any order of the SEC *en banc* confirming the penalty imposed under the CFD's letter dated February 21, 2006.

We confirm the veracity of the information contained in the news article subject to the clarifications made above.

Very truly yours,

(orig. sgd.)

ABNER C. GENER JR.

Corporate Information Officer