

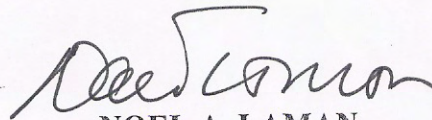
REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.c.

SECRETARY'S CERTIFICATE

I, Noel A. Laman, of legal age, Filipino and with office address at the 4<sup>th</sup> Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, after being sworn to in accordance with law, do hereby certify that:

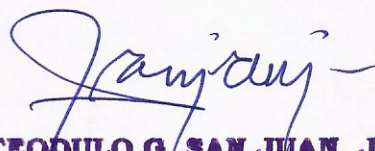
1. I am the Corporate Secretary of DMCI Holdings, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, under SEC Certificate of Registration No. AS095-002283 with principal office address at the 3<sup>rd</sup> Floor, Dacon Building, 2281 Pasong Tamo Extension, Makati City.
2. The information contained in the hardcopy of the SEC 20-IS (Definitive Information Statement) and that contained in the electronic copy of the same document saved in the accompanying disk are the same.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 27<sup>th</sup> day of June 2005 at Makati City.

  
NOEL A. LAMAN  
Corporate Secretary

SUBSCRIBE AND SWORN to before me this 27<sup>th</sup> day of June 2005 affiant exhibiting to me his Community Tax No. 14678254 issued at Makati City on January 25, 2005.

Doc No. 244  
Page No. 50  
Book No. ✓  
Series of 2005

  
**TEODULO G. SAN JUAN, JR.**  
**Commission No. M-425**  
**Notary Public - City of Makati**  
**Until 31 December 2006**  
**Castillo Laman Tan Pantaleon**  
**& San Jose Law Offices**  
**2<sup>nd</sup> 3<sup>rd</sup> 4<sup>th</sup> & 5<sup>th</sup> Flrs., The Valero Tower**  
**122 Valero Street, Salcedo Village, Makati City**  
**PTR No. 9404224; 01-03-05; Makati City**  
**IBP No. 627227; 01-04-05; Cebu City**  
**Roll No. 42784**

# COVER SHEET

A S 0 9 5 - 0 0 2 2 8 3

SEC Registration Number

D M C I H O L D I N G S , I N C .

(Company's Full Name)

3 / F D A C O N B L D G . 2 2 8 1 P A S O N G

T A M O E X T E N S I O N M A K A T I C I T Y

(Business Address: No., Street City / Town / Province)

Mr. Herbert M. Consunji

Contact Person

888-3000

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Definitive Information  
Statement

0 7

2 7

Annual Meeting

SRC Registration

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

**DMCI HOLDINGS, INC.**  
3<sup>rd</sup> Floor, Dacon Building, 2281 Pasong Tamo Ext.  
Makati City, Metro Manila

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Dear Stockholders:

Please be notified that the annual meeting of stockholders of DMCI Holdings, Inc., (the "Corporation") will be held on July 27, 2005, Wednesday, at 9:00 a.m., at the Fairways Function Room, Manila Golf and Country Club, Forbes Park, Makati City, with the following agenda:

1. Call to order.
2. Report on attendance and quorum.
3. Approval of minutes of previous stockholders' meeting.
4. Management report for the year ended December 31, 2004.
5. Ratification of all acts of the board of directors and officers during the preceding year.
6. Appointment of independent auditor.
7. Election of directors including two Independent Directors (as defined under the Corporation's Manual on Corporate Governance).
8. Other matters.
9. Adjournment.

Stockholders of record as of June 17, 2005 will be entitled to notice of, and to vote at said annual meeting or any adjournment or postponement thereof.

On the day of the meeting you, or your duly designated proxy, are hereby required to bring this Notice, and any form of identification (i.e. driver's license, company I.D., TIN card, etc.) to facilitate registration. Registration starts at exactly 8:15 a.m. and closes at 8:45 a.m.

Makati City, Metro Manila

June 27, 2005

For the Board of Directors

(Original Signed)  
**NOEL A. LAMAN**  
Corporate Secretary

**PROXY  
DMCI HOLDINGS, INC.**

**PROXY SOLICITED ON BEHALF OF THE MANAGEMENT OF DMCI HOLDINGS, INC. FOR THE ANNUAL STOCKHOLDERS' MEETING TO BE HELD ON JULY 27, 2005, WEDNESDAY, AT 9:00 A.M. AT THE FAIRWAYS FUNCTION ROOM, MANILA GOLF AND COUNTRY CLUB, FORBES PARK, MAKATI CITY.**

The Undersigned hereby appoints:

- (a) The Chairman of the Board of Directors of DMCI Holdings, Inc., or in his absence, the President of DMCI Holdings, Inc., or in their absence,
- (b) \_\_\_\_\_

as his/her/its Proxy to attend the above annual meeting of the stockholders of DMCI Holdings, Inc., and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

Management recommends a vote on the following items and my vote is respectively indicated below:

- (1) **Approval/ratification of the minutes of the annual stockholders' meeting held on July 28, 2004.**

FOR                      AGAINST                      ABSTAIN

- (2) **Ratification of the acts of the Board of Directors and Officers as contained in the attached annual report and the audited financial statements of the Corporation for the year ended December 31, 2004.**

FOR                      AGAINST                      ABSTAIN

- (3) **Appointment of SGV & Co. as Independent External Auditors**

FOR                      AGAINST                      ABSTAIN

- (4) **Election of Directors.**

FOR all nominees listed below, except those whose names are stricken out

WITHHOLD authority to vote for all nominees listed below.

**(Instruction:** To strike out a name or withhold authority to vote for any individual nominee, draw a line through the nominee's name in the list below).

DAVID M. CONSUNJI  
CESAR A. BUENAVENTURA

ISIDRO A. CONSUNJI  
JORGE A. CONSUNJI  
VICTOR A. CONSUNJI  
MA. EDWINA C. LAPERAL  
HERBERT M. CONSUNJI  
EVARISTO T. FRANCISCO  
OSCAR S. REYES

In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting. This proxy when properly executed will be voted in the manner as directed above by the undersigned stockholder. If no direction is made, this proxy will be voted for the above items in the discretion of the Proxy.

The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b).

This proxy may be revoked by the undersigned stockholder at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares.

\_\_\_\_\_

Date

\_\_\_\_\_

(Signature above printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary).

No. of shares held: \_\_\_\_\_

Please mark, sign, date, and return promptly in the accompanying envelope.

**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 Corporation as specified in its charter: **DMCI Holdings, Inc.**

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

4. SEC Identification Number: **ASO95-002283**

5. BIR Tax Identification Code: **004-703-376**

6. Address of principal office Postal Code: **3<sup>rd</sup> Floor, Dacon Building  
2281 Pasong Tamo Extension  
1231 Makati City  
Metro Manila**

7. Corporation's telephone number, including area code: **(632) 888-3000**

8. Date, time and place of the meeting of security holders:  
**July 27, 2005, Wednesday  
9:00 A.M.  
Fairways Function Room,  
Manila Golf and Country Club,  
Forbes Park, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **July 5, 2005**

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: **The Management of the Corporation**

Address and Telephone No.: **3<sup>rd</sup> Floor, Dacon Building  
2281 Pasong Tamo Extension  
1231 Makati City  
Metro Manila  
(632) 888-3000**

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):

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,255,494,000	Php2,255,494,000.00
Preferred Shares	19,790	19,790.00
TOTAL	2,255,513,790	Php2,255,513,790.00

12. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?

Yes (√)

No ( )



and appointment of the independent auditor, each share of outstanding common stock is entitled to one vote.

- (c) In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name at record date. A stockholder entitled to vote 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 a stockholder 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.

Pursuant to the provisions of Article III, Section 2 of the Amended By-Laws of the Corporation, all nominations for the election of directors shall be submitted in writing to the Board of Directors, with the consent of the nominees, at least ten (10) days before the scheduled annual stockholders' meeting.

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

The following table sets forth as of May 31, 2005, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation which are entitled to vote and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Philippine Central Depository, Inc. Ground Floor, Makati Stock Exchange Building 6767, Ayala Avenue Makati City	See attached Schedule 2	Filipino	1,125,346,409	49.89%
Common	DACON Corporation c/o DMCI Holdings, Inc. 2281 Pasong Tamo Extension Makati City	See attached Schedule 2	Filipino	400,359,329	17.75%
Common	Victor A. Consunji c/o DMCH Holdings, Inc. 2281 Pasong Tamo Extension Makati City		Filipino	130,182,100	5.77%
Common	Ma. Edwina C. Laperal c/o DMCI Holdings, Inc. 2281 Pasong Tamo Extension Makati City		Filipino	136,117,710	6.03%
Common	Cristina C. Gotianun c/o DMCI Holdings, Inc. 2281 Pasong Tamo Extension		Filipino	133,841,010	5.93%

Common	Makati City Isidro A. Consunji c/o DMCI Holdings, Inc. 2281 Pasong Tamo Extension	Filipino	132,545,310	5.87%
Common	Makati City Jorge A. Consunji c/o DMCI Holdings, Inc. 2281 Pasong Tamo Extension Makati City	Filipino	130,182,310	5.77%

Below is the list of the individual beneficial owners under PCD, Inc. account holding more than 5% of the outstanding Common Shares of Corporation.

Title of Class	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
	PCIB Securities, Inc.		622,857,689	27.66%

**(e) Security Ownership of Management**

The table sets forth as of May 31, 2005, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	David M. Consunji	8,142,254	Filipino	0.3609%
Common	Cesar A. Buenaventura	1,000	Filipino	0.0000004%
Common	Isidro A. Consunji	132,545,310	Filipino	5.8655%
Common	Ma. Edwina C. Laperal	136,667,710	Filipino	6.0635%
Common	Victor A. Consunji	130,182,100	Filipino	5.771778%
Common	Jorge A. Consunji	130,182,310	Filipino	5.7718%
Common	Herbert M. Consunji	1,600	Filipino	0.0000007%
Common	Oscar S. Reyes	100	Filipino	0.0000004%
Common	Evaristo T. Francisco	100	Filipino	0.0000004%
Common	Cristina C. Gotianun	133,841,010	Filipino	5.93399%
Common	Noel A. Laman	20,000	Filipino	0.0000088%
<b>Aggregate Ownership</b>		<b>671,583,494</b>		<b>29.40658%</b>

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

**(f) Voting Trust Holders of 5% or more**

The Corporation is not aware of any person holding more than 5% of the shares of Corporation under a voting trust or similar agreement.

**(g) Changes in Control**

From January 1, 2005 to date, there has been no change in control of the Corporation. Neither is Corporation aware of any arrangement which may result in a change in control of it.

**Item 5. Directors and Executive Officers**

**(a) Incumbent directors and Executive Officers.**

The following are the incumbent directors and executive officers of the Corporation:

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Citizenship</b>
David M. Consunji	Chairman of the Board	83	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	75	Filipino
Isidro A. Consunji	President/Chief Executive Officer	56	Filipino
Ma. Edwina C. Laperal	Treasurer/Director	44	Filipino
Cristina C. Gotianun	Assistant Treasurer	51	Filipino
Herbert M. Consunji	Chief Finance Officer/Director	52	Filipino
Jorge A. Consunji	Director	52	Filipino
Victor A. Consunji	Director	54	Filipino
Oscar S. Reyes	Director (Independent)	58	Filipino
Evaristo T. Francisco	Director (Independent)	77	Filipino
Noel A. Laman	Corporate Secretary	64	Filipino

**(b) Term of office.**

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

**(c) Business experience of the Directors and Officers during the past five (5) years.**

**David M. Consunji** is the Founder and Chairman of the Board of Directors of D.M. Consunji, Inc. He is currently the Chairman of the Board of Directors of the Corporation. Mr. Consunji is also Chairman of the Board of Directors of Dacon Corporation, Freyssinet Philippines, Inc., Asia Industries, Inc. and Semirara Mining Corporation. Mr. Consunji served as the Secretary of the Department of Public Works, Transportation and Communications from August 1971 to 1975. Awards and recognition received by Mr. Consunji include (i) named Meralco Awardee in Engineering and Applied Sciences, 1994; (ii) recipient of the Civil Engineer Diamond Jubilee Award presented by the University of the Philippines Alumni Engineers in 1988; (iii) One of the Ten Outstanding Civil Engineers in 1982 by the Philippine Institute of Civil Engineers; (iv) recipient of Doctor of Laws, honoris causa, University of the Philippines in 1993; (v) named Outstanding Citizen of the City of Manila for Engineering in 1979; and (vi) named Management Association of the Philippines Awardee in 1996. He has been a director of the Corporation since 1995.

**Cesar A. Buenaventura**, O.B.E., is the Managing Partner of Buenaventura, Echauz and Partners (BEP) Financial Services, a financial advisory firm. He is currently Vice Chairman of DMCI Holdings, Inc. and of Montecito Properties, Inc.; Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P); and Director of Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, AG&P Company of Manila, Inc., Montecito Properties, Inc., iPeople, Inc., D.M. Consunji, Inc., Semirara Mining Corporation, Next Stage, Inc., PetroEnergy Resources Corporation, Paysetter Holdings, Limited, and Paysetter International, Inc. He is the Founding Chairman of Pilipinas Shell Foundation, Inc.; President of the Benigno S. Aquino Foundation, and Founding Member of Makati Business Club. He has been a director of the Corporation since 1995.

**Isidro A. Consunji** is a Director of D.M. Consunji, Inc. His other positions include: Chairman of the Board of Directors of Universal Rightfield Property Holdings, Inc., Vulcan Materials Corporation, and Beta Electric Corporation; President of Dacon Corporation, DMCI Project Developers, Inc., and DMCI Holdings, Inc.; Vice Chairman and Director of Semirara Mining Corporation. He has been a director of the Corporation since 1995.

**Herbert M. Consunji** is a Partner in H.F. Consunji & Associates. Mr. Consunji's other positions include: Director of DMCI Project Developers, Inc., Semirara Mining Corporation; Chairman of Subic Water and Sewerage Company, Inc.; Treasurer of Semirara Mining Corporation; Comptroller of D.M. Consunji, Inc. He has been a director of the Corporation since 1995.

**Jorge A. Consunji** is the President of D.M. Consunji, Inc. His other positions include: President of DMC Construction Equipment Resources, Inc., and Royal Star Aviation, Inc.; Chairman of the Board of Directors of Acotec Panel Manufacturing, Inc. and Wire Rope Corp. of the Phils.; Director of Dacon Corp., Cotabato Timberland Co., Inc., South Davao Development Co., Inc., Semirara Mining Corp., Property Developers, Inc., Freyssinet Phils., Inc. Freyssi-Marketing, Inc., Atlantic Gulf & Pacific Co. – Manila Inc., Vulcan Materials Corp., and Beta Electric Corp. He has been a director of the Corporation since 1995.

**Evaristo T. Francisco** served as a Member of the Board of Director of D.M. Consunji, Inc. from 1988-2001 and held various positions in Pilipinas Shell as Board of Director, Vice President for Marketing, Personnel and Public Affairs, Sales and other overseas work for Shell International Petroleum Co. Mr. Francisco has served the Corporation as Independent Director for four years (since 2001).

**Oscar S. Reyes** is the former Country Chairman of the Shell companies in the Philippines. He is currently a member of the Board of Directors of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B. V. His other positions are: Chairman, Link Edge, Inc., Unicapital Securities Co., Inc., and Actron Industries Inc.; Member, Advisory Board of Phil. Long Distance Telephone Co., and J.G. Summit Holdings, Inc.; Member, Board of Directors of Universal Robina Corporation, CEO's Inc., CBV Asset Management, Global Resources for Outsourced Workers (GROW), Inc., Bank of the Philippine Islands, The Mutual Fund Co., of the Phils., Inc., Sunlife Prosperity Dollar Advantage Fund, Inc. Peak Systems, Inc. Philippine Electric Corporation, Mindoro Resources Ltd., MRL Gold Phils., Inc., and Level Up, Inc. Mr. Reyes has served the Corporation as Independent Director for four years (since 2001).

**Edwina C. Laperal** is the Treasurer of DMCI Holdings, Inc., Dacon Corporation and DMCI Urban Property Developers, Inc.; Director of Universal Rightfield Property Holdings, Inc., DMCI Project Developers, Inc., and D.M. Consunji, Inc. She has been a director of the Corporation since 1995.

**Victor A. Consunji** is the Chairman of the Board of Directors and President of Sirawai Plywood and Lumber Corporation, Prominent Fruits, Inc., and Rubber Industries Corporation of the Philippines. His other positions include: Director and President of Semirara Mining Corporation, Director of Conbros Shipping Corporation; President of South Davao Development Company, Inc., Eagle Cattle Ranch, Inc., and Sirawan Food Corporation; Director of D.M. Consunji, Inc., Ecoland Properties Development Corporation, and DMC Construction Equipment Resources, Inc., and Vice President of Dacon Corporation. He has been a director of the Corporation since 1995.

**Cristina C. Gotianun** is a Director of Dacon Corporation, D.M. Consunji, Inc. and Kalinan Timber Corporation. Her other positions include: VP for Finance Administrative/Chief Finance Officer of D.M. Consunji, Inc. and General Manager of Sirawan Food Corporation.

**Noel A. Laman** is the Chairman of the Executive Committee and the Senior Partner of Castillo Laman Tan Pantaleon & San Jose. His other positions include: Chairman of the Board of Directors of Trans-Orient Overseas Contractors, Inc., Manpower Resources of Asia, Inc., and Sealanes Marine Services (each being a part of the DCL group of Companies); Director and Corporate Secretary of Glaxo Wellcome Philippines, Inc, Boehringer Ingelheim (Phils.), Inc., Solvay Pharma Philippines Corporation, and Merck, Inc. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, the Philippine Bar Association, and as resource person of various foreign chambers of commerce.

**(d) Independent Directors.**

Messrs. Evaristo T. Francisco and Oscar S. Reyes are currently the Corporation’s independent directors. Both have served the Corporation as independent directors since 2001.

Under its Manual of Corporate Governance, the Corporation is required to have at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty (20%) percent of the members of the Board of Director of the Corporation, whichever is lesser. Attached hereto as Schedule 1 is the Final List of Candidates for Independent Directors. The two (2) nominees for Independent Directors were selected by the Board Nomination and Election Committee in accordance with the guidelines in the Manual of Corporate Governance, the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002), and the Guidelines on the nomination and election of Independent Directors (SRC Rule 38).

**(e) Other directorships held in reporting companies naming each company.**

David M. Consunji	Chairman of the Board Semirara Mining Corporation
Cesar A. Buenaventura	Director, Semirara Mining Corporation and Petrofields Corporation
Isidro A. Consunji	Chairman of the Board Universal Rightfield Property Holdings, Inc., Vice-Chairman, Semirara Mining Corporation
Victor A. Consunji	Director, Semirara Mining Corporation
Jorge A. Consunji	Director, Semirara Mining Corporation
Edwina C. Laperal	Director Universal Rightfield Property Holdings, Inc.
Herbert M. Consunji	Director, Semirara Mining Corporation

**(f) Family Relationship**

The family relationship up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the Corporation to become directors or executive officers is stated below:

<u>Name</u>	<u>Relationship</u>
David M. Consunji	Father of Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Ma. Edwina C. Laperal and Cristina C. Gotianun
Herbert M. Consunji	Nephew of David M. Consunji and cousin of Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji, Ma. Edwina C. Laperal and Cristina C. Gotianun

(g) Since the last annual stockholders' meeting of the Corporation, no Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of a disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

**(h) Involvement in Legal Proceedings**

Except for the following, none of the directors, executive officers and nominees for election is subject to any pending material legal proceedings.

**(1) Mr. Isidro A. Consunji**

- (A) People v. Consunji, et al.  
Criminal Case No. Q-02-11452  
Regional Trial Court, Quezon City, Branch 78

This involves a complaint for violation of Article 315 (2) (a) of the Revised Penal Code ("RPC"), as qualified by Presidential Decree ("PD") No. 1689. Complainants claim to have been induced to buy shares of stock of Universal Leisure Corporation ("ULC"), on the representation that the latter shall develop a project known as "network of 5 world clubs." ULC, however, failed to develop the project. Mr. Isidro A. Consunji's involvement in this case was pursuant to his being the current Chairman of the Board of Directors of ULC and of Universal Rightfield Property Holdings, Inc. ("URPHI"), the mother corporation of ULC.

The public prosecutor filed a motion to withdraw the information, which was initially denied by the Court. Mr. Isidro Consunji filed a motion for reconsideration. Subsequently, the case was re-raffled to Branch 85 of the Regional Trial Court of Quezon City. In an Order dated June 6, 2005, the court granted Mr. Consunji's motion for reconsideration and dismissed the case.

- (B) People v. Consunji, et al.  
Criminal Case No. 125186  
RTC, Pasig City, Branch 160

This involves a complaint for violation of Article 315 (1) (b) and (2) (a) of the RPC, based on substantially the same set of facts discussed above. The private complainant in this case has already executed an affidavit of desistance dated January 24, 2003. Hence, accused filed a Motion to Dismiss on March 23, 2003. On October 22, 2003, private complainant affirmed his affidavit of desistance. Consequently, the court ordered the dismissal of the case.

**(2) Mr. Isidro A. Consunji and Ms. Ma. Edwina C. Laperal**

- (A) Reyes, et al. v. Consunji, et al.

IS No. 02-50443-F  
City Prosecution Office, Mandaluyong City

This involves a complaint for violation of Article 315 (2) (a), (1) (b), and 316 (2) of the RPC, as qualified by PD 1689, based on substantially the same set of facts mentioned in the case quoted above. Mr. Isidro A. Consunji was implicated as signatory to certain material contracts of ULC while Ms. Edwina C. Laperal was implicated as a director and treasurer of Universal Leisure Club, Inc. (“ULCI”). In a Resolution dated November 27, 2002, the complaint was dismissed. Hence, the complainants filed a motion for reconsideration dated January 15, 2003, which respondents opposed on February 7, 2003.

Subsequently however, upon motion of private complainants, the case was dismissed.

(B) Rodriguez v. Consunji, et al.  
IS No. 02-50918  
City Prosecution Office, Mandaluyong City

This involves a complaint for violation of Article 315 (1) (b) of the RPC, as qualified by PD 1686, based on substantially the same set of facts discussed above. Mr. Consunji and Ms. Laperal were sued in their capacity as directors and officers of ULC and ULCI. In a Resolution dated November 20, 2002, the complaint was dismissed. Hence, complainant filed a motion for reconsideration dated January 14, 2003, which motion is still pending resolution.

(C) Gonzales v. Consunji, et al.  
IS No. 03-6480  
City Prosecution Office, Quezon City

This involves a complaint for violation of Article 315 (2) of the RPC, based on substantially the same set of facts set forth above. On June 16, 2003, respondents filed their counter-affidavits before the public prosecutor. Since complainants opted not to file a reply, the case was submitted for resolution.

On July 31, 2003, complainants filed a motion to withdraw the complaint. The motion is still pending resolution.

**(i) Significant employees**

The following are the significant employees of the Corporation who are not executive officers but who are expected by Corporation to make a significant contribution to the business:

<b>Significant Employees</b>	<b>Position held in Corporation</b>	<b>Citizenship</b>	<b>Age</b>
Ma. Luisa C. Austria	Administrative / Accounting Officer	Filipino	54
Aldric G. Borlaza	Finance Officer	Filipino	27

Although the Corporation has and will likely continue to rely significantly on the aforementioned individuals, it is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete upon termination.

**(j) Business experience of the significant employees of the Corporation for the last five years:**

Ma. Luisa C. Austria is a former Accounting Supervisor of D. M. Consunji, Inc. (1989 to 1996). She is now the Administrative/ Accounting Officer of Corporation and has held said position for nine (9) years.

Aldric G. Borlaza worked for three (3) months in SGV, Assurance or External Audit group, involving basic audit of accounting controls, documents and paper trail as well as basic preparation of Audited Financial Statements (January 2002 to March 2002).

**(k) Certain Relationships and Related Transactions**

There has been no transaction or proposed transactions for the last two (2) years, to which the Corporation was or is to be a party, in which any director, executive officer, nominee for director, stockholder holding at least ten percent of the total outstanding capital stock of the Corporation, or a member of the immediate family of any of the aforementioned has direct or indirect material interest. See Note 27 of the Audited Financial Statements of the Corporation for the period ended December 31, 2004.

**Item 6. Compensation of Directors and Executive Officers**

ANNUAL COMPENSATION

Name	Principal Position	Salary	Bonus	Other annual compensation
David M. Consunji	Chairman of the Board of Directors			
Cesar A. Buenaventura	Vice – Chairman of the Board of Directors			
Isidro A. Consunji	President/Chief Executive Officer			
Cristina C. Gotianun	Asst. Treasurer			
Edwina C.Laperal	Treasurer			
Herbert M. Consunji	Chief Financial Officer			
	YEARS			
	2003	P 11,039,400.00		P 150,000.00
	2004	P 9,794,330.00		P 200,000.00
	2005*	P 9,794,330.00		P 200,000.00
	<b>TOTAL:</b>	P 30,628,060.00	P --	P 550,000.00
	YEARS			
All other directors and executive officers as a group unnamed	2003	P 3,277,500.00	P --	P 60,000.00
	2004	P 3,898,440.00	P --	P 112,000.00
	2005*	P 3,898,440.00		P 112,000.00
	<b>TOTAL:</b>	<b>P 11,074,380.00</b>	<b>P --</b>	<b>P 284,000.00</b>

*\*Approximate figures*

There is no contract covering their employment with the Corporation and they hold office by virtue of their election to office. The Company has no agreements with its named executive officers regarding any bonus, profit sharing, pension or retirement plan.

There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Company.

#### **Item 7. Independent Public Accountant**

- (a) The auditing firm named below will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year. Ms. Jessie Cabaluna was appointed as partner-in-charge in 2000 and continued as such until 2004. Conformably with SEC Memorandum Circular No. 8, series of 2003, Mr. Arnel F. De Jesus will be appointed as the new partner-in-charge at the annual stockholders meeting to be held on July 27, 2005.

SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
Makati City, Metro Manila

- (b) SyCip Gorres Velayo & Co. was the same principal accountant of the Corporation for the fiscal year most recently completed (December 31, 2004).
- (c) Representatives of SGV & Co. are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

#### **D. OTHER MATTERS**

##### **Item 15. Action with respect to Reports**

The minutes of the annual stockholders' meeting held on July 28, 2004 will be submitted for approval of the stockholders at the annual meeting to be held on July 27, 2005. Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on July 28, 2004:

- (a) The Chairman of the Board of Directors of the Corporation called the meeting to order. The Secretary of the meeting certified that a quorum existed for the transaction of business.
- (b) The stockholders approved the minutes of the annual stockholders' meeting held on August 27, 2003.
- (c) The President of the Corporation presented the management report. He presented the highlights of the performance of the Corporation, the details of which were incorporated into the Corporation's annual report as distributed to the stockholders. The management report included a discussion on (1) the Corporation's consolidated revenue and net income, (2) the Corporation's construction, coal mining, and real estate and investment business segments, (3) the Corporation's consolidated balance sheets, (4) the Corporation's equity investment in Semirara Mining Corporation, and (5) the status of the redemption of the Corporation's preferred shares. Upon motion duly made and seconded, the management report was approved.

- (d) Upon motion duly made and seconded, the stockholders ratified the acts of the officers and the Board of Directors of the Corporation for the period from August 28, 2003 to July 28, 2004.
- (e) Upon motion duly made and seconded, the accounting firm Sycip Gorres Velayo and Co. was appointed as external auditors of the Corporation for the then current fiscal year.
- (f) The following were elected as directors of the Corporation for the then current year, to serve as such for a period of one year and until their successors shall have been elected and qualified:
  - (1) David M. Consunji
  - (2) Cesar A. Buenaventura
  - (3) Isidro A. Consunji
  - (4) Victor A. Consunji
  - (5) Jorge A. Consunji
  - (6) Ma. Edwina C. Laperal
  - (7) Herbert M. Consunji
  - (8) Oscar S. Reyes
  - (9) Evaristo T. Franciso
- (g) Upon motion duly made and seconded, the annual stockholders' meeting was adjourned.

**Item 19. Summary of Voting Matters/Voting Procedures**

**(a) Summary of Matters to be presented to Stockholders**

- (1) Approval/ratification of the minutes of the annual meeting of stockholders held on July 28, 2004. Approval of said minutes shall constitute confirmation of all the matters stated in the minutes.
- (2) Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the attached annual report and financial statements. Such resolutions and acts of management include the approval of the manuals on corporate governance and anti money-laundering.
- (3) Selection of SyCip Gorres Velayo & Co. as independent auditors.
- (4) Election of Directors

Election of a Board of nine (9) directors, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified. The nominees for directors are:

DAVID M. CONSUNJI  
 CESAR A. BUENAVENTURA  
 ISIDRO A. CONSUNJI  
 JORGE A. CONSUNJI  
 VICTOR A. CONSUNJI  
 MA. EDWINA C. LAPERAL  
 HERBERT M. CONSUNJI

EVARISTO T. FRANCISCO  
OSCAR S. REYES

All of the above nominees are currently directors of the Corporation.

The two (2) Independent Directors<sup>1</sup> of the Corporation within the purview of SRC Rule 38 are Messrs. Evaristo T. Francisco and Oscar S. Reyes.

**(b) Voting Procedures**

- (1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 28, 2004.
  - (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
  - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.
- (2) Ratification of the acts of the Board of Directors and Officers
  - (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
  - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.
- (3) Appointment of Independent External Auditors
  - (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
  - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.
- (4) Election of Directors
  - (A) Vote required. The nine (9) candidates receiving the highest number of votes shall be declared elected.
  - (B) Method by which votes will be counted. Cumulative voting applies. Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on

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<sup>1</sup> An "Independent Director" shall mean a person other than an officer or employee of the Corporation or its subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

the stock books of the Corporation as of the Record Date, and said 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. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

The nine nominees obtaining the highest number of votes will be proclaimed as Directors of the Corporation for the ensuing year.

**PART II**  
**INFORMATION REQUIRED IN A PROXY FORM**

**Item 1. Identification**

This proxy is being solicited for and on behalf of the Management of the Corporation. The Chairman of the Board of Directors or, in his absence, the President of the Corporation will vote the proxies at the annual stockholders' meeting to be held on July 27, 2005.

**Item 2. Instruction**

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date. In case of a stockholder that is a corporation or a partnership, the proxy must be accomplished by the officer or agent that is duly authorized to do so by virtue of an appropriate corporate or partnership resolution.
- (b) Duly accomplished proxies may be mailed or submitted personally to the Corporate Secretary of the Corporation not later than July 13, 2005 at the following address:

The Corporate Secretary  
DMCI Holdings, Inc.  
3<sup>rd</sup> Floor, DACON Building  
2281 Pasong Tamo Extension  
1231 Makati City  
Philippines
- (c) In case of a corporate stockholder, the proxy must be accompanied by a corporate secretary's certificate quoting the board resolution authorizing the relevant corporate officer to execute the proxy for the corporate stockholder.
- (d) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.
- (e) Validation of proxies will be held by the Corporate Secretary and/or Stock Transfer Agent on July 22, 2005 at 4:30 p.m. at the principal office of the Corporation at the 3<sup>rd</sup> Floor, DACON Building, 2281 Pasong Tamo Extension, Makati City, Philippines.
- (f) Unless otherwise indicated by the stockholder, the stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of the Corporation, as his proxy for the annual stockholders meeting to be held on July 27, 2005.
- (g) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.
- (h) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b)
- (i) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2) and (3) below by checking the appropriate box. Where the

boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter. **(Note: If you intend to submit a proxy, please fill up and submit the enclosed proxy instrument, not the following Item 2(i).)**

- (1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 28, 2004.

FOR                      AGAINST                      ABSTAIN

- (2) Ratification of the acts of the Board of Directors and Officers as contained in the attached annual report and the audited financial statements of the Corporation for the year ended December 31, 2004.

FOR                      AGAINST                      ABSTAIN

- (3) Appointment of SGV & Co. as Independent External Auditors

FOR                      AGAINST                      ABSTAIN

- (j) Election of Directors. **(Note: If you intend to submit a proxy, please fill up and submit the enclosed proxy instrument, not the following Item 2(j).)**

FOR all nominees listed below, except those whose names are stricken out

WITHHOLD authority to vote for all nominees listed below.

**(Instruction:** To strike out a name or withhold authority to vote for any individual nominee, draw a line through the nominee's name in the list below).

DAVID M. CONSUNJI  
CESAR A. BUENAVENTURA  
ISIDRO A. CONSUNJI  
JORGE A. CONSUNJI  
VICTOR A. CONSUNJI  
MA. EDWINA C. LAPERAL  
HERBERT M. CONSUNJI  
EVARISTO T. FRANCISCO  
OSCAR S. REYES

**Item 3.                      Revocability of Proxy**

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

**Item 4.                      Persons Making the Solicitation**

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the

Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. The Corporation will shoulder the cost of solicitation.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon**

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the annual stockholders' meeting to be held on July 27, 2005, other than election to office.

**PART III  
SIGNATURE**

Management does not intend to bring any matter before the meeting other than those set forth in the Notice of the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others. If any other matter does come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy in accordance with their judgment.

**ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE (1) NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF; (2) PROXY INSTRUMENT; AND (C) THE CORPORATION'S MANAGEMENT REPORT PURSUANT TO SRC RULE 20 (4).**

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S ANNUAL REPORT IN SEC FORM 17-A AND THE CORPORATION'S LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.**

**ALL REQUESTS MAY BE SENT TO THE FOLLOWING:**

**DMCI Holdings, Inc.  
3<sup>rd</sup> Floor, DACON Building,  
2281 Pasong Tamo Extension,  
1231 Makati City.**

**Attention:     The Corporate Secretary**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 27, 2005.

By:

**DMCI Holdings, Inc.**

(Original Signed)  
**NOEL A. LAMAN**  
Corporate Secretary

FINAL LIST OF CANDIDATES FOR INDEPENDENT DIRECTORS

**Evaristo T. Francisco** served as a Member of the Board of Director of D.M. Consunji, Inc. from 1988-2001 and held various positions in Pilipinas Shell as Board of Director, Vice President for Marketing, Personnel and Public Affairs, Sales and other overseas work for Shell International Petroleum Co.

**Oscar S. Reyes** is the former Country Chairman of the Shell companies in the Philippines. He is currently a member of the Board of Directors of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B. V. his other positions are: Chairman, Link Edge, Inc., Unicapital Securities Co., Inc., and Actron Industries Inc.; Member, Advisory Board of Phil. Long Distance Telephone Co., and J.G. Summit Holdings, Inc.; Member, Board of Directors of Universal Robina Corporation, CEO's Inc., CBV Asset Management, Global Resources for Outsourced Workers (GROW), Inc., Bank of the Philippine Islands, The Mutual Fund Co., of the Phils., Inc., Sunlife Prosperity Dollar Advantage Fund, Inc. Peak Systems, Inc. Philippine Electric Corporation, Mindoro Resources Ltd., MRL Gold Phils., Inc., and Level Up, Inc.

SCHEDULE 2

The following is a disclosure of the beneficial owners of the shares held by the PCD Nominee Corporation and DACON Corporation in DMCI Holdings, Inc. as of May 31, 2005.

(1) PCD Nominee Corporation <sup>2</sup>	1,125,346,409 shares	49.89%
(2) DACON Corporation	400,359,329 shares	17.75%

**PCD Nominee Corporation**

Attached hereto as Schedule 2(a) is a Certification from the PCD Nominee Corporation as to the beneficial owners of the shares held by it in DMCI Holdings, Inc. The PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository and Trust Corporation (PDTC). The beneficial owners of shares held of record by the PCD Nominee Corporation are PDTC participants who hold the shares on their own behalf or that of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

**DACON Corporation**

The following are the beneficial owners of the shares held by DACON Corporation in DMCI Holdings, Inc.:

Name of Stockholder	Number of Shares in DACON Corporation	Percentage Ownership
David M. Consunji	1	.0002
Fredesvinda A. Consunji	1	.0002
Victor A. Consunji	11	.002
Jorge A. Consunji	1	.0002
Cristina C. Gotianun	1	.0002
EastHeight Holdings, Inc.	58,330	12
Inglebrook Holdings, Inc.	58,330	12
Gulfshore, Inc.	58,330	12
Valemount Corporation	58,330	12
Chrismon Investments, Inc.	58,330	12
Jagjit Holdings, Inc.	58,330	12
Rice Creek Holdings, Inc.	58,330	12
La Lumiere Holdings, Inc.	58,330	12
Double Spring Corporation	19,427	3.99
<b>Total</b>	<b>486,082</b>	<b>100</b>

Mr. Victor A. Consunji or Mr. Jorge A. Consunji shall have the right to vote the shares of DACON Corporation.

<sup>2</sup>PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Depository and Trust Corporation (“PDTC”), is the registered owner of the shares in the books of the Corporation’s transfer agent in the Philippines. The beneficial owners of such shares are PDTC participants, who hold the shares on their behalf or on behalf of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines

CAR05-592

June 17, 2005

DMCI HOLDINGS, INC.  
3/F Dacon Building  
2281 Pasong Tamo Extension  
Makati CityATTN: MR. LOUIE M. BANTA  
*Corporate Communications Assistant*

C-E-R-T-I-F-I-C-A-T-I-O-N

This is to certify that the 1,125,346,409 shares of DMCI Holdings, Inc. registered in the name of PCD Nominee Corporation as of May 31, 2005 are beneficially owned by the Participants of PCD.

MARY ANN S. MALICDEM  
Assistant Manager-Operations



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security: **DMC** **DMCI Holdings, Inc.**

<b>Member</b>	<b>Member Name and Address</b>	<b>Balance</b>
<b>B100AC</b>	<b>UPCC SECURITIES CORP</b> 12/F, Tower One & Exchange Plaza Ayala Ave. cor. Paseo de Roxas Makati City	<b>4,000</b>
<b>B101AC</b>	<b>A &amp; A SECURITIES, INC.</b> Rm. 1906 Ayala Ave. Condominium 6776 Ayala Ave., Makati City	<b>1,306,000</b>
<b>B102AC</b>	<b>ABACUS SECURITIES CORPORATION - CUNIONBANK</b> Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	<b>2,000</b>
<b>B102AC</b>	<b>ABACUS SECURITIES CORPORATION</b> Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	<b>340,776</b>
<b>B102AP</b>	<b>ABACUS SECURITIES CORPORATION</b> Unit 2904-A East Tower, PSE Centre Exchange Road, Ortigas Center Pasig City	<b>116,400</b>
<b>B103AC</b>	<b>ACCORD CAPITAL EQUITIES CORPORATION</b> G/F Unit EC-05B, East Tower-PSE Centre Exchange Road, Ortigas Center Pasig City	<b>6,435,500</b>
<b>B104AC</b>	<b>A. T. DE CASTRO SECURITIES CORP.</b> Suite 701, 7/F Ayala Tower I, Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City	<b>254,700</b>



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security: DMC DMCI Holdings, Inc.

B105AC	ALL ASIA SECURITIES MANAGEMENT CORP. All Asia Capital Center 105 Paseo de Roxas St. Makati City	700
B105AP	ALL ASIA SECURITIES MANAGEMENT CORP. All Asia Capital Center 105 Paseo de Roxas St. Makati City	200,000
B106AC	ALPHA SECURITIES CORP. 23/F Orient Square Bldg. Emerald Ave., Pasig City	476,600
B109AC	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	1,031,005
B109FC	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 259-267 EDSA Greenhills Mandaluyong City	9,000
B110AC	ANGPING & ASSOCIATES SECURITIES, INC. Suites 2002/2004, The Peak, 107 Alfaro St., Salcedo Village, Makati City	6,019,300
B111AC	ANSALDO, GODINEZ & CO., INC. 340 Nueva St., Binondo Manila	1,316,000
B111AP	ANSALDO, GODINEZ & CO., INC. 340 Nueva St., Binondo Manila	400



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
B112AC	AB CAPITAL SECURITIES, INC.	2,911,500	
	8/F Phinma Plaza, #39 Plaza Drive Rockwell Center Makati City		
B112AP	AB CAPITAL SECURITIES, INC.	500	
	8/F Phinma Plaza, #39 Plaza Drive Rockwell Center Makati City		
B112FC	AB CAPITAL SECURITIES, INC.	588,500	
	8/F Phinma Plaza, #39 Plaza Drive Rockwell Center Makati City		
B113AC	SARANGANI SECURITIES, INC.	3,400,100	
	5/F APMC Building 136 Amorsolo St., Legaspi Village, Makati City		
B115AC	SB EQUITIES, INC.	1,919,130	
	18/F, Security Bank Centre 6776 Ayala Triangle, Ayala Ave., Makati City		
B115FC	SB EQUITIES, INC.	1,680,000	
	18/F, Security Bank Centre 6776 Ayala Triangle, Ayala Ave., Makati City		
B116AC	ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORPORATION	338,500	
	24/F Galleria Corporate Center EDSA corner Ortigas Avenue Quezon City		
B118AC	ASIASEC EQUITIES, INC.	1,674,000	
	8/F Chatham House, 116 Valero St. cor. Herrera St. Salcedo Village, Makati City		



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
B118AP	ASIASEC EQUITIES, INC.		1,361,000
	8/F Chatham House, 116 Valero St. cor Herrera St. Salcedo Village, Makati City		
B118FC	ASIASEC EQUITIES, INC.		4,900
	8/F Chatham House, 116 Valero St. cor Herrera St. Salcedo Village, Makati City		
B119AC	ASTRA SECURITIES CORPORATION		270,000
	Units 1204-1205 Ayala Tower One Ayala Ave. cor. Paseo de Roxas Makati City		
B120AC	ATC SECURITIES, INC.		71,000
	U2903, 29/F, Jollibee Plaza Emerald Avenue, Ortigas Center Pasig City		
B121AC	MACQUARIE SECURITIES (PHILS.), INC. - HAMPHILC		4,399,200
	20/F Ayala Tower I, Ayala Ave. Cor. Paseo de Roxas, Makati City		
B121AC	MACQUARIE SECURITIES (PHILS.), INC. - LOCAL - 001		2,000,000
	20/F Ayala Tower I, Ayala Ave. Cor. Paseo de Roxas, Makati City		
B122AC	BELSON SECURITIES, INC.		3,073,000
	4th Floor Belson House 271 Edsa, Mandaluyong City		
B122AP	BELSON SECURITIES, INC.		400
	4th Floor Belson House 271 Edsa, Mandaluyong City		



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

## EQ Beneficial Owner Report by Security

31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
B122FC	BELSON SECURITIES, INC.	700,000	
	4th Floor Belson House		
	271 Edsa, Mandaluyong City		
B123AC	BENJAMIN CO CA & CO., INC.	450,000	
	Rm. 301 Downtown Ctr Bldg.,		
	516 Quintin Paredes St., Binondo, Manila		
B124AC	B. H. CHUA SECURITIES CORPORATION	391,000	
	872 G. Araneta Avenue, Quezon City		
B125AC	JAKA SECURITIES CORPORATION	655,000	
	Unit 814, Ayala Tower I		
	Ayala Ave., Makati City		
B126AC	BPI SECURITIES CORPORATION	31,755,200	
	8/F BPI Head Office Bldg.,		
	Ayala Ave., cor. Paseo de Roxas		
	Makati City		
B126FC	BPI SECURITIES CORPORATION	193,000	
	8/F BPI Head Office Bldg.,		
	Ayala Ave., cor. Paseo de Roxas		
	Makati City		
B128AC	CAMPOS, LANUZA & COMPANY, INC.	451,000	
	Unit 2003B East Tower, PSE Center		
	Exchange Road, Ortigas Center		
	Pasig City		
B129AC	SINCERE SECURITIES CORPORATION	1,650,000	
	12/F, East Tower - PSE Centre		
	Exchange Road, Ortigas Center		
	Pasig City		



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security: DMC DMCI Holdings, Inc.

B131AC	PCIB SECURITIES, INC. - PSI FAO PRULI063 20/F PCIB Tower I, Dela Costa St., Makati City	176,000
B131AC	PCIB SECURITIES, INC. - PSI FAO PRULI003 20/F PCIB Tower I, Dela Costa St., Makati City	13,000
B131AC	PCIB SECURITIES, INC. - B131-TA001234 20/F PCIB Tower I, Dela Costa St., Makati City	18,000
B131AC	PCIB SECURITIES, INC. - B131AC-1 20/F PCIB Tower I, Dela Costa St., Makati City	8,342,939
B131AC	PCIB SECURITIES, INC. - B131AC-PT000608 20/F PCIB Tower I, Dela Costa St., Makati City	66,000
B131AC	PCIB SECURITIES, INC. - B131AC-PT000611 20/F PCIB Tower I, Dela Costa St., Makati City	40,000
B131AC	PCIB SECURITIES, INC. - B131AC-TA000862 20/F PCIB Tower I, Dela Costa St., Makati City	22,000
B131AC	PCIB SECURITIES, INC. - B131AC-TA000987 20/F PCIB Tower I, Dela Costa St., Makati City	38,000



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
B131AC	PCIB SECURITIES, INC.	20/F PCIB Tower I, Dela Costa St., Makati City	622,857,689
B131FC	PCIB SECURITIES, INC.	20/F PCIB Tower 1, Dela Costa St., Makati City	860,000
B132AC	PHILIPPINE TA SECURITIES, INC.	E-1203 PSE Center, Exchange Road Ortigas Center, Pasig City	15,200
B133AC	CITISECURITIES, INC.	Rm. 2701-B PSE Centre, East Tower Exchange Rd, Pasig City	2,780,000
B133FC	CITISECURITIES, INC.	Rm. 2701-B PSE Centre, East Tower Exchange Rd, Pasig City	2,000
B136AC	TRITON SECURITIES CORP.	26/F, LKG Tower 6801 Ayala Avenue, Makati City	6,067,000
B140AC	IGC SECURITIES, INC.	Suite 1006 Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. Makati City	1,256,600
B141AC	CUALOPING SECURITIES CORPORATION	Suite 1801 Tytana Centre Condominium Plaza Lorenzo Ruiz, Binondo, Manila	4,277,000



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
<b>B142AC</b>	<b>DBP-DAIWA SECURITIES (PHILS.), INC.</b>		<b>6,000</b>
	18/F Citibank Tower 8741 Paseo de Roxas Makati City		
<b>B143AC</b>	<b>DAVID GO SECURITIES CORP.</b>		<b>127,000</b>
	Rm. 309 Federation Center Bldg. Muelle de Binondo, Binondo, Manila		
<b>B145AC</b>	<b>DIVERSIFIED SECURITIES, INC.</b>		<b>214,742</b>
	5/F PDCP Bank Centre Herrera St. cor. Alfaro St. Salcedo Village, Makati City		
<b>B145FC</b>	<b>DIVERSIFIED SECURITIES, INC.</b>		<b>10,000</b>
	5/F PDCP Bank Centre Herrera St. cor. Alfaro St. Salcedo Village, Makati City		
<b>B147AC</b>	<b>E. CHUA CHIACO SECURITIES, INC.</b>		<b>1,347,000</b>
	113 Rentas St. cor. 3751 Juan Luna Binondo, Manila		
<b>B148AC</b>	<b>EQUITABLE SECURITIES (PHILS.) INC.</b>		<b>1,200</b>
	3/F Cacho-Gonzalez Bldg, Aguirre cor. Trasierra St, Legaspi Village Makati City		
<b>B149AC</b>	<b>EAST WEST CAPITAL CORPORATION</b>		<b>211,000</b>
	2/F U-Bix Building 1331 Angono St., Makati City		
<b>B150AC</b>	<b>EASTERN SECURITIES DEVELOPMENT CORPORATION</b>		<b>517,000</b>
	1701 Tytana Ctr. Bldg, Binondo, Manila		



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Security:	DMC	DMCI Holdings, Inc.	
B153AC	EQUITIWORLD SECURITIES, INC.	807-809 Philippine Stock Exchange Ayala Tower 1, Ayala Avenue Makati City	595,000
B153AP	EQUITIWORLD SECURITIES, INC.	807-809 Philippine Stock Exchange Ayala Tower 1, Ayala Avenue Makati City	20,000
B154AC	EVERGREEN STOCK BROKERAGE & SEC., INC.	Rm. 606 Ayala Tower I Ayala Triangle, Ayala Ave. Makati City	488,000
B154FC	EVERGREEN STOCK BROKERAGE & SEC., INC.	Rm. 606 Ayala Tower I Ayala Triangle, Ayala Ave. Makati City	150,000
B157AC	FIRST ORIENT SECURITIES, INC.	Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City	192,400
B159AC	FIRST INTEGRATED CAPITAL SECURITIES, INC.	Units 1211-1212 Tower I & Exchange Plaza, Ayala Ave. Cor. Paseo de Roxas, Makati City	1,371,000
B161AC	FRANCISCO ORTIGAS SECURITIES, INC.	Rm. 815 Ortigas Bldg. Ortigas Ave, Pasig City	44,000
B161AP	FRANCISCO ORTIGAS SECURITIES, INC.	Rm. 815 Ortigas Bldg. Ortigas Ave, Pasig City	21,000



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Security:	DMC	DMCI Holdings, Inc.	
B162AC	F. YAP SECURITIES, INC.		873,000
	Unit 2301 PSE Center (East Tower)		
	Exchange Rd., Ortigas Center		
	Pasig City		
B167AC	AURORA SECURITIES, INC.		225,200
	Unit 2405A, West Tower, PSE Centre		
	Exchange Road, Ortigas Center		
	Pasig City		
B168AC	GLOBALINKS SECURITIES & STOCKS, INC.		9,676,000
	Rm 706 Ayala Tower One		
	Ayala Avenue Cor. Paseo de Roxas St.		
	Makati City		
B168AP	GLOBALINKS SECURITIES & STOCKS, INC.		1,035
	Rm 706 Ayala Tower One		
	Ayala Avenue Cor. Paseo de Roxas St.		
	Makati City		
B168FC	GLOBALINKS SECURITIES & STOCKS, INC.		25,000
	Rm 706 Ayala Tower One		
	Ayala Avenue Cor. Paseo de Roxas St.		
	Makati City		
B169AC	JSG SECURITIES, INC.		134,000
	4th Floor, A&T Building,		
	244 Escolta Street, Binondo, Manila		
B170AC	GOLDSTAR SECURITIES, INC.		667,000
	2201-B East Tower, PSE Centre		
	Exchange Rd, Ortigas Center		
	Pasig City		
B170AP	GOLDSTAR SECURITIES, INC.		500,000
	2201-B East Tower, PSE Centre		
	Exchange Rd, Ortigas Center		
	Pasig City		



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31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
B172AC	GUILD SECURITIES, INC.	52,000	
	Unit 1215 Tower One & Exchange Plaza Ayala Ave., Makati City		
B174AC	HDI SECURITIES, INC.	393,000	
	11/F, Ayala Tower I, Ayala Ave. Makati City		
B175AC	H. E. BENNETT SECURITIES, INC.	248,000	
	Rm 207, Fil-Am Resources Bldg. 231 Juan Luna St., Binondo, Manila		
B178AC	HK SECURITIES, INC.	10,800	
	Suite 102 Columbia Tower, Ortigas Ave., Mandaluyong City		
B179AC	I. ACKERMAN & CO., INC.	1,847,600	
	Suite 705, Tower I Bldg. PSE Plaza, Ayala Triangle Ayala Ave., Makati City		
B180AC	I. B. GIMENEZ SECURITIES, INC.	11,778,300	
	No. 42, 3/F, New Rosario Ortigas Arcade Rosario Ortigas Extn., Pasig City		
B181AC	INVESTORS SECURITIES, INC.	5,219,000	
	6/F Tower One & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City		
B182AC	IMPERIAL, DE GUZMAN, ABALOS & CO., INC.	672,000	
	Greenfield Bldg.I 750 Shaw Blvd. Mandaluyong City		



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EQ Beneficial Owner Report by Security

31-May-2005

Security: DMC DMC1 Holdings, Inc.

B182AP	IMPERIAL,DE GUZMAN,ABALOS & CO., INC. Greenfield Bldg.I 750 Shaw Blvd. Mandaluyong City	500
B183AC	INTRA-INVEST SECURITIES, INC. 11/F ACT Tower, 135 Sen. Gil Puyat Ave., Salcedo Vill., Makati City	186,000
B183FC	INTRA-INVEST SECURITIES, INC. 11/F ACT Tower, 135 Sen. Gil Puyat Ave., Salcedo Vill., Makati City	2,000
B187AC	ASIAN CAPITAL EQUITIES, INC. 25-B Rufino Tower Bldg. Ayala Avenue, Makati City	144,000
B188AC	J.M. BARCELON & CO., INC. Rm 301 Pako Bldg. Pedro Gil cor. Dart & Gen Luna Sts. Paco, Manila	3,800
B192AC	STRATEGIC EQUITIES CORP. Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City	171,300
B193AC	LARRGO SECURITIES CO., INC. Rm. 202 2/F Rufino Building, Ayala Avenue, Makati City	502,000
B197AC	LOPEZ, LOCSIN, LEDESMA & CO., INC. 405 Sen. Gil Puyat Ave. (near MRT), EDSA Makati City	55,000



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Security:	DMC	DMCI Holdings, Inc.	
B198AC	LUCKY SECURITIES, INC.		90,000
	19/F West Tower - PSE Centre Exchange Road, Ortigas Center Pasig City		
B199AC	LUYS SECURITIES COMPANY, INC.		210,000
	28/F, LKG Tower 6801 Ayala Ave., Makati City		
B199AP	LUYS SECURITIES COMPANY, INC.		238,000
	28/F, LKG Tower 6801 Ayala Ave., Makati City		
B200AC	MANDARIN SECURITIES CORPORATION		5,004,000
	28/F LKG Tower 6801 Ayala Ave., Makati City		
B200AP	MANDARIN SECURITIES CORPORATION		203,000
	28/F, LKG Tower 6801 Ayala Ave., Makati City		
B202AC	MARINO OLONDRIZ Y CIA		1,800
	Rm 2305-A Tektite Tower I Exchange Road Ortigas Center Pasig City		
B204AC	DA MARKET SECURITIES, INC.		1,423,000
	Unit 2402-B West Tower, PSE Center Exchange Road, Ortigas Center Pasig City		
B205AC	MERCANTILE SECURITIES CORP.		360,000
	20/F, First e-Bank Tower 8737 Paseo de Roxas Makati City		



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31-May-2005

<b>Security:</b>	<b>DMC</b>	<b>DMCI Holdings, Inc.</b>	
<b>B206AC</b>	<b>MERIDIAN SECURITIES, INC.</b>		<b>245,000</b>
	Suite 2702B&C East Tower - PSE Centre Exchange Road, Ortigas Center Pasig City		
<b>B208AC</b>	<b>MDR SECURITIES, INC.</b>		<b>16,611,000</b>
	Unit 1806, 8/F Medical Plaza Ortigas Bldg. San Miguel Ave., Ortigas Center Pasig City		
<b>B209AC</b>	<b>DEUTSCHE REGIS PARTNERS, INC. - AC RETAIL</b>		<b>15,595,000</b>
	23/F Tower One & Exchange Plaza Ayala Triangle, Makati City		
<b>B209AP</b>	<b>DEUTSCHE REGIS PARTNERS, INC. - AP ODD-LOT</b>		<b>4,520</b>
	23/F Tower One & Exchange Plaza Ayala Triangle, Makati City		
<b>B209FC</b>	<b>DEUTSCHE REGIS PARTNERS, INC. - AC CORPORATE(F)</b>		<b>6,813,000</b>
	23/F Tower One & Exchange Plaza Ayala Triangle, Makati City		
<b>B210AC</b>	<b>MOUNT PEAK SECURITIES, INC.</b>		<b>10,000</b>
	#748 C.K. Bldg., Juan Luna St., Binondo, Manila		
<b>B211AC</b>	<b>NEW WORLD SECURITIES CO., INC.</b>		<b>225,000</b>
	Rm. 202 Fil-Am Resources Bldg. 231 Juan Luna St. Binondo, Manila		
<b>B215AC</b>	<b>OPTIMUM SECURITIES CORPORATION</b>		<b>837,000</b>
	No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City		



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31-May-2005

Security: **DMC** **DMCI Holdings, Inc.**

<b>B215AC</b>	<b>OPTIMUM SECURITIES CORPORATION - HOUSE2</b> No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City	<b>178,000</b>
<b>B217AC</b>	<b>RCBC SECURITIES, INC.</b> 7/F Yuchengco Tower RCBC Plaza, 6819 Ayala Avenue Makati City	<b>1,301,400</b>
<b>B217AP</b>	<b>RCBC SECURITIES, INC.</b> 7/F Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue Makati City	<b>9,200</b>
<b>B217FC</b>	<b>RCBC SECURITIES, INC.</b> 7/F Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue Makati City	<b>24,000</b>
<b>B218AC</b>	<b>PAN ASIA SECURITIES CORP.</b> Rm 910 Tower One & Exchange Plaza Ayala Avenue, Makati City	<b>70,000</b>
<b>B219AC</b>	<b>PAPA SECURITIES CORPORATION</b> 6/F S & L Building Dela Rosa cor. Esteban Sts. Legaspi Village, Makati City	<b>1,927,250</b>
<b>B219AP</b>	<b>PAPA SECURITIES CORPORATION</b> 6/F S & L Building Dela Rosa cor. Esteban Sts. Legaspi Village, Makati City	<b>200,000</b>
<b>B220AC</b>	<b>ATR-KIM ENG SECURITIES, INC.</b> 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	<b>1,848,700</b>



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Security:	DMC	DMCI Holdings, Inc.	
B220FC	ATR-KIM ENG SECURITIES, INC.	17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City	658,000
B223AC	PLATINUM SECURITIES, INC.	Unit 801, Antel 2000 Corporate Centre 121 Valero St., Salcedo Village Makati City	70,000
B224AC	PNB SECURITIES, INC.	3/F PNB Financial Center Roxas Blvd., Pasay City	793,176
B225AC	PREMIUM SECURITIES, INC.	Unit 1415, Tower 1 & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City	430,000
B228AC	PRYCE SECURITIES, INC.	18/F, Pryce Center 1179 Chino Roces Ave. cor. Bagtikan St. Makati City	1,300
B229AC	PUBLIC SECURITIES CORPORATION	Unit 1214 PSE Tower One & Exchange Plaza Ayala Ave. cor. Paseo de Roxas Makati City	600
B230AC	QUALITY INVESTMENTS & SECURITIES CORPORATION	Suite 1602 Tytana Plaza Bldg. Plaza Lorenzo Ruiz Binondo, Manila	623,000
B230AP	QUALITY INVESTMENTS & SECURITIES CORPORATION	Suite 1602 Tytana Plaza Bldg. Plaza Lorenzo Ruiz Binondo, Manila	10,000



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Security:	DMC	DMCI Holdings, Inc.	
B231AC	R & L INVESTMENTS, INC.	385,500	
	675 Lee St., Mandaluyong City		
B232AC	ALAKOR SECURITIES CORPORATION	30,000	
	9/F Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City		
B233AC	R. COYIUTO SECURITIES, INC.	1,272,000	
	5/F Corinthian Plaza, Paseo de Roxas Legaspi Village, Makati City		
B235AC	REGINA CAPITAL DEVELOPMENT CORPORATION	1,748,000	
	Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City		
B236AC	R. NUBLA SECURITIES, INC.	815,000	
	Room 300, Fil-Am Resources Bldg., 231 Juan Luna St., Binondo, Manila		
B237AC	AAA SOUTHEAST EQUITIES, INCORPORATED	5,000	
	Ground Floor, Fortune Life Building #162 Legaspi St., Legaspi Village Makati City		
B238AC	R. S. LIM & CO., INC.	476,100	
	1509 Galvani Street San Isidro, Makati City		
B239AC	RTG & COMPANY, INC.	4,726,400	
	Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City		



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Security:	DMC	DMCI Holdings, Inc.	
B239AP	RTG & COMPANY, INC.		6,000
	Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City		
B240AC	S.J. ROXAS & CO.,INC. - PISI-215283		21,000
	Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City		
B240AC	S.J. ROXAS & CO.,INC.		134,000
	Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City		
B240AP	S.J. ROXAS & CO., INC.		1,000
	Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City		
B242AC	SECURITIES SPECIALISTS, INC.		29,000
	Casa Blanca, 1447 M. Adriatico St, Ermita, Manila		
B243AC	FIDELITY SECURITIES, INC.		70,000
	2/F JTKC Centre 2155 Pasong Tamo, Makati City		
B246AC	SUMMIT SECURITIES, INC.		1,964,800
	Unit 2102 B/C PSE Center Tektite Tower East Exchange Road, Ortigas Center Pasig City		
B246AP	SUMMIT SECURITIES, INC.		429,000
	Unit 2102 B/C PSE Center Tektite Tower East Exchange Road, Ortigas Center Pasig City		



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Security:	DMC	DMCI Holdings, Inc.	
B247AC	STANDARD SECURITIES CORPORATION		1,169,000
	Rm. 1202 Tower 1 Exchange Plaza, Ayala Ave., Makati City		
B247AC	STANDARD SECURITIES CORPORATION - PIONEER LIFE INC		1,200,000
	Rm. 1202 Tower 1 Exchange Plaza, Ayala Ave., Makati City		
B251AC	TANSENGCO & CO., INC.		83,800
	Rm. 208 Padilla de los Reyes Bldg. Juan Luna St., Binondo, Manila		
B252AC	THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.		250,000
	Rms. 801-802, PSE Tower 1 Ayala Ave., cor. Paseo de Roxas, Ayala Triangle, Makati City		
B253AC	TOWER SECURITIES, INC.		10,667,000
	1802-C Tektite Tower I Exchange Road, Ortigas Centre Pasig City		
B253AP	TOWER SECURITIES, INC.		996,000
	1802-C Tektite Tower I Exchange Road, Ortigas Centre Pasig City		
B257AC	TRI-STATE SECURITIES, INC.		47,000
	Unit 1007, 10/F Ayala Triangle Tower I, Ayala Avenue, Makati City		
B259AC	UCPB SECURITIES, INC.		451,000
	14/F, UCPB Building Makati Ave., Makati City		



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Security:	DMC	DMCI Holdings, Inc.	
<b>B260FP</b>	<b>UOB-KAY HIAN SECURITIES (PHILS.), INC.</b>		<b>40,000</b>
	3/F, Mechants Bank Building 117 Tordesillas cor. Bautista Sts. Salcedo Village, Makati City		
<b>B261AC</b>	<b>E. SECURITIES, INC.</b>		<b>100,000</b>
	11/F Export Bank Plaza Chino Roces cor. Gil Puyat Ave Makati City		
<b>B261AC</b>	<b>E. SECURITIES, INC. - E.SEC1</b>		<b>32,000</b>
	11/F Export Bank Plaza Chino Roces cor. Gil Puyat Ave Makati City		
<b>B263AC</b>	<b>VENTURE SECURITIES, INC.</b>		<b>1,742,000</b>
	7/F, Phil. First Building 6764 Ayala Ave., Makati City		
<b>B266AC</b>	<b>VICSAL SECURITIES &amp; STOCK BROKERAGE, INC.</b>		<b>159,600</b>
	658 C. Palanca St., Quiapo, Manila		
<b>B267AC</b>	<b>FIRST METRO SECURITIES BROKERAGE CORP.</b>		<b>973,000</b>
	Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City		
<b>B267AP</b>	<b>FIRST METRO SECURITIES BROKERAGE CORP.</b>		<b>200,000</b>
	Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City		
<b>B269AC</b>	<b>WEALTH SECURITIES, INC.</b>		<b>19,176,800</b>
	2103 PSE Centre, Exchange Road Ortigas Centre, Pasig City		



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Security:	DMC	DMCI Holdings, Inc.	
B269AP	WEALTH SECURITIES, INC.		84,000
	2103 PSE Centre, Exchange Road Ortigas Centre, Pasig City		
B270AC	WELLEX GLOBAL EQUITIES, INC.		144,000
	6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City		
B272AC	BERNAD SECURITIES, INC.		590,000
	3/F, 1033 M.H. del Pilar St. Ermita, Manila		
B272AP	BERNAD SECURITIES, INC.		950,000
	3/F, 1033 M.H. del Pilar St. Ermita, Manila		
B273AC	WONG SECURITIES CORPORATION		15,000
	205 Captain Roja St., San Juan Metro Manila		
B275AC	YAO & ZIALCITA, INC.		1,623,000
	5G Vernida I Condominium 120 Amorsolo St., Legaspi Village Makati City		
B275AP	YAO & ZIALCITA, INC.		4,000
	5G Vernida I Condominium 120 Amorsolo St., Legaspi Village Makati City		
B278AC	YU & COMPANY, INC.		918,000
	Unit E 1606-B Tektite Tower 1 Exchange Road, Ortigas Center Pasig City		



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Security:	DMC	DMCI Holdings, Inc.	
B282AC	PCCI SECURITIES BROKERS CORP.		1,889,000
	4/F PCCI Corporate Centre		
	118 L.P. Leviste St, Salcedo Village		
	Makati City		
B282AP	PCCI SECURITIES BROKERS CORP.		50,000
	4/F PCCI Corporate Centre		
	118 L.P. Leviste St, Salcedo Village		
	Makati City		
B283AC	EAGLE EQUITIES, INC.		48,000
	779 Harvard St., Mandaluyong City		
B285AC	GOLDEN TOWER SECURITIES & HOLDINGS, INC.		43,000
	4-B Vermda I Condominium, 120 Amorsolo St.,		
	Legaspi Village, Makati City		
B286AC	SOLAR SECURITIES, INC.		363,050
	Unit 3002-A East Tower, Phil. Stock Exchange Centre,		
	Exchange Road, Ortigas Complex, Pasig City		
B323AP	CLSA PHILIPPINES, INC.		368
	18/F, Tower 1, The Enterprise Center		
	6766 Ayala Ave., Makati City		
B323FC	CLSA PHILIPPINES, INC. - C-000059		40,000
	18/F, Tower 1, The Enterprise Center		
	6766 Ayala Ave., Makati City		
B323FC	CLSA PHILIPPINES, INC.		300,000
	18/F, Tower 1, The Enterprise Center		
	6766 Ayala Ave., Makati City		



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Security:	DMC	DMCI Holdings, Inc.	
B328AC	THING ON SECURITIES LTD, (PHILS.), INC.		245,000
	1136 Soler St., Binondo, Manila		
B338AC	PHILIPPINE EQUITY PARTNERS, INC. - CLIENT2		303,500
	Unit 19C Citibank Tower Citibank Plaza 8741 Paseo de Roxas Makati City		
B338AP	PHILIPPINE EQUITY PARTNERS, INC.		6,487
	Unit 19C Citibank Tower Citibank Plaza 8741 Paseo de Roxas Makati City		
B345AC	UNICAPITAL SECURITIES INC.		4,168,000
	4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City		
B388AC	ARMSTRONG SECURITIES, INC.		41,000
	20/F, Equitable PCI Tower I Makati Ave. cor. H.V. de la Costa St. Makati City		
B389AC	KING'S POWER SECURITIES, INC.		6,225,000
	Rm 704 Federal Tower Dasmarinas St. Binondo, Manila		
BSAN10	BDO PRIVATE BANK		2,967,500
	27/F Tower One & Exchange Plaza Ayala Avenue, Makati City		
CITI10	CITIBANK N. A. - CITI FAO SUNLIFE		1,597,000
	11/F Citibank Tower Villar corner Valero Sts. Makati City, MM		



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Security: DMC DMC Holdings, Inc.

CITI10	CITIBANK N. A. - CITIOMNIFOR 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	13,751,603
CITI10	CITIBANK N. A. - CITIOMNILOC 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM	100,000
DEUB10	DEUTSCHE BANK AG MANILA BRANCH 26/F Ayala Tower One Ayala Triangle, Makati City	6,370,000
DEUB20	DEUTSCHE BANK AG MANILA BRANCH 26/F ayala Tower One, Ayala Triangle, Makati City	64,000
DEUB20	DEUTSCHE BANK AG MANILA BRANCH - VTA 26/F ayala Tower One, Ayala Triangle, Makati City	30,000
GSIS10	GOVERNMENT SERVICE INSURANCE SYSTEM GSIS Hqs., Financial Center Roxas Blvd., Pasay City	3,180,000
HSBC10	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' 33/F West Tower Tekrite Bldg., Pasig City, Philippines (P.O. Box 1096 Makati Central Post Office, Makati City)	104,704,780
HSBC20	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' 33/F West Tower, Tekrite Bldg., Pasig City, Philippines (P.O. Box 1096 Makati Central Post Office, Makati City)	16,711,159



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Security:	DMC	DMCI Holdings, Inc.	
HSBC30	THE HONGKONG & SHANGHAI BANKING CORP. LTD. -OWN ACCOU		1,200
	33/F West Tower Tektitte Bldg., Pasig City Philippines		
PABC10	AB CAPITAL & INVESTMENT CORP.- TRUST & INVESTMENT DIVISI		2,589,000
	G/F Asianbank Centre Building Sen Gil Puyat Ave Ext cor Tordesillas St Salcedo Village, Makati City		
PSMC10	SAN MIGUEL CORP.-RETIREMENT PLAN		844,000
	40 San Miguel Ave, Ortigas Center Mandaluyong City		
PSMC20	SAN MIGUEL CORPORATION PLAN-STP		600,000
	San Miguel Corp. Retirement Plan 40 San Miguel Ave. Ortigas Center, Mandaluyong City		
PSMC70	COSMOS BOTTL. CORP. MULTI EMP. RET. PLAN		50,000
	3/F Head Office Complex San Miguel Ave., Mandaluyong City		
PSMC80	SAN MIGUEL FOODS, INC. RET. PLAN		150,000
	3/F Head Office Complex San Miguel Ave., Mandaluyong City		
PSMC90	COCA-COLA BOTTLERS PHILS., INC. RETIREMENT SYSTEM		325,000
	3rd flr, Head Office Complex San Miguel Ave., Mandaluyong City		
RCBC10	RCBC TRUST & INVESTMENT DIVISION		814,600
	333 Sen. Gil J. Puyat Ave. Makati City		



PHILIPPINE  
CENTRAL  
DEPOSITORY, INC.

EQ Beneficial Owner Report by Security

31-May-2005

Security:	DMC	DMCI Holdings, Inc.	
RCBC10	RCBC TRUST & INVESTMENT DIVISION - RCBCTANO.750441		235,000
	333 Sen. Gil J. Puyat Ave.		
	Makati City		
SCBK10	STANDARD CHARTERED BANK		80,089,000
	6756 Ayala Avenue		
	Makati City		
SCTD10	MBTC - TRUST BANKING GROUP		3,679,600
	5/F Metrobank Plaza		
	Sen. Gil Puyat Ave., Makati City		
UCPB10	UNITED COCONUT PLANTERS BANK-TRUST BANKING		45,000
	5/F, UCPB Bldg., Makati Ave.		
	Makati City		
		TOTAL	1,125,346,409

**DMCI HOLDINGS, INC.**  
**Management Report**  
**Pursuant To SRC Rule 20 (4)**

**I. Incorporated herein are the Audited Annual Financial Statements of DMCI Holdings, Inc. (the “Company”) for the year ended December 31, 2004, the Interim Financial Statements of the Corporation for the quarter ended March 31, 2005, and the Statement of Management’s Responsibility in respect of the financial statements.**

**II. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There has been no change or disagreements with certifying accountants.

**III. Management's Discussion and Analysis or Plan of Operation**

**A. Audited Financial Statements as of December 31, 2004**

**1. Results of Operations**

2004 proved to be a turn around year for the Company as net income for the year reached the one billion mark. The Company reported a consolidated income of P1,353 million for 2004, a steep jump from the income of P199 million and loss of P221 million posted in 2003 and 2002 respectively. The massive growth in operations was due to (a) developments in the Company’s coal mining business; (b) the continuing positive contributions from the construction sector; and (c) the improvement in the real estate development.

**Coal Mining**

The coal mining business persisted to be the Company’s revenue driver over the Company’s reputed strong construction business as coal revenues were 160% more than construction revenues. The Company’s coal mining business, operated by 94% owned Semirara Mining Corp. (SMC), experienced a record-high performance with a significant growth in net income for 2004 of P1,318 million from P138 million and P6 million in 2003 and 2002 respectively.

Revenue from coal operations was up by 133% and 234% from the previous years as global coal prices surged and domestic demand for Semirara’s coal improved. Import parity pricing with National Power Corp. (NPC), SMC’s biggest customer, allowed SMC to benefit from escalating global coal prices. Coal sales volume for 2004 was a huge 2.41 million Metric Tons, (MT) a big swell from 2003 and 2002 volume of 1.78 million MT and 1.29 million MT respectively. Furthermore, expensive imported coal and SMC’s perseverance to diversify its clientele list paved way for non-NPC customers like APO Cement, Phil. National Oil Corp (PNOC), and Toledo Power Corp (TPC) to increase their coal take up, with sales to these customers accounting for 37% of total sales this year compared to 24% last year and 8% two years ago. With the recent relationships forged with the non-NPC customers, the Company expects that coal supply agreements similar to that of NPC will be inked soon. Cost of coal sales for the year increased by 94% and 152% from 2003 and 2002 respectively. However, the surge in coal prices steered gross margins to improve to 41% compared to 30% and 22% in the past two years. On the downside, government royalties grew as a result of higher sales with

royalties computed based on gross margins which considerably resulted in higher Operating expenses for the Company's consolidated operations.

In 2004, SMC underwent a Capital Restructuring that required additional investment from its shareholders. The Company took up the additional investment and this in turn increased the Company's percentage of ownership in SMC from 74.4% as of 2003 to 94.5% as of 2004. In 2005, SMC and the Company issuing/selling shares of stock to the investing public through a public offering, which further reduced the Company's stake in SMC to 60%.

With the sustained growth in the coal mining business, the Company is committed in its role as the leader in providing coal in line with the government's thrust to propagate the use of local coal and eliminate dependence on imports.

## **Construction**

The Company's Construction segment headed by its wholly owned flagship construction company, D.M. Consunji, Inc. (DMCI), continued to experience positive results from its operations in 2004. Construction revenues for the year rose from P1,948 million and P1,343 in 2003 and 2002 respectively to P1,952 million this year. Major projects nearing completion (if not completed) like the Shang Grand Tower, Kamanava Floodway, and SM Dasmarias (all awarded in 2002) accounted for 33% of construction revenues for the year. Moreover, completed projects awarded in 2003, Shopwise Cubao and PGH extension building contributed 17% of 2004 construction revenues, with catch up revenues being booked this year. Despite this, gross margins was down from 12% last year to 6% this year, due to DMCI booking catch up costs on old projects (prior to 2002) which had a net effect of 3% reduction in gross margins. This however still proves that DMCI has continually been reengineering its bidding process to allow for more competitive margins in the effort to gain more construction projects.

The Company's proven track record as construction experts is not only manifested through our long range of projects but most importantly the people behind those structures we built. We have a pool of professional engineers, architects and staff in which DMCI is tapped as a manpower service provider to various construction projects abroad since May of 2003. DMCI has provided 200 hundred people composed mainly of engineers, staff, and skilled workers to the US Naval base located in Diego Garcia Island of the British Indian Ocean Territory. This is a joint-venture project with the principals San Juan Construction and John Laing International. In Dubai, a total of 24 technical people were sent to work on an airport construction project which started in January of 2004. It is also expected that in June 2005, we will be able to send engineers to the United Kingdom for a railway project.

The Company believes that its Construction business will continue to provide marginal contributions to consolidated operations, but it also understands that the lucrative endeavors experienced in the past will be difficult to attain in the near future with the current prospects in the Construction Industry. Nevertheless, the Company, through DMCI, is still committed to provide its reputable services as engineers and contractors in its enterprise towards eventual recovery and sustainable growth.

## **Real Estate**

The Real Estate business reported record high operations for the year with respect to the previous years as the Company continued to receive positive results from its housing projects. Real estate sales for 2004 increased by 53% and 118% from 2003 and 2002 respectively with the

exceptional market response on the existing housing projects strengthened the Company's drive to provide quality affordable houses to Filipinos.

Wholly owned real estate and infrastructure development subsidiary, DMCI Project Developers, Inc., (PDI) heads the housing segment of the Company. PDI accounts for more than half of the housing revenues of the Company (68%, 76% in 2004, 2003) with the remaining portion being operated by DMCI. PDI housing projects include East Ortigas Mansions (EOM), Morning Sun Homes (MSH), Spring Lanes (SPL) and Hampstead Gardens Condominiums (HGC) and Dansalan Gardens (Dansalan), all of which are located in Metro Manila. EOM, which is emerging to be the Company's number one housing project, had sales of P240 million which accounted for 33% of all real estate sales for 2004 and was also higher by 65% from last year. Hampstead also provided significant contributions to housing sales with P107 million in sales for 2004. However, the heightened sales entailed higher selling costs (commissions) as PDI operating expenses grew in 2004 compared to 2003 and 2002.

DMCI projects include Lakeview Manors Condominiums (LVM), Vista De Lago (VDL), Villa Alegre (VA), and Mayfield Park Residences (MPR). 2004 Real estate sales from these projects doubled from 2003 as sales from VDL shot up 13 times as the Commando Link bridge was completed in 2004 giving better access to the project. MPR, which opened in 2004, is a new mid-rise housing project located in Pasig City, which also provided marginal sales for the Company.

With the sustained response to the Company's housing development, Management is committed to propel its Real Estate business to new heights and to continue providing quality affordable houses to Filipinos. With the competency as reputable builders, the Company's is eyeing itself as a major player in the Real Estate sector.

## **2. Financial Condition**

The Company's financial condition continued to flourish as total assets increased by 3.8% in 2004 compared to 2003.

The Company's receivables naturally increased resulting from the current progress of the different business segments especially in the Coal Mining business. Continuing development in the Real Estate Industry also prompted an increase in real estate inventory to cater to the now growing real estate market. Property plant & equipment increased due to equipment purchases made by SMC to cater to the expected continuing increase in coal demand.

Long-term debt rose as Semirara incurred new debts to for the acquisition of equipment need in order to beef up mining operations for the expected increase in demand for the coal sector. However, debt increase was slightly offsetted by continuous debt service of the Company and its subsidiaries, most significantly with the prepayments of loans obtained for the redemption of the Company's preferred shares and SMC's debt payments for its restructured bank loans. Related party payables were also reduced due to payments made by the Company and its subsidiaries to related parties. Minority Interest decreased mainly from the Capital Restructuring effected within the period, which solidified the Company's interest in its Coal Mining segment.

Cash slightly decreased as the Company's operating cash inflows were used for investing and financing activities with the purchase of equipment and payment of liabilities. This in turn helped better the Company's liquidity with current ratio going up from 1.4 to 1.55, clearly noting the Company's improved financial position in servicing its current obligations. Debt to equity slightly ratio decreased from 1.92 to 1.34 indicating better position of the Company's stockholders vs.

creditors. The debt to equity ratio was well below industry averages (industry average for 2002 for Construction Companies is 2.72 based on Phil Business Profiles & Perspectives Inc. Top 7000 Corporations for 2003-2004).

### **3. Top Five (5) Key Indicators**

The Company and its Subsidiaries (the “Group”) has the following as its top five (5) key performance indicators:

- (a) Change in Construction Revenue
- (b) Change in Coal Sales
- (c) Change in Net Income
- (d) Change in Current Ratio
- (e) Change in Debt to Equity Ratio

#### **Change in Construction Revenue**

The Company has for the past years of its existence been presented as the listed company of the Consunji Family’s construction and related interest, thus it is moot and academic that construction business is the Company’s major and flagship business. In this regard, the Company measures changes in construction segment as a measure of its major business. The change in Construction Revenues is the initial performance indicator of the operational results of the Company’s construction business. It will state the general improvement or weakening of the Company’s construction on a comparable basis from the same period the previous year. For the past three years Construction Revenues for both 2004 and 2003 have gone up from 2002 as operations in the construction business have been seeing improvements (*see discussion in Part III.A.1., Results of Operations-Construction*).

#### **Change in Coal Sales**

With the turn around experienced in 2004 indicating the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through SMC. A clear indicator of performance in the coal mining business is change in Coal Sales. 2004 coal sales were at record highs and clearly surged from 2003 and 2002. This up-trend in coal sales can be attributed to the growth of global prices of coal of which SMC is a direct beneficiary via import parity pricing as stated in its long term supply contract with NPC and increase in coal sales volume (*see discussion in Part III.A.1., Results of Operations-Coal Mining*).

#### **Change in Net Income**

The results of consolidated operations of the Group can be seen with the increment in net income for the period compared to the same period of the previous years. The Company calculates any decrease and increase in net income and studies the results of its operational business segments and provides discussions as a general on the main reasons why the change in bottom figure. For 2004, the increase in net income from the same period last year was the result of progress in the Company’s coal mining business, continued positive contributions in the construction sector and the sustained development of the real estate segment (*see discussion in Part III.A.1., Results of Operations-Real Estate*).

#### **Current Ratio**

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations, indicating liquidity. For 2004, current ratio increased compared to 2003 and 2002 current ratio due to growth in receivables and real estate inventory resulting from improved consolidated operations and slightly reduced liabilities from debt payments (*see discussion in Part III.A.2., Financial Condition*).

## **Debt to Equity Ratio**

Financial position and stability is also an important aspect to companies with respect to its owners/stockholders. The Company tests its financial position through the debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit. This year's debt to equity ratio decreased from the debt to equity ratio of the previous year resulting from debt payments and net income further solidifying investor stake in the Company (*see discussion in Part III.A.2., Financial Condition*).

## **B. First Quarter Interim Report 2005**

### **1. Results of Operations**

DMCI Holdings, Inc. (the "Company") reported a consolidated income of P2.2 billion for the 1<sup>st</sup> quarter of 2005 compared to the net income of P57 million for the same period in 2004. The sustained performance in the coal mining business and real estate segment boosted the consolidated operations but the overstated swell in net income was mainly due to the gain on sale on the re-release of its coal mining business to the public.

### **Coal Mining**

The Company's coal mining business, operated by 60%-owned Semirara Mining Corp (SMC), experienced improvements in operations as net income for the first quarter grew by 514% from P55 million last year to P339 million this year.

Coal revenues were up by 54% due to the P1,067/ton differential in price on a quarter to quarter basis. On the other hand, coal deliveries for the period declined by 19% from the same period last year. National Power Corp.'s Calaca 2 Power Plant (Calaca 2), the single biggest user of Semirara coal, is undergoing an extended maintenance shutdown dragging down total deliveries for the period. Moreover, Phil. National Oil Corp. (PNOC), SMC's buyer/distributor to cement plants, reduced their take up due to high inventories of coal maintained by the cement plants. On a more positive note, sustained operational efficiency caused a reduction in coal costs per ton. The new equipment and a better mining location provided minimum breakdown and maintenance costs adding to essential savings for SMC. With the enhanced coal prices and diminished costs per ton, gross margin from coal sales eventually went up by 14% but could be better if not for under par sales volume vis-à-vis Calaca 2 shutdown. Operating expenses for the quarter doubled from last year due to increased government royalties that are based on revenues.

Even though a major customer was down for the period, the Company believes that the coal mining business will continue to be a sustained source of recurring income and can be a source of opportunities and synergies that can facilitate the Company's consolidated operations.

## **Construction**

D.M. Consunji, Inc. (DMCI), the Company's wholly owned flagship construction company, reported marginal operations for the quarter. Revenues declined as "milestone" projects required specific work percentage to be attained prior to billing acceptance. Gross margins remained at acceptable levels with retail projects and competitive bidding paving way for lower margins than the lucrative percentages enjoyed in the past. DMCI operating expenses decreased due to the continuing streamlining activities being adopted by the Company for its construction business. Real estate activities that are currently included in DMCI also provided positive contributions to the construction bottom line (see Real Estate discussion below). All in all, DMCI net income for the quarter decreased from P15 million last year to P9 million this year.

The Company sees that the stiff competition and the retail feature prevalent in the Philippine Construction industry today may not be the most favorable environment where DMCI will be able to provide its reputable services as engineers and contractors. Thus, the Company is on the look out for superior opportunities that will provide recurring construction income for DMCI. In that regard, DMCI has and continues to provide manpower services to a joint-venture project with the principals San Juan Construction and John Laing International located at a US Naval base in Diego Garcia Island of the British Indian Ocean Territory. It is also expected that in June of this year, we will be able to send engineers to the United Kingdom for a railway project.

As the construction business proves to be a challenge nowadays, the Company is still committed to impart its expertise and heritage as proud Filipino contractors to the country and the global community.

## **Real Estate**

The Company's real estate business reported improved operations for the 1st quarter of this year with respect to the previous year. The Company continued to experience exceptional results from its housing projects. Encouraging market response for the Company's real estate projects drove the 24% increase in real estate sales from P188 million in 2004 to 235 million in 2005.

Wholly owned real estate and infrastructure development subsidiary, DMCI Project Developers, Inc., (PDI) heads the housing segment of the Company accounting for 47% and 74% of total real estate sales for 1<sup>st</sup> quarter of 2005 and 2004 respectively. PDI housing projects include East Ortigas Mansions (EOM), Morning Sun Homes (MSH), Spring Lanes (SPL) and Hampstead Gardens Condominiums (HGC). EOM, which is emerging to be the Company's number one housing project, had sales for the quarter of P89 million which accounted for 38% of all real estate sales and was also higher by 15% from the same period last year. SPL provided marginal sales for the quarter and also posted a 26% increase from the same period last year. In contrast, fully completed projects, HGC and MSH, registered a drop in sales as these projects were almost fully sold.

DMCI projects which related to 53% and 26% of total real estate sales include Lakeview Manors Condominiums (LVM), Vista De Lago (VDL), Villa Alegre (VA), and Mayfield Park Residences (MPR). 1<sup>st</sup> quarter real estate sales from these projects increased by 160% from last year as sales from VDL shot up with the segment completion of the Taguig-Pasig Diversion road providing better access. MPR, a new project which opened in 2004, provided increased 1<sup>st</sup> quarter real estate sales for the Company.

With the hopeful outcome in the Company's housing development, the Company remains committed to propel its Real Estate business to new heights and to continue providing quality affordable houses to Filipinos. With the competency as reputable builders, the Company's is eyeing itself as a major player in the Real Estate sector.

## **2. Financial Condition**

The Company's financial condition for the period improved as total assets increased by 26%. The Company re-released its publicly listed coal mining subsidiary, SMC, to the public early in the year providing cash proceeds worth P3 billion. The Company's sell down of its shares in SMC diluted its ownership from 94% to 60%. The current slowdown in coal sales allowed for an inventory build up explaining the increase in the Company's consolidated inventory. Continuing development in the Real Estate Industry also prompted an increase in real estate inventory to cater to the now growing real estate market. Property plant & equipment increased due to equipment purchases made by SMC to enhance coal mining operations.

Notes Payable and current portion of Long-term debt decreased due to payments made by the Company and its subsidiaries, most significantly with prepayment of loans obtained for the redemption of the Company's preferred shares. Related party payables were also reduced due to payments made by the Company and its subsidiaries to related parties. However, additional long-term obligations were incurred on the coal mining business with orders of new equipment arriving in the period that were purchased through supplier's credit. Minority Interest went up due to the dilution of the Company's share in its coal mining subsidiary vis-à-vis the SMC offer to the public.

The Company's offer to the public of SMC paid off allocating significant cash proceeds from the sale and issuance of SMC shares. This in turn helped sharpen the Company's liquidity with its current ratio going up from 1.55 to 2.24, clearly noting the Company's improved financial position in servicing its obligations. Debt to equity ratio slightly decreased from 1.34 to 1.09 indicating a better position for the Company's stockholders vs. its creditors. The debt to equity ratio was well below industry averages (2002 debt to equity ratio for the Construction Industry is 2.7 and Mining/Quarrying Industry is 1.7 based on Phil Business Profiles & Perspectives Inc. Top 7000 Corporations for 2003-2004).

## **3. Top Five (5) Key Indicators**

The Company and its Subsidiaries (the "Group") has the following as its top five (5) key performance indicators:

- (a) Change in Construction Revenue
- (b) Change in Coal Sales
- (c) Change in Net Income
- (d) Change in Current Ratio
- (e) Change in Debt to Equity Ratio

### **Change in Construction Revenue**

The Company, for the past years of its existence, has always been known as the listed vessel for its construction business. In this regard, it is prudent that the Company note operational performance in its construction business. The initial performance indicator of the Company's construction business is any increment in its Construction Revenues. Any change will indicate an

improvement or deterioration in the Company's construction business for the period (*see discussion in Part III.B.1., Results of Operations-Construction*).

### **Change in Coal Sales**

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its 60% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see discussion in Part III.B.1., Results of Operations-Coal Mining*).

### **Change in Net Income**

The results of consolidated operations of the Company can be seen with the increment in net income for the period compared to the same period of the previous year/s. Bottom line analysis takes into consideration all business that the Company is engaged in. The Company calculates any decrease and increase in net income and studies the results of its operational business segments and provides discussions as a general on the main reasons why the change in net income (*see discussion in Part III.B.2., Financial Condition*).

### **Current Ratio**

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors (*see discussion in Part III.B.2., Financial Condition*).

### **Debt to Equity Ratio**

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its financial position through the debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit (*see discussion in Part III.B.2., Financial Condition*).

### **Other Information**

- (a) This interim financial report is in compliance with generally accepted accounting principles;
- (b) The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
- (c) The company's operation is a continuous process. It is not dependent on any cycle or season;
- (d) There were no dividends declared and paid of whatever nature;
- (e) There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
- (f) There are no contingent accounts in the balance sheet of the corporation;
- (g) Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.

- (h) Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - **NONE**
- (i) The Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

#### **IV. Business and General Information**

The Company was incorporated on March 8, 1995 as a holding company to consolidate all construction business, construction component companies and related interests of the Consunji Family. It was listed on the Philippine Stock Exchange on December 18, 1995.

In only a few years after incorporation, the Company has expanded its business organization to include four major subsidiaries, namely: D.M. Consunji, Inc. (DMCI), DMCI Project Developers, Inc. (PDI), Atlantic Gulf and Pacific Company of Manila, Inc. (AG&P) and Semirara Mining Corporation [(SMC) (formerly Semirara Coal Corporation)].

**DMCI**, a wholly owned subsidiary, is engaged in general construction services– the Group's core business. It is also engaged in various construction component businesses such as the production and trading of concrete products and electrical and foundation works. Incorporated and founded in 1954, DMCI is currently one of the leaders in the Philippine construction industry, noted for quality projects delivered on time and its pioneering application of advanced engineering methodology. In addition, DMCI, together with its affiliate PDI, is actively engaged in real estate sales and development, launching its housing component - **DMCI Homes**, in early 2002.

**PDI**, another wholly owned subsidiary incorporated in 1995, is engaged in construction business-generating investments primarily through its equity participation in various project and infrastructure development activities. These ventures generate not only investment income but also construction business for DMCI. Currently, PDI, hand in hand with affiliate DMCI, is actively engaged in real estate sales and development.

**AG&P**, a 40%-owned subsidiary, is engaged in heavy fabrication, industrial construction and engineering services. Established in 1900, it is the oldest and largest in the local industry, and caters largely to major oil and gas companies worldwide. Currently, adverse business conditions prompted the company to undergo a corporate rehabilitation.

**SMC**, a 74%-owned publicly listed company established in 1980 is engaged in the exploration, mining, development and sales of coal resources on Semirara Island in Caluya, Antique. It is currently the Philippines' largest coal-producing company with a guaranteed long-term market by virtue of its supply contract with state-run National Power Corporation (NPC).

**Competition.** – Among the publicly listed companies, DMCI Holdings, Inc. is the only holding company which has construction for its primary investment. Its construction business is primarily conducted by wholly owned D.M. Consunji, Inc. (DMCI), which has, for its competitors, numerous construction contracting companies, both local and foreign, currently operating in the country. It has been an acknowledged trend that the state of construction industry depends mainly on prevailing economic conditions. Thus, the currently weak economic growth explains the continued slump in the construction industry. Given this trend, DMCI has been focusing on selected markets where construction demand has remained relatively strong, particularly, in housing and civil works.

This is where the company believes it can compete effectively given its strong construction capabilities, equipment and manpower complement, and track record.

**Dependence on a few customers.** – Not applicable

**Transactions with and/or dependence on related parties.** - Aside from inter-company transactions within the group of companies, and SMC’s long term supply contract with NPC, the Company has no known transactions with and/or dependence on related parties.

**Need for governmental approval of products and services.** – Not applicable

**Effect of existing or probable governmental regulations to the business.** – None at the moment

**Estimate of amount spent for research and development activities.** – Not applicable

**Costs and effects of compliance with environmental laws.** - Costs vary depending on the size and nature of a construction project. Failure to comply with the terms of the ECC (environmental compliance certificate) can lead to imposition of fines and temporary cessation of operations.

**Total number of employees and number of full time employees.**

Total No. of Employees	9
Fulltime Employees	9

**V. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters**

**Market Information**

Both common and preferred shares of DMCI Holdings, Inc. are traded on the Philippine Stock Exchange.

The high and low sales prices of the Company’s equity at the Philippine Stock Exchange for each quarter of the last two fiscal years and the first quarter of 2005 are set forth below.

<b>Common Share Prices</b>		High	Low
2002	First Quarter	0.29	0.29
	Second Quarter	0.15	0.15
	Third Quarter	0.145	0.145
	Fourth Quarter	0.14	0.14
2003	First Quarter	0.16	0.16
	Second Quarter	0.23	0.23
	Third Quarter	0.30	0.29
	Fourth Quarter	0.24	0.24
2004	First Quarter	0.21	0.21
	Second Quarter	0.42	0.41
	Third Quarter	2.26	2.08

	Fourth Quarter	3.85	3.70
2005	First Quarter	3.50	3.35
<b>Preferred Share Prices</b>		<b>High</b>	<b>Low</b>
2002	First Quarter	775	770
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775
2003	First Quarter	775	775
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775
2004	First Quarter	775	775
	Second Quarter	775	775
	Third Quarter	775	775
	Fourth Quarter	775	775
2005	First Quarter	775	775

Price information as of the latest practicable trading date: As of June 24, 2005:

	High	Low	Close	Volume
Common Shares	2.65	2.55	2.55	2,598,000
Preferred Shares	775	775	775	0

If the information called for by the aforementioned paragraph is being presented in a registration statement relating to a class of common equity for which at the time of filing there is no established public trading market in the Philippines, indicate the amounts of common equity – Not applicable

### Holders

As of May 31, 2005 the Company had a total of 1,115 shareholders of which 1,085 were holders of common shares and 30 were holders of preferred shares.

### Dividends

Set forth below are cash dividends declared on each class of its common equity by the Company for the two most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68:

- (1) On April 7, 1999, the Company paid the semi-annual dividend of 2.5 % for last semester of the second year to the holders of the preferred shares.
- (2) On October 7, 1999, the Company paid the semi-annual dividend of 3.6 % for the first semester of the third year to the holders of the preferred shares.

- (3) On April 7, 2000, the Company paid the semi-annual dividend of 3.6% for last semester of the third year to the holders of the preferred shares.
- (4) On October 7, 2000, the Company paid the semi-annual dividend of 3.6% for the first semester of the fourth year to the holders of the preferred shares.

There are no contractual or other restrictions on the Company's ability to pay dividends. However, the ability of the Company to pay dividends will depend upon the amount of distributions, if any, received from the Company's operating subsidiaries and joint venture investments and the availability of unrestricted retained earnings. The Company's operating subsidiaries however are restricted on the declaration and payment of dividends, as limited by negative covenants entered into by the operating subsidiaries with outside parties.

## **VI. Discussion on Compliance with Leading Practice on Corporate Governance**

- A. The Corporate Governance of Self-Rating Form has been adopted to measure or determine the compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. The Special Committee on Violation of the Manual on Corporate Governance has also been established.
- B. The following are compliances pursuant to the Code of Corporate Governance which adhere to the principles and practices of the Code
  - (1) The Company has amended the Corporate Governance Manual on March 19, 2004 pursuant to Section 4.2 of Revised Disclosure Rules of the Philippine Stock Exchange hereby amended the Section 6 of Reportorial or Disclosure System of Corporation's Corporate Governance Policies of the Manual.
  - (2) The Company has amended the Corporate Governance Manual on August 24, 2004 pursuant to the Securities and Exchange Commission Memorandum Circular No. 6 Series of 2004 mandating all companies to have at least two (2) independent directors of the Audit Committee.
  - (3) To date, there has been no deviation from the Corporation's Manual of Corporate Governance.
  - (4) The Corporation has set up all committees set forth under the Manual of Corporate Governance to strictly adhere with the rules governing the Manual.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

3rd floor  
DACON Building  
2281 Don Chino Roces Ave.  
(formerly Pasong Tamo Ext.)  
Makati City 1231, Philippines

(632) 888 • 3000  
Facsimile  
(632) 816 • 7362  
E-Mail  
dmcii@dmcinet.com

The management of DMCI HOLDINGS, INC. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2004 and 2003. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The management likewise discloses to the company's audit committee and to its external auditor:

- (i) All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data;
- (ii) Material weaknesses in the internal controls; and
- (iii) Any fraud that involves management or other employees who exercise significant roles in internal controls.

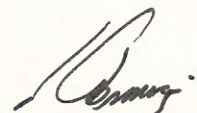
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

SYCIP GORRES VELAYO & CO., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by:

  
**DAVID M. CONSUNJI**  
Chairman of the Board

  
**ISIDRO A. CONSUJI**  
Chief Executive Officer

  
**HERBERT M. CONSUNJI**  
Chief Finance Officer

Subsidiaries  
DM Consunji, Inc.  
DMCI Project  
Developers, Inc.  
Atlantic, Gulf &  
Pacific Company  
of Manila, Inc.  
Semirara Mining  
Corporation



**DMCI HOLDINGS, INC. AND SUBSIDIARIES**

**Consolidated Financial Statements  
December 31, 2004 and 2003  
and Years Ended December 31, 2004, 2003 and 2002**

**and**

**Report of Independent Auditors**

**\*SGVMC107155\***

## Report of Independent Auditors

The Stockholders and the Board of Directors  
DMCI Holdings, Inc.  
3rd Floor, Dacon Building  
2281 Don Chino Roces Avenue  
Makati City

We have audited the accompanying consolidated balance sheets of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the Philippines.

Jessie D. Cabaluna  
Partner  
CPA Certificate No. 36317  
SEC Accreditation No. 0069-A  
Tax Identification No. 102-082-365  
PTR No. 1195834, January 3, 2005, Makati City

May 3, 2005

## **Report of Independent Auditors**

The Stockholders and the Board of Directors  
DMCI Holdings, Inc.

We have audited the accompanying consolidated balance sheets of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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Jessie D. Cabaluna  
Partner  
CPA Certificate No. 36317  
SEC Accreditation No. 0069-A  
Tax Identification No. 102-082-365  
PTR No. 1195834, January 3, 2005, Makati City

May 3, 2005

**\*SGVMC107155\***

**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31</b>	
	<b>2004</b>	2003 (As restated - Note3)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	<b>₱217,124,563</b>	₱247,590,446
Receivables - net (Note 5)	<b>2,556,171,445</b>	2,028,151,546
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 6)	<b>112,260,407</b>	85,761,744
Inventories - net (Note 7)	<b>630,834,236</b>	591,794,231
Real estate for sale and development (Note 8)	<b>3,568,147,187</b>	3,561,761,874
Other current assets (Note 9)	<b>129,643,761</b>	133,295,807
Total Current Assets	<b>7,214,181,599</b>	6,648,355,648
<b>Noncurrent Assets</b>		
Noncurrent receivables - net (Note 5)	<b>1,095,275,329</b>	1,173,602,549
Investments in associates, jointly controlled entities and others - net (Note 10)	<b>414,255,220</b>	440,428,451
Investment properties - net (Note 11)	<b>984,309,477</b>	1,010,110,160
Property, plant and equipment - net (Note 12)	<b>2,563,480,585</b>	2,379,813,545
Other noncurrent assets - net (Note 13)	<b>457,262,203</b>	606,360,585
Total Noncurrent Assets	<b>5,514,582,814</b>	5,610,315,290
	<b>₱12,728,764,413</b>	₱12,258,670,938
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable (Note 14)	<b>₱403,884,707</b>	₱823,617,491
Accounts and other payables (Note 15)	<b>3,029,621,939</b>	2,693,739,192
Current portion of long-term debt (Note 16)	<b>1,048,212,512</b>	772,335,328
Estimated liability for property development	<b>38,005,374</b>	26,541,992
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 6)	<b>144,500,642</b>	422,554,809
Total Current Liabilities	<b>4,664,225,174</b>	4,738,788,812
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 16)	<b>1,272,665,087</b>	1,597,725,549
Payable to related parties (Note 27)	<b>851,922,968</b>	1,124,295,963
Other noncurrent liabilities (Note 17)	<b>319,599,291</b>	380,942,914
Total Noncurrent Liabilities	<b>2,444,187,346</b>	3,102,964,426
Total Liabilities	<b>7,108,412,520</b>	7,841,753,238
<b>Minority Interest in Consolidated Subsidiaries</b>		
	<b>173,087,816</b>	219,225,595
<b>Stockholders' Equity (Note 18)</b>		
Preferred stock	<b>342,240</b>	451,690
Common stock	<b>2,255,494,000</b>	2,255,494,000
Additional paid-in capital	<b>2,827,839,006</b>	2,929,845,102
Retained earnings (deficit) (Notes 2 and 3)	<b>602,685,131</b>	(750,810,720)
	<b>5,686,360,377</b>	4,434,980,072
Preferred shares held in treasury - at cost	<b>(239,096,300)</b>	(237,287,967)
Total Stockholders' Equity	<b>5,447,264,077</b>	4,197,692,105
	<b>₱12,728,764,413</b>	₱12,258,670,938

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*See accompanying Notes to Consolidated Financial Statements.*

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**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Years Ended December 31</b>		
	<b>2004</b>	2003 (As restated - Note 3)	2002 (As restated - Note 3)
<b>SALES AND SERVICES</b> (Note 19)	<b>₱7,761,079,671</b>	₱4,615,830,531	₱3,217,586,192
<b>COSTS OF SALES AND SERVICES</b> (Note 20)	<b>5,250,877,724</b>	3,619,619,700	2,668,424,936
<b>GROSS PROFIT</b>	<b>2,510,201,947</b>	996,210,831	549,161,256
<b>OPERATING EXPENSES</b> (Note 21)	<b>(765,117,893)</b>	(581,048,737)	(679,468,309)
<b>OTHER OPERATING INCOME - Net</b> (Note 22)	<b>113,895,921</b>	40,101,178	103,132,557
<b>INCOME (LOSS) FROM OPERATIONS</b> (Note 2)	<b>1,858,979,975</b>	455,263,272	(27,174,496)
<b>OTHER EXPENSES - Net</b>			
Interest and other charges - net (Note 23)	<b>365,148,608</b>	383,695,711	321,079,908
Equity in net losses (earnings) of associates and jointly controlled entities (Note 10)	<b>7,333,838</b>	(899,614)	35,208,916
	<b>372,482,446</b>	382,796,097	356,288,824
<b>INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST</b>	<b>1,486,497,529</b>	72,467,175	(383,463,320)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 24)	<b>58,069,653</b>	(166,333,817)	(91,832,693)
<b>INCOME (LOSS) BEFORE MINORITY INTEREST</b>	<b>1,428,427,876</b>	238,800,992	(291,630,627)
<b>MINORITY INTEREST</b>	<b>(74,932,025)</b>	(39,963,614)	70,770,639
<b>NET INCOME (LOSS)</b> (Notes 2, 3 and 26)	<b>₱1,353,495,851</b>	₱198,837,378	(₱220,859,988)
<b>Basic Earnings (Loss) Per Share</b> (Note 25)	<b>₱0.59</b>	₱0.07	(₱0.14)

*See accompanying Notes to Consolidated Financial Statements.*

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**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES**  
**IN STOCKHOLDERS' EQUITY**

	<b>Years Ended December 31</b>		
	<b>2004</b>	2003 (As restated - Note 3)	2002 (As restated - Note 3)
<b>CAPITAL STOCK (Note 18)</b>			
Preferred stock - ₱1 par value, cumulative and convertible			
Balance at beginning of year	<b>₱451,690</b>	₱1,288,265	₱2,400,000
Retirement of preferred shares	<b>(109,450)</b>	(836,575)	(1,111,735)
Balance at end of year	<b>342,240</b>	451,690	1,288,265
Common stock - ₱1 par value	<b>2,255,494,000</b>	2,255,494,000	2,255,494,000
	<b>2,255,836,240</b>	2,255,945,690	2,256,782,265
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of year	<b>2,929,845,102</b>	3,743,129,855	4,717,685,929
Retirement of preferred shares	<b>(102,006,096)</b>	(813,284,753)	(974,556,074)
Balance at end of year	<b>2,827,839,006</b>	2,929,845,102	3,743,129,855
<b>RETAINED EARNINGS (DEFICIT) (Notes 2 and 3)</b>			
Balance at beginning of year, as previously reported	<b>(723,585,843)</b>	(920,090,570)	(697,931,129)
Effect of change in accounting for income taxes	<b>(27,224,877)</b>	(29,557,528)	(30,856,981)
Balance at beginning of year, as restated	<b>(750,810,720)</b>	(949,648,098)	(728,788,110)
Net income (loss) (Note 26)	<b>1,353,495,851</b>	198,837,378	(220,859,988)
Balance at end of year	<b>602,685,131</b>	(750,810,720)	(949,648,098)
<b>PREFERRED SHARES HELD IN TREASURY</b> (Note 18)			
Balance at beginning of year	<b>(237,287,967)</b>	(1,030,183,051)	(574,290,761)
Redemption of preferred shares	<b>(103,923,879)</b>	(21,226,244)	(1,431,560,099)
Retirement of preferred shares	<b>102,115,546</b>	814,121,328	975,667,809
Balance at end of year	<b>(239,096,300)</b>	(237,287,967)	(1,030,183,051)
	<b>₱5,447,264,077</b>	₱4,197,692,105	₱4,020,080,971

*See accompanying Notes to Consolidated Financial Statements.*

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**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax and minority interest	<b>₱1,486,497,529</b>	₱72,467,175	(₱383,463,320)
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12, 13 and 20)	<b>763,888,367</b>	542,871,194	579,816,498
Interest expense (Note 23)	<b>368,317,069</b>	354,278,164	315,978,046
Write-off of:			
Property, plant and equipment	<b>223,998,632</b>	-	-
Other noncurrent assets	<b>159,497,726</b>	-	-
Inventories (Note 21)	-	-	44,270,114
Provisions for:			
Doubtful accounts (Note 21)	<b>17,252,778</b>	118,367,851	178,544,280
Inventory obsolescence and losses (Note 21)	<b>17,070,283</b>	557,940	-
Probable losses on noncurrent assets (Note 21)	<b>12,214,617</b>	-	-
Probable losses on investments (Note 21)	<b>2,000,000</b>	11,459,652	44,787,767
Foreign exchange losses - net (Note 23)	<b>7,844,204</b>	36,975,433	31,958,010
Equity in net losses (earnings) of associates and jointly controlled entities (Note 11)	<b>7,333,838</b>	(899,614)	35,208,916
Loss (gain) on disposals of:			
Property and equipment (Note 22)	<b>(35,433,935)</b>	54,878,513	11,002,600
Investments (Note 22)	<b>(3,006,213)</b>	(3,965,480)	14,692,000
Interest income (Note 23)	<b>(11,012,665)</b>	(7,557,886)	(26,856,148)
Reversal of allowance for doubtful accounts (Note 22)	-	-	(22,400,272)
Operating income before changes in working capital	<b>3,016,462,230</b>	1,179,432,942	823,538,491
Decrease (increase) in:			
Receivables	<b>(540,158,552)</b>	346,826,946	172,560,442
Inventories	<b>(17,195,344)</b>	31,575,101	(247,095,186)
Real estate for sale and development	<b>(6,385,313)</b>	(403,310,659)	(116,685,001)
Other current assets	<b>3,652,046</b>	(55,795,190)	(19,122,649)
Increase (decrease) in:			
Accounts and other payables	<b>715,287,560</b>	199,720,595	(1,205,157,662)
Estimated liability for property development	<b>11,463,382</b>	9,617,857	(51,114,760)
Billings in excess of costs and estimated earnings on uncompleted contracts - net	<b>(304,552,830)</b>	(56,098,574)	(7,629,716)
Deferred revenue on real estate sales	<b>12,446,400</b>	23,305,518	(7,798,538)
Realized customers' deposits	<b>24,825,957</b>	(16,030,021)	-
Cash generated from (used in) operations	<b>2,915,845,536</b>	1,259,244,515	(658,504,579)
Interest received	<b>8,904,753</b>	7,545,040	107,097,746
Interest paid	<b>(882,213,119)</b>	(281,888,442)	(239,932,022)
Income taxes paid	<b>(97,962,415)</b>	(65,543,017)	(46,112,366)
Net cash provided by (used in) operating activities	<b>1,944,574,755</b>	919,358,096	(837,451,221)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in:			
Noncurrent receivables	<b>106,713,588</b>	(493,547,247)	490,989,135
Other noncurrent assets	<b>(48,322,695)</b>	(56,623,565)	(7,153,074)
Investments	-	8,041,165	(45,996,085)

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(Forward)

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	<b>Years Ended December 31</b>		
	<b>2004</b>	2003	2002
Proceeds from disposals of:			
Property and equipment	<b>₱144,894,771</b>	₱41,181,545	₱795,294
Investment properties	<b>20,360,233</b>	-	-
Investments	<b>4,691,638</b>	5,612,001	13,528,692
Additions to property, plant and equipment	<b>(898,314,205)</b>	(168,725,854)	(213,633,822)
Net cash provided by (used in) investing activities	<b>(669,976,670)</b>	(664,061,955)	238,530,140
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of long-term debt	<b>405,687,511</b>	208,259,249	50,649,357
Payments of long-term debt	<b>(910,485,523)</b>	(539,696,389)	(102,250,351)
Net availments (payments) of notes payable	<b>(419,732,784)</b>	79,929,723	63,392,197
Increase (decrease) in payable to related parties	<b>(333,977,795)</b>	38,173,861	754,800,557
Redemption of preferred shares	<b>(28,673,759)</b>	(19,226,244)	(223,849,370)
Decrease in other noncurrent liabilities	<b>(17,881,618)</b>	(12,272,519)	(27,525,035)
Net cash provided by (used in) financing activities	<b>(1,305,063,968)</b>	(244,832,319)	515,217,355
<b>NET INCREASE (DECREASE)</b>			
<b>IN CASH AND CASH EQUIVALENTS</b>	<b>(30,465,883)</b>	10,463,822	(83,703,726)
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT BEGINNING OF YEAR</b>	<b>247,590,446</b>	237,126,624	320,830,350
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT END OF YEAR</b>	<b>₱217,124,563</b>	₱247,590,446	₱237,126,624

See accompanying Notes to Consolidated Financial Statements.

**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

DMCI Holdings, Inc. (the Company) is incorporated and domiciled in the Philippines. The Company's registered office and principal place of business is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

The Company is the holding company of DMCI Group which is primarily engaged in general construction, coal mining, infrastructure and real estate development and manufacturing (see Notes 3 and 26).

As of December 31, 2004 and 2003, the Company and its subsidiaries had 1,425 and 1,529 employees, respectively.

The accompanying consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries (the Group) were authorized for issue by the Board of Directors (BOD) and Audit Committee on May 3, 2005.

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**2. Status of Operations**

As shown in the consolidated financial statements, the Group has retained earnings of ₱603 million as of December 31, 2004, compared to a cumulative deficit of ₱751 million (as restated) as of December 31, 2003 and ₱950 million (as restated) as of December 31, 2002. In 2003, the Group's financial position indicates that sufficient cash flows have to be generated to finance its operations and to fully service its maturing obligations. The Group's interest-bearing obligations amounted to ₱2,725 million as of December 31, 2004 and ₱3,194 million as of December 31, 2003. Interest expense amounted to ₱368 million, ₱354 million, and ₱316 million for the years ended December 31, 2004, 2003, and 2002, respectively (see Note 23).

In 2004, the performance of the Group improved due to (a) favorable results in its mining operations and infrastructure and real estate development operations; (b) Group's management efforts to identify certain assets to provide the Group with additional sources of liquidity; (c) general cost reduction measures; and (d) reorganization of management and administrative support functions. Revenue increased resulting in an income from operations of ₱1,859 million and ₱455 million in 2004 and 2003, respectively, against a loss from operations of ₱27 million in 2002. The Group posted a net income of ₱1,353 million and ₱199 million (as restated) in 2004 and 2003, respectively, against a net loss of ₱221 million (as restated) in 2002. The Group was able to reduce its maturing financial obligations by ₱925 million in 2004 (net of availments) and ₱252 million (net of availments) in 2003.

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### 3. Summary of Significant Accounting Policies

#### Basis of Financial Statement Preparation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines (Philippine GAAP) using the historical cost basis except for certain property, plant and equipment, which are carried at adjusted cost (see Note 12).

#### Use of Estimates

The preparation of consolidated financial statements in conformity with Philippine GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates will be recorded in the consolidated financial statements as they become reasonably determinable.

#### Adoption of New Accounting Standards

On January 1, 2004, the Group adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS):

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of the balance sheet liability method in accounting for deferred income taxes. As a result of the adoption of SFAS 12/IAS 12, the deferred tax assets on temporary deductible differences previously covered with valuation allowance are no longer recognized as deferred tax assets (see Note 24). Also, a certain subsidiary derecognized deferred tax assets not covered with valuation allowance in prior years to conform to the standard. This resulted in a retroactive upward adjustment to beginning balance of deficit as of December 31, 2003, 2002 and 2001 amounting to ₱27 million, ₱30 million and ₱31 million, respectively. Net income increased by ₱2 million and ₱1 million in 2003 and 2002, respectively. Additional disclosures required by the new standard were included in the consolidated financial statements.
- SFAS 17/IAS 17, *Leases*, which prescribes the accounting policies and disclosures applicable to finance and operating leases. The new standard also requires the recognition of lease payments under operating leases on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit. The adoption of SFAS 17/IAS 17 did not have a material impact on the consolidated financial statements.

#### Basis of Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (which were all incorporated in the Philippines) as of December 31:

	<b>Effective Percentages of Ownership</b>	
	<b>2004</b>	<b>2003</b>
<b>General Construction:</b>		
D.M. Consunji, Inc. (DMCI)	<b>100.00</b>	100.00
DMCI International, Inc. (DMCII)	<b>100.00</b>	100.00
OHKI-DMCI Corporation (OHKI)	<b>100.00</b>	60.00
DMCI-Laing Construction, Inc. (DMCI-Laing)	<b>60.00</b>	60.00
Beta Electric Corporation (Beta Electric)	<b>56.57</b>	50.10
<b>Infrastructure and Real Estate Development:</b>		
DMCI Project Developers, Inc. (PDI)	<b>100.00</b>	100.00
Contech Products Corporation (Contech)	<b>100.00</b>	100.00
Constress Philippines, Inc. (Constress)	<b>100.00</b>	50.71
Hampstead Gardens Corporation (Hampstead)	<b>60.00</b>	60.00
Riviera Land Corporation (Riviera)	<b>51.00</b>	51.00
<b>Coal Mining:</b>		
Semirara Mining Corporation (Semirara)	<b>94.53</b>	74.40
<b>Manufacturing:</b>		
Semirara Cement Corporation (SemCem)*	<b>100.00</b>	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	<b>61.70</b>	61.70
Contech Products South Corporation (Contech South)	<b>52.00</b>	52.00

\* Organized on January 29, 1998 and has not yet started commercial operations.

DMCI's subsidiaries include DMCII, DMCI-Laing, OHKI, Beta Electric, Constress and Contech South.

PDI's subsidiaries include Contech and Hampstead.

Except as stated otherwise, consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in consolidation.

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Company. The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest's equity in the subsidiary. The excess and any further losses applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profit until the minority's share of losses previously absorbed by the majority has been recovered.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

#### Receivables

Receivables are recognized and carried at the original contract price or invoice amount, less allowance for any uncollectible amount. An estimate for doubtful accounts is made when collection of the full amount is no longer probable or when the amounts anticipated to be received in settlement of such receivables are less than the amounts due. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential losses on receivables and is determined after a study of the estimated collectibility of receivable balances and evaluation of such factors as aging of the accounts, collection experience in relation to the particular receivables, past and expected loss experiences and specifically identified doubtful accounts.

#### Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated replacement cost or the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of coal inventory is determined by the weighted average production cost method. The cost of equipment parts, materials and supplies is determined substantially by the average cost methods (either by moving average or weighted average production cost). The cost of equipment parts, materials and supplies determined by the first-in, first-out method accounts for about 7% of total inventories.

#### Real Estate for Sale and Development

Real estate for sale and development are carried at the lower of cost or NRV. Real estate costs include those costs that relate to the acquisition, development, improvement and construction of the real estate projects. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Investments in Associates, Jointly Controlled Entities and Others

Investments in associates and jointly controlled entities are accounted for under the equity method. Under this method, such investments are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of these investees. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Group's interest thereon. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investment.

If the Group's share in the losses of an investee equals or exceeds the carrying amount of its investment, the Group ordinarily discontinues recognizing its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the investee to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of net losses not recognized.

Investments in shares of stock of companies in which the Group does not exercise significant influence are carried at cost. An allowance is set up for any substantial and presumably permanent decline in the carrying value of these investments.

Investment Properties

Investment properties consist of land, condominium units, and buildings and improvements in excess of the Group's requirements and that are leased to others and for investment purposes. These are carried at cost less any accumulated depreciation and any impairment in value, except for land which are carried at cost less any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the condominium units and buildings and improvements ranging from 5 to 10 years.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization and any impairment in value. Land is stated at cost, less any impairment in value.

Certain land and land improvements, buildings and building improvements and conventional and continuous mining equipment of Semirara acquired up to April 30, 1997 are stated at adjusted cost (as a result of Semirara's quasi-reorganization as of December 31, 1997) (see Note 12) as determined by an independent firm of appraisers as of that date less accumulated depreciation and amortization and any impairment in value. Subsequent additions are stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Depreciation and amortization of property, plant and equipment, except for mining properties, mine exploration and development costs, are calculated on the straight-line basis over the following estimated useful lives of the respective assets:

Land improvements	5 to 17 years
Buildings and building improvements	5 to 25 years
Construction equipment, machinery and tools	5 to 10 years
Office furniture, fixtures and equipment	3 to 5 years
Transportation equipment	4 to 5 years
Conventional and continuous mining equipment	2 to 13 years
Leasehold improvements	5 to 7 years or remaining lease term, whichever is shorter



Depletion of mining properties, mine exploration and development costs are calculated based on the units-of-production method.

The estimated useful lives and depreciation, depletion and amortization methods are reviewed periodically to ensure that the period and methods of depreciation, depletion and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress included in property, plant and equipment is stated at cost. This includes cost of construction of property, plant and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

#### Mine Exploration and Development Costs

Expenditures for mine exploration and development activities on mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, the exploration expenses and subsequent development expenses are capitalized and presented under the "Other noncurrent assets" account in the consolidated balance sheets. Upon the start of commercial production, such capitalized costs are accordingly transferred to the "Property, plant and equipment" account in the consolidated balance sheets and amortized using the units-of-production method.

#### Stripping Costs

Stripping costs are deferred based on the difference between the actual stripping ratio (ratio of waste moved to coal mined) and the estimated stripping ratio established in accordance with the survey conducted on the mine. These costs, included under the "Other noncurrent assets" account in the consolidated balance sheets, are amortized using the units-of-production method.

#### Impairment of Assets

An assessment is made at balance sheet date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of housing and condominium units are capitalized as part of the “Real estate for sale and development” account in the consolidated balance sheets. Other borrowing costs are recognized as expense in the year in which these costs are incurred.

The capitalization of borrowing costs as part of the cost of housing and condominium units: (a) commences when the expenditures and borrowing costs for the housing and condominium units are being incurred and activities that are necessary to prepare the housing and condominium units for its intended use or sale are in progress; (b) is suspended during extended periods in which active development, improvement and construction of the housing and condominium units are interrupted; and (c) ceases when substantially all the activities necessary to prepare the housing and condominium units for its intended use or sale are complete. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recorded.

### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

#### *Construction Contracts*

Revenue from construction contracts is recognized under the percentage of completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Contracts to manage, supervise, or coordinate the construction activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margin are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset, “Costs and estimated earnings in excess of billings on uncompleted contracts”, represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability, “Billings in excess of costs and estimated earnings on uncompleted contracts”, represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are included as part of “Trade receivables - construction” under the “Receivables” account in the consolidated balance sheets.

*Real Estate Sales*

Revenue from real estate sales, which consists primarily of the sale of housing and condominium units, with material obligations under the sales contracts to provide improvements after the property is sold, is accounted for under the percentage of completion method. Under this method, the revenue is deferred and presented as “Deferred revenue on real estate sales” under the “Other noncurrent liabilities” account in the consolidated balance sheets and realized as the related obligations are fulfilled. If any of the criteria under the percentage of completion method is not met, the deposit method is applied until such criterion is met. Under the deposit method, revenue recognition is deferred until the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as “Customers’ deposits,” included in the “Accounts and other payables” account in the liabilities section of the consolidated balance sheets. Cancellations of prior year sales and related deferred gross profit are deducted from current year revenue and costs.

The costs of related housing and condominium units sold before completion of the projects are determined based on the actual costs incurred and project cost estimates as determined by the contractors and technical staff of the Group. The estimated future expenditures for the completion of sold residential and condominium units are presented as “Estimated liability for property development” account in the consolidated balance sheets.

*Coal Sales*

Revenue from coal sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

*Merchandise Sales*

Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the risks and rewards are passed on to the buyers.

*Rental Income*

Rental income from investment properties is accounted for on a straight-line basis over the lease term.

*Interest Income*

Interest income is recognized as it accrues.

Leases

Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Retirement Costs

Most of the Group’s retirement costs are actuarially determined using either the projected unit credit method or the attained age cost method. The projected unit credit method reflects the services rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Retirement costs include current service costs plus amortization of past service costs, experience adjustments and changes in actuarial assumptions over the expected remaining working lives of the covered employees. Certain subsidiaries determined their

retirement costs using the attained age cost method. Under the attained age cost method, past

service costs, experience adjustments and the effects of changes in actuarial assumptions are amortized over the expected remaining working lives of the covered employees. Of the consolidated retirement costs, 53% was determined using the projected unit credit method and 43% using the attained age cost method.

#### Income Taxes

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, and the carryforward benefits of the excess of minimum corporate income tax (MCIT) over regular corporate income tax, and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deferred tax asset can be used or when there are sufficient taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been substantially enacted at the balance sheet date.

Under the provisions of Republic Act No. 7227, DMCII, being a Subic Bay Free Port Zone enterprise, is subject to a tax of 5% on gross income in lieu of all other taxes.

#### Foreign Currency Transactions

Transactions denominated in foreign currency are recorded using the exchange rate prevailing as of the date of the transactions. Outstanding foreign currency-denominated assets and liabilities at year-end are translated to Philippine Pesos at prevailing Philippine Dealing System rates at balance sheet dates. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

### Subsequent Events

Post year-end events up to the date of the auditors' report that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

### Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to common shareholders [net income (loss) for the period less dividends on convertible redeemable preferred shares] by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted earnings per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. The net income (loss) attributable to common shareholders is increased by the dividends on convertible redeemable preferred shares. The weighted average number of common shares is increased by the weighted average number of additional common shares which would be issued assuming the conversion of all dilutive potential common shares.

Diluted earnings (loss) per share assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted earnings per share is presented.

### Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

New and Revised Accounting Standards Effective in 2005

New and revised accounting standards based on revised IAS and new International Financial Reporting Standards (IFRS) referred to as Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRSs), respectively, will become effective in 2005.

Beginning January 1, 2005, the Company will adopt the following relevant new accounting standards:

- PAS 19, *Employee Benefits*, prescribes the accounting and disclosures by employers for employee benefits, including short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits. For post-employment benefits classified as defined benefit retirement plans, the standard will require the use of the projected unit credit method in measuring the retirement benefit expense and will result in change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. The Company's subsidiaries using an actuarial valuation method other than the projected unit credit method are in the process of having their actuarial valuation made using the projected unit credit method to determine the net impact of adopting PAS 19. The Group will engage a qualified actuary to perform an actuarial valuation of the retirement benefit obligations in accordance with PAS 19, and to determine the amount of transitional liability or asset that will be adjusted against January 1, 2005 retained earnings.
- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, eliminates the capitalization of foreign exchange losses. The standard also requires a company to determine its functional currency and measure its results and financial position in that currency. The adoption of PAS 21 will not have an impact on the consolidated financial statements.
- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the company, types of risks associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. The standard also requires financial instruments to be classified as either liabilities or equity in accordance with its substance and not its legal form. Disclosures required by PAS 32 will be included upon adoption in 2005.
- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for recognizing and measuring a company's financial assets and financial liabilities. The standard requires a financial asset or financial liability to be recognized initially at fair value. Subsequent to initial recognition, a company should continue to measure financial assets at their fair values, except for loans and receivables and

held-to-maturity investments, which are to be measured at cost or amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as “at fair value through profit and loss” and derivatives, which are subsequently to be measured at fair value.

PAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (and derivative-like provisions) embedded in non-derivative contracts. Under the standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that do not qualify as hedges are adjusted to fair value through income. If a derivative is designated and qualifies as a hedge, depending on the nature of the hedging relationship, changes in the fair value of the derivative are either offset against the changes in fair value of the hedged assets, liabilities, and firm commitments through earnings, or recognized in stockholders' equity until the hedged item is recognized in earnings. The Company must formally document, designate and assess the hedge effectiveness of derivative transactions that receive hedge accounting treatment.

Given the complexities of PAS 39, the Group will undertake certain detailed procedures to quantify the potential financial statements impact of this standard in 2005.

- PAS 40, *Investment Property*, prescribes the accounting treatment for investment property and related disclosure requirements. This standard permits the company to use either the fair value model or cost model in accounting for investment property. The fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. The cost model requires that an investment property should be measured at depreciated cost less any accumulated impairment losses. Upon effectivity of PAS 40, the Group will adopt the cost model and will continue to carry their investment properties at depreciated cost less any accumulated impairment losses. Additional disclosures required by the standard will be included in the 2005 consolidated financial statements.
- PFRS 3, *Business Combination*, which will result in the cessation of the amortization of goodwill and a requirement for an annual test for goodwill impairment. Any resulting negative goodwill after performing a reassessment will be credited to income. Moreover, pooling of interests in accounting for business combination will no longer be permitted. The Group does not expect that the effect of adopting PFRS 3 will be material.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on such assets to cease. Furthermore, assets that meet the criteria to be classified as held for sale should be presented separately on the face of the balance sheet and the results of discontinued operations to be presented separately in the statements of income. The adoption of PFRS 5 will not have a material impact on the consolidated financial statements.

The group will also adopt in 2005 the following relevant revised accounting standards:

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statement of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments that management has made in the process of applying the entity's accounting policies. It also requires changes in the presentation of minority interest in the consolidated balance sheets and consolidated statements of income.
- PAS 2, *Inventories*, reduces the alternatives for measurement of inventories by disallowing the use of the last in, first out (LIFO) formula. Moreover, the revised standard does not permit foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency to be included in the cost of purchase of inventories.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.
- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.
- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- PAS 17, *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessors.
- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosure of the total compensation of key management personnel and by benefit types.
- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, *Investments in Associates*, reduces alternatives in accounting for associates in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances.
- PAS 31, *Interests in Joint Ventures*, reduces the alternatives in accounting for interests in joint ventures in the separate financial statements of a venturer. Interests in joint ventures will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements.
- PAS 33, *Earnings Per Share*, prescribes principles for the determination and presentation of earnings per share for entities with publicly traded shares, entities in the process of issuing ordinary shares to the public, and any entities that calculate and disclose earnings per share. The standard also provides additional guidance in computing earnings per share including the effects of mandatorily convertible instruments and contingently issuable shares, among others.
- PAS 36, *Impairment of Assets*, establishes frequency of impairment testing for certain intangibles and provides additional guidance on the measurement of an asset's value in use.
- PAS 38, *Intangible Assets*, provides additional clarification on the definition and recognition of certain intangibles. Moreover, this revised standard requires that an intangible asset with an indefinite useful life should not be amortized but will be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

The adoption of the above revised accounting standards is not expected to have a material impact on the consolidated financial statements. Additional disclosures and presentation changes required by the revised accounting standards will be included in the 2005 consolidated financial statements.

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#### 4. Cash and Cash Equivalents

This account consists of:

	2004	2003
Cash on hand and in banks - net of restricted cash of P3 million in 2003 (see Note 13)	<b>P163,811,072</b>	P240,607,499
Short-term investments	<b>53,313,491</b>	6,982,947
	<b>P217,124,563</b>	P247,590,446

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

## 5. Receivables

This account consists of:

	2004	2003
Trade receivables:		
Construction (including retention receivables on uncompleted contracts of ₱389 million in 2004 and ₱530 million in 2003)	<b>₱778,878,879</b>	₱1,098,263,034
Coal sales (see Notes 16 and 29)	<b>872,530,970</b>	386,158,618
Real estate (see Notes 14 and 16)	<b>528,710,378</b>	302,913,152
Other trade receivables	<b>247,290,525</b>	260,657,041
	<b>2,427,410,752</b>	2,047,991,845
Receivable from related parties (see Note 27)	<b>1,095,275,329</b>	1,173,602,549
Receivable from subcontractors and suppliers	<b>308,572,876</b>	180,713,509
Other receivables	<b>75,815,511</b>	123,476,269
	<b>3,907,074,468</b>	3,525,784,172
Less allowance for doubtful accounts	<b>255,627,694</b>	324,030,077
	<b>3,651,446,774</b>	3,201,754,095
Less noncurrent receivables - net	<b>1,095,275,329</b>	1,173,602,549
	<b>₱2,556,171,445</b>	₱2,028,151,546

As of December 31, 2004 and 2003, total trade receivables - real estate amounting to ₱282 million and ₱193 million, respectively, was used to secure the Group's bank loans (see Notes 14 and 16).

### Receivables from Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P)

The Company's subsidiary has an outstanding receivable from AG&P amounting to ₱775 million in 2004 and 2003. On January 31, 2002, AG&P filed a petition for rehabilitation (after approval of AG&P's stockholders and BOD on January 29, 2002) with the Regional Trial Court (RTC) of Batangas City. On February 21, 2002, the RTC issued a stay order prohibiting AG&P from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business.

On March 11, 2003, the RTC approved AG&P's updated rehabilitation plan that included, among others, the settlement of the Group's claims from AG&P.

### Receivables from Universal Rightfield Property Holdings, Inc. (URPHI)

The Group's receivables from URPHI, a related party, amounted to ₱319 million as of December 31, 2004 and 2003. The receivables from URPHI arose from the construction agreements with the Group for the development of Pioneer Highlands and Dansalan projects.

On January 28, 2004, DMCI, as a creditor of URPHI, initiated a petition for rehabilitation of URPHI with the RTC of Mandaluyong City. On February 17, 2004, the RTC issued a stay order prohibiting URPHI from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. The rehabilitation plan, subject to the approval of the court included among others, the settlement of DMCI's claims from URPHI.

The recoverability of the Group's receivables from AG&P and URPHI depends on the successful implementation of their respective rehabilitation plan. The consolidated financial statements do not include any adjustments relating to these uncertainties.

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#### 6. Costs, Estimated Earnings and Billings on Uncompleted Contracts

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

	2004	2003
Total costs incurred	<b>₱1,066,757,257</b>	₱2,310,426,831
Add estimated earnings recognized	<b>125,960,819</b>	380,480,507
	<b>1,192,718,076</b>	2,690,907,338
Less total billings (including unliquidated advances from contract owners of ₱218 million in 2004 and ₱499 million in 2003)	<b>1,224,958,311</b>	3,027,700,403
	<b>(₱32,240,235)</b>	(₱336,793,065)

The foregoing balances are reflected in the consolidated balance sheets under the following accounts:

	2004	2003
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>₱112,260,407</b>	₱85,761,744
Billings in excess of costs and estimated earnings on uncompleted contracts	<b>(144,500,642)</b>	(422,554,809)
	<b>(₱32,240,235)</b>	(₱336,793,065)

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#### 7. Inventories

This account consists of:

	2004	2003
Equipment parts, materials and supplies, at NRV	<b>₱477,942,394</b>	₱448,580,418
Coal, at cost	<b>138,757,876</b>	138,233,994
Equipment parts, materials and supplies in transit, at cost	<b>14,133,966</b>	4,979,819
	<b>₱630,834,236</b>	₱591,794,231

The cost of equipment parts, materials and supplies amounted to ₱540 million and ₱494 million as of December 31, 2004 and 2003, respectively.

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## 8. Real Estate for Sale and Development

This account consists of:

	2004	2003
Housing and condominium units for sale and development (see Notes 14, 16 and 17)	<b>₱1,688,378,317</b>	₱2,276,789,463
Land for sale and development (see Notes 16 and 18)	<b>1,879,768,870</b>	1,284,972,411
	<b>₱3,568,147,187</b>	₱3,561,761,874

Housing and condominium units for sale and development with an aggregate carrying value of ₱118 million and ₱69 million, as of December 31, 2004 and 2003, respectively, were mortgaged by the Group to secure its various bank loans and notes payable to certain preferred shareholders of the Company (see Notes 14 and 16).

Land for sale and development with an aggregate carrying value of ₱773 million and ₱1,085 million as of December 31, 2004 and 2003, respectively, were mortgaged by the Group to guarantee various credit facilities and secure the Group's bank loans, indebtedness of Semirara to a foreign supplier and notes payable to certain preferred shareholders of the Company (see Notes 16 and 18).

Total interest capitalized by PDI and Hampstead, as part of "Housing and condominium units for sale and development" amounted to ₱24 million and ₱9 million and in 2004 and 2003, respectively. The capitalization rates used in 2004, 2003 and 2002 ranged from 8% to 14%.

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## 9. Other Current Assets

This account consists of:

	2004	2003
Creditable taxes withheld	<b>₱93,227,613</b>	₱56,199,607
Value added input tax	<b>18,594,854</b>	46,012,289
Prepaid expenses	<b>7,003,379</b>	21,341,531
Others	<b>10,817,915</b>	9,742,380
	<b>₱129,643,761</b>	₱133,295,807

## 10. Investments in Associates, Jointly Controlled Entities and Others

The details of the Group's investments in associates, jointly controlled entities and others follow:

	2004	2003
Investments - At Equity:		
Investments in associates		
Acquisition cost:		
Balance at beginning of year	<b>₱504,852,468</b>	₱496,032,468
Additions during the year	-	8,820,000
Reclassification to investment at cost	<b>(10,000,000)</b>	-
Balance at end of year	<b>494,852,468</b>	504,852,468
Accumulated equity in net losses:		
Balance at beginning of year	<b>(378,574,111)</b>	(378,282,252)
Equity in net losses during the year	<b>(7,616,307)</b>	(291,859)
Reclassification to investment at cost	<b>(2,981,605)</b>	-
Balance at end of year	<b>(389,172,023)</b>	(378,574,111)
	<b>105,680,445</b>	126,278,357
Allowance for probable losses	<b>(35,910,514)</b>	(35,910,514)
	<b>69,769,931</b>	90,367,843
Jointly controlled entities		
Acquisition cost	<b>32,125,000</b>	32,125,000
Accumulated equity in net earnings:		
Balance at beginning of year	<b>56,542,584</b>	55,351,111
Equity in net earnings during the year	<b>282,469</b>	1,191,473
Disposals and other movements	<b>(12,147,755)</b>	-
Balance at end of year	<b>44,677,298</b>	56,542,584
	<b>76,802,298</b>	88,667,584
Allowance for probable losses	<b>(20,889,954)</b>	(20,889,954)
	<b>55,912,344</b>	67,777,630
	<b>125,682,275</b>	158,145,473
Investments - At Cost:		
Balance at beginning of year	<b>293,742,630</b>	292,556,898
Additions and reclassification from investment at equity	<b>15,296,830</b>	7,635,410
Disposals during the year	<b>(7,006,863)</b>	(6,449,678)
Balance at end of year (subscriptions payable on which amounted to ₱4 million - see Note 17)	<b>302,032,597</b>	293,742,630
Allowance for probable losses	<b>(13,459,652)</b>	(11,459,652)
	<b>288,572,945</b>	282,282,978
	<b>₱414,255,220</b>	₱440,428,451

The details of the Group's equity in the net assets of its associates and jointly controlled entities and the corresponding percentage of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2004	2003	2004	2003
<b>Associates:</b>				
Bachy Soletanche Philippines Corporation	49.00	49.00	<b>₱43,622,926</b>	₱43,119,553
Vulcan Materials Corporation (Vulcan)	49.00	49.00	<b>20,686,808</b>	27,262,320
Obayashi Philippines Corporation (OPC)	39.55	39.55	<b>5,329,141</b>	5,498,695
Raco-Haven Automation Philippines, Inc.	44.11	44.11	<b>131,056</b>	1,505,670
Systems Powermark Corporation	18.67	50.00	–	12,981,605
AG&P	46.00	46.00	–	–
Subic Water and Sewerage Company, Inc. (Subic Water)	40.00	40.00	–	–
			<b>69,769,931</b>	90,367,843
<b>Jointly Controlled Entities:</b>				
DMCI/WPC Joint Venture	50.00	50.00	<b>39,181,239</b>	39,108,452
Obayashi-DMCI Joint Venture	40.00	40.00	<b>1,730,226</b>	13,475,433
Eco Process & Equipment Philippines, Inc.	50.00	50.00	<b>1,116,193</b>	1,177,338
Others	Various	Various	<b>13,884,686</b>	14,016,407
			<b>55,912,344</b>	67,777,630
			<b>₱125,682,275</b>	₱158,145,473

Summarized financial information pertaining to the Group's significant joint ventures follow:

	2004	2003
<b>DMCI/WPC Joint Venture</b>		
Current assets	<b>₱8,414,113</b>	₱9,102,952
Noncurrent assets	<b>78,036,094</b>	77,577,402
Current liabilities	<b>8,087,730</b>	8,463,452
Revenue	<b>145,575</b>	14,865,058
Costs and expenses	–	13,446,946
Net income	<b>145,575</b>	1,418,112
	<b>2004</b>	<b>2003</b>
<b>Obayashi-DMCI Joint Venture</b>		
Current assets	<b>₱8,501,700</b>	₱58,193,674
Noncurrent assets	<b>550,003</b>	4,087,638
Current liabilities	<b>4,726,137</b>	28,592,730
Revenue	<b>1,630,060</b>	7,742,672
Costs and expenses	<b>952,994</b>	6,038,643
Net income	<b>677,066</b>	1,704,029

Investments in Associates - At Equity

*OPC*

On March 24, 2003, OPC's BOD approved the cessation of OPC's operations effective April 30, 2003. The activities of OPC after this date consisted mainly of collection of receivables, disposition of assets and payment of liabilities.

*Subic Water*

On January 22, 1997, PDI subscribed to 3,262,320 shares at the par value of ₱10 per share for an aggregate value of ₱33 million in Subic Water, a joint venture company with Subic Bay Metropolitan Authority (a government-owned corporation), Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England). The agreement executed by the parties on November 24, 1996 stipulated, among others, that PDI shall have an equity participation equivalent to 40% in Subic Water amounting to ₱75 million (based on the initial subscribed and paid-in capital of ₱187 million). The balance of PDI's committed subscription to Subic Water of ₱38 million (net of additional subscription payment of ₱4 million in 1998) is expected to be paid on or before the second anniversary of the said effective date. As of May 3, 2005, such committed subscription has not yet been paid.

As of December 31, 2004 and 2003, PDI's accumulated equity in the net losses of Subic Water exceeded the carrying amount of its related investment. Thus, no further share in the net losses of Subic Water is recorded. Unrecognized losses amounted to ₱1 million and ₱36 million as of December 31, 2004 and 2003, respectively.

*AG&P*

As of December 31, 2001, the Group's accumulated equity in net losses of AG&P equals the carrying amount of its investment. The Group discontinued the recognition of its share of further losses in AG&P as it is not committed to provide financial support to the latter. Unrecognized share in losses of AG&P amounted to ₱136 million and ₱128 million as of December 31, 2004 and 2003, respectively.

On January 31, 2002, AG&P filed a petition for rehabilitation (after the approval of AG&P's stockholders and BOD on January 29, 2002) with the RTC of Batangas City. On February 21, 2002, the RTC issued a stay order prohibiting AG&P from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business.

On March 11, 2003, the RTC approved AG&P's updated rehabilitation plan that included, among others, the settlement of the Group's claims from AG&P.

On March 31, 2003, Philippine National Bank (PNB), AG&P's creditor, filed a Motion for Reconsideration with the court for the modification of the updated rehabilitation plan due to, among others, the non-viability of the proposed transfer of the 20 hectares at Batangas Fabrication Yard (BFY) to PNB via a dacion en pago payment scheme with option to repurchase and to lease it back for 5 years with exclusivity provision. In addition, PNB suggested to the court the following modifications to the updated rehabilitation plan:

- (a) AG&P should remit to PNB a part of the advance rentals AG&P received as payment in the lease transaction entered into between AG&P and Babcock Hitachi Philippines, Inc. in July 2001 totaling ₱18 million with interest;
- (b) AG&P should proportionately pay all creditors, depending on their respective credit exposure, whatever cash inflows it will receive from all the transactions it will enter into, except those that will come from sale or lease of properties covered by the Mortgage Trust Indenture (MTI) which should be paid to MTI banks, especially the ₱70 million earmarked for its employees, from the time the Petition was filed and up to the time the approved rehabilitation plan subsists; and
- (c) PNB will accede to the proposal of AG&P to restructure the latter's loan on the condition that the loan obligation of AG&P with PNB shall consistently earn interest depending on the prevailing rates in the market, otherwise, the approved "suspension of interest charges on all interest-bearing obligations from February 2002 up to December 2002 pending review and approval of AG&P's rehabilitation plan by the court" and "restructuring of outstanding PNB loans for a ten-year period with 2 years grace period in the payment of principal, interest rate for the first 5 years is proposed at 6% and 12% for the next 5 years" should be disapproved and deleted.

On May 2, 2003, the Receiver filed a Manifestation and Compliance with the court on the Receiver's meeting with the officers of PNB and representatives of AG&P on the issues raised by PNB in its Motion for Reconsideration. The Receiver manifests, among others, that:

- (a) PNB agreed to withdraw its objections to the payment of the advance lease proceeds from Amstel-Phil Shipbreaking Corporation, (Amstel, AG&P's potential lessee) the amount of ₱70 million to the labor union;
- (b) AG&P and PNB agree to subject the issue of interest during the restructuring period to further discussions; and
- (c) PNB is withdrawing its objection since AG&P had withdrawn its proposal to transfer the BFY property by way of dacion en pago arrangement to the former.

On August 14, 2003, the Secretary of Department of Environment and Natural Resources issued the Environmental Compliance Certificate to Amstel for its ship dismantling and recycling project. However, in January 2004, Amstel expressed its decision to defer the project.

#### Investments - At Cost

##### *Montecito*

On October 9, 2003, the RTC of Calamba City issued a stay order prohibiting Montecito from selling, encumbering, transferring or disposing any of its properties in any manner except in the ordinary course of business. In connection with this, a Rehabilitation Plan was prepared which includes, among others, the following:

- (a) Restructuring of loans due to various banks subject to the following: (i) repayment of principal and capitalized interest over a term of 7 years, with a 2-year grace period; and

(ii) fixed interest rate of 9.5% for 7 years and possibility of settling outstanding debt through dacion en pago or friendly foreclosure;

(b) Reconfiguration of unsold regular lots to smaller lot sizes; and

- (c) Change in Montecito's existing payment terms for contracts receivables from 4 years to 3 years.

As of May 3, 2005, the terms of the Rehabilitation Plan is still pending approval by the RTC and Montecito's major creditors.

Jointly Controlled Entities

*DMCI/WPC Joint Venture and Obayashi-DMCI Joint Venture*

As of May 3, 2005, the activities of DMCI/WPC Joint Venture and Obayashi-DMCI Joint Venture consisted mainly of collection of receivables, disposition of assets and payment of liabilities.

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**11. Investment Properties**

The movement of this account follow:

	<u>2004</u>	<u>2003</u>
Land	<b>₱947,029,896</b>	₱967,442,799
Condominium units - net of accumulated depreciation of ₱14 million in 2004 and ₱11 million in 2003	<b>16,277,204</b>	19,390,000
Buildings and improvements - net of accumulated depreciation of ₱6 million in 2004 and ₱4 million in 2003	<b>21,002,377</b>	23,277,361
	<b>₱984,309,477</b>	₱1,010,110,160

Consolidated depreciation on investment properties amounted to ₱5 million, ₱3 million and ₱2 million in 2004, 2003 and 2002, respectively (see Note 20).

The Group's investment properties - land with a carrying value of ₱268 million and ₱289 million as of December 31, 2004 and 2003, respectively, were used as collateral under real estate mortgages to secure the indebtedness of the Group to local banks and a foreign supplier and notes payable to certain preferred shares of the Company (see Notes 14 and 16).

## 12. Property, Plant and Equipment

The movements in this account follow:

	Land and Land Improvements	Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Conventional and Continuous Mining Equipment
<b>Cost</b>						
At January 1	P417,147,932	P1,143,731,450	P2,318,823,396	P166,953,403	P119,467,393	P4,661,608,917
Additions	2,823,509	19,111,803	11,577,398	1,252,996	23,132,656	1,165,992,680
Transfers and retirements/disposals	–	–	(222,430,171)	(722,389)	(5,655,453)	(144,435,646)
At December 31	419,971,441	1,162,843,253	2,107,970,623	167,484,010	136,944,596	5,683,165,951
<b>Accumulated Depreciation Depletion and Amortization</b>						
At January 1	313,658,330	746,974,197	2,114,759,761	161,985,442	105,375,383	3,352,420,119
Depreciation, depletion and amortization	7,754,835	36,254,422	8,583,918	471,329	3,055,854	658,320,303
Transfers and retirements/disposals	–	–	(94,055,690)	(722,389)	(5,655,453)	(88,328,794)
At December 31	321,413,165	783,228,619	2,029,287,989	161,734,382	102,775,784	3,922,411,628
<b>Net Book Value</b>	<b>P98,558,276</b>	<b>P379,614,634</b>	<b>P78,682,634</b>	<b>P5,749,628</b>	<b>P34,168,812</b>	<b>P1,760,754,323</b>

	Mining Properties, Mine Exploration and Development Costs	Leasehold Improvements	Construction in Progress	Total 2004	2003
<b>Cost</b>					
At January 1	P503,388,113	P59,120,394	P43,981,404	P9,434,222,402	P9,778,886,000
Additions	–	–	111,165,115	1,335,056,157	256,414,421
Transfers and retirements/disposals	(321,936,502)	(94,536)	(77,796,118)	(773,070,815)	(601,078,019)
At December 31	181,451,611	59,025,858	77,350,401	9,996,207,744	9,434,222,402
<b>Accumulated Depreciation Depletion and Amortization</b>					
At January 1	207,691,735	51,543,890	–	7,054,408,857	7,024,251,879
Depreciation, depletion and amortization	29,402,753	6,784,923	–	750,628,337	529,399,396
Transfers and retirements/disposals	(183,547,709)	–	–	(372,310,035)	(499,242,418)
At December 31	53,546,779	58,328,813	–	7,432,727,159	7,054,408,857
<b>Net Book Value</b>	<b>P127,904,832</b>	<b>P697,045</b>	<b>P77,350,401</b>	<b>P2,563,480,585</b>	<b>P2,379,813,545</b>

The assets of Semirara (included in the above movement analysis), which are carried at adjusted cost (arising from its quasi-reorganization) follow:

	Land and Land Improvements	Buildings and Building Improvements	Conventional and Continuous Mining Equipment	Total 2004	2003
<b>At Adjusted Cost</b>	<b>₱146,388,235</b>	<b>₱486,594,149</b>	<b>₱581,857,987</b>	<b>₱1,214,840,371</b>	₱1,214,840,371
<b>Accumulated Depreciation Depletion and Amortization on Adjusted Cost</b>					
At January 1	111,363,683	287,105,946	348,939,104	747,408,733	685,401,424
Depreciation, depletion and amortization	5,891,103	17,573,202	38,045,191	61,509,496	62,007,309
At December 31	117,254,786	304,679,148	386,984,295	808,918,229	747,408,733
<b>Net Book Value at Adjusted Cost</b>	<b>₱29,133,449</b>	<b>₱181,915,001</b>	<b>₱194,873,692</b>	<b>₱405,922,142</b>	₱467,431,638

Construction equipment which are fully depreciated as of December 31, 2004 and 2003 were used as collateral to secure the indebtedness of Semirara to local banks and a foreign supplier, bank loans of PDI and notes payable of DMCI to preferred shareholders of the Company (see Note 16).

Semirara's conventional and continuous mining equipment with a carrying value of ₱239 million and ₱185 million as of December 31, 2004 and 2003, respectively, were pledged as collateral under chattel mortgages to secure the indebtedness of Semirara to local banks and a foreign supplier (see Note 16).

Certain machinery and equipment with a carrying value of about ₱122 million in 2004 and 2003, was used as collateral to secure the indebtedness of Contech (see Note 16).

Consolidated depreciation, depletion and amortization on property, plant and equipment (including depreciation on the adjusted cost of ₱62 million in 2004, 2003 and 2002) amounted to ₱751 million, ₱529 million and ₱569 million in 2004, 2003 and 2002, respectively (see Note 20).

### 13. Other Noncurrent Assets

The details of other noncurrent assets follow:

	2004	2003
Deposits in North Luzon Railways Corporation (Northrail)	<b>₱300,000,000</b>	₱300,000,000
Deferred stripping and development costs - net of accumulated amortization of ₱3 million in 2004 and ₱29 million in 2003 (see Note 20)	<b>34,279,279</b>	193,412,727
Deferred tax assets (see Note 24)	<b>23,015,064</b>	40,904,218
Refundable deposits	<b>80,648,491</b>	55,130,431
Others (see Note 4)	<b>19,319,369</b>	16,913,209
	<b>₱457,262,203</b>	₱606,360,585

Deposits in Northrail of P300 million represents contributions made by the Group relative to a joint venture with the Bases Conversion Development Authority (BCDA) (a government-owned corporation), Philippine National Railways and a consortium of foreign investors and local partners which would undertake the construction of a multi-phase double-track railway system. The covering joint venture agreement provided, among others, the increase in capitalization of Northrail, the primary purpose of which is to construct, operate and manage such railway system. The deposits on subscriptions made by the joint venture partners are committed to be converted into equity upon the approval of increase in capital stock of Northrail.

In 2001, due to the uncertainty surrounding the Northrail project, the Group decided to pull out of the joint venture. As of May 3, 2005, the Group is still claiming from BCDA/Northrail for the recovery of its contribution to the Northrail Project, which the Group's management believes, is fully recoverable.

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#### 14. Notes Payable

Notes payable consist of the following:

	2004	2003
Bank loans	<b>P403,884,707</b>	P744,647,579
Payables to related parties (see Note 27)	-	78,969,912
	<b>P403,884,707</b>	<b>P823,617,491</b>

The Group's bank loans consist of peso-denominated short-term borrowings from local banks which bear interest at prevailing market rates and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next 12 months after the balance sheet dates. The bank loans are generally unsecured, except for P278 million in 2004 and P240 million in 2003, which are secured by a real estate mortgage over the Group's housing and condominium units (see Note 8); a deed of assignment on certain real estate receivables of PDI, DMCI and Hampstead (see Note 5); corporate guarantee and suretyship agreement issued by the Company and DMCI; and PDI, DMCI and Hampstead's customers' post-dated checks.

The Group's agreements with local banks contain some or all of the following restrictions relating to, among others: purchase of issued and outstanding capital stock; disposal of encumbered properties; change in the ownership or management and nature of its business; dividend declaration and distribution; guarantees; incurrence of additional liabilities; and merger and consolidation.

As of December 31, 2004 and 2003, the Group was in compliance with the loan covenants required by the banks.

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## 15. Accounts and Other Payables

This account consists of the following:

	2004	2003
Accrued costs and expenses	<b>₱1,488,451,413</b>	₱1,238,730,100
Payables to suppliers	<b>756,684,912</b>	657,914,270
Payables to subcontractors	<b>406,136,983</b>	543,492,730
Customers' deposits	<b>149,303,041</b>	124,477,084
Acceptances and trust receipts payable	<b>82,662,996</b>	13,058,242
Other payables	<b>146,382,594</b>	116,066,766
	<b>₱3,029,621,939</b>	₱2,693,739,192

Accrued costs and expenses consist mainly of accrual of expenses, costs of construction contracts and Semirara's liabilities to Department of Energy (DOE).

Semirara's liabilities to DOE represents the share of DOE in the gross revenue from Semirara's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between Semirara and DOE dated July 11, 1997 as amended on January 16, 1981. The contract is for a maximum period of 35 years (inclusive of the developmental stage and renewals) up to July 2012.

In 2002, DOE through the Energy Resources Development Bureau approved the exclusion of coal produced and used solely by Semirara to feed its power plant, in determining the amount due to DOE.

### Customers' Deposits

On September 28, 1990, Semirara entered into a Memorandum of Agreement (MOA) with National Power Corporation (NPC) to provide NPC Selectively Mined Coal (Select) or its Run of Mine coal equivalent, free of shipping cost to NPC, over a certain period. Total committed volume of coal was 150,000 Metric Ton (MT) of Select coal with a total price of ₱179 million which formed part of the minimum contracted quantity that NPC agreed to purchase for the year 1990 under the Coal Supply Agreement (CSA) (see Note 29) between Semirara and NPC. The accumulated coal lifted and delivered under such MOA totaled 92,733 MT and 72,656 MT of Select coal equivalent or its peso equivalent of ₱117 million and ₱94 million as of December 31, 2004 and 2003, respectively.

On August 26, 2004, Semirara entered into a MOA with TransEnergy Grinding Inc., a related party and the marketing arm of Apo Cement Corporation (APO), a customer. The MOA provided for the delivery of coal to APO of 60,000 MT or an equivalent of 10,000 MT per month. In connection with the MOA, APO made an advance payment amounting to US\$2.0 million or its peso equivalent of ₱111.0 million. As of December 31, 2004, Semirara made coal deliveries to APO of 33,682 MT or its peso equivalent of ₱58.2 million.

Other amounts included under customers deposits are for real estate transactions.

## 16. Long-term Debt

Long-term debt pertains to the following obligations:

	2004	2003
Long-term:		
Bank loans	<b>₱1,154,179,120</b>	₱753,041,367
Payable to foreign suppliers	<b>922,256,061</b>	753,126,488
Notes payable to preferred shareholders	<b>244,442,418</b>	513,719,256
Acceptances and trust receipts payable	–	350,173,766
	<b>2,320,877,599</b>	2,370,060,877
Less current portion of:		
Bank loans	<b>648,390,375</b>	306,446,662
Payable to foreign suppliers	<b>274,870,602</b>	255,447,968
Notes payable to preferred shareholders	<b>124,951,535</b>	1,943,287
Acceptances and trust receipts payable	–	208,497,411
	<b>1,048,212,512</b>	772,335,328
	<b>₱1,272,665,087</b>	₱1,597,725,549

### Bank Loans

The Group's bank loans consist of peso-denominated long-term borrowings from local banks which are mostly secured, as shown below:

- (a) The bank loan drawn by PDI amounting to ₱91 million and ₱247 million in 2004 and 2003, respectively, bears interest at 12%. This loan is payable in various maturity dates up to 2007 and is secured by a real estate mortgage over PDI's real estate for sale and development (see Note 8);
- (b) Semirara's bank loans amounting to ₱23 million and ₱256 million as of December 31, 2004 and 2003, respectively, include a peso-denominated loan from a local bank which bears interest at 91-day T-Bill rate plus 3.25%. These loans are payable in 11 equal quarterly installments starting June 2000 up to December 2002. The loan was secured by a deed of suretyship of the Company and a deed of undertaking executed on December 4, 1998, whereby the Company undertook and obligated itself in favor of the local bank not to sell, reduce, assign, pledge or transfer its shares in Semirara for as long as Semirara's loan with the local bank is outstanding.

On June 15, 2001, Semirara and this local bank agreed to restructure the loan. This loan, with interest at 91-day T-Bill rate plus 3.25%, is now payable in 19 equal quarterly amortizations or six years from date of availment, including an 18-month grace period. Also, the loans are now secured by real estate mortgages over DMCI's and PDI's real estate for sale and development, and a suretyship agreement issued by DMCI (see Note 8). The agreement also provides for the maintenance of financial ratios at a certain level. This has been fully paid on January 7, 2005.

In 2002, Semirara's bank loans also include a loan amounting to ₱98 million, which was reclassified from the "Notes payable" account under the current liabilities section of the consolidated balance sheets in accordance with the restructuring agreement with a local bank. The loan now bears interest at 91-day T-Bill rate plus 5% per annum spread and is payable in 11 quarterly installments starting June 2002 until December 2004. Further, this loan is secured by a chattel mortgage on the three (3) floating vessels owned by DMC Construction Equipment Resources, Inc., a related party, a continuing suretyship agreement issued by the Company and an assignment of trade receivables from NPC up to the extent of the loan (see Note 5). The restructuring agreement also provided for the maintenance of Semirara's operational deposit account with the said bank and the conditional waiver of penalties amounting to ₱13 million, which was accrued as of December 31, 2002. In the event of default, said penalties shall automatically be reinstated to form part of the obligation to be called due and demandable. This has been fully paid on December 29, 2004.

In 2004, Semirara entered into a loan agreement with a foreign bank amounting to US\$5.1 million. The loan will be used to finance the importation of certain conventional mining equipment to the extent of 85% of the contract value and other financing costs as defined under such agreement. This loan is payable in 10 equal consecutive semi-annual installments, the first of which shall become due and payable six months after December 31, 2004. The interest is computed at 6 months-LIBOR plus 1.5% per annum and is secured by an unconditional and irrevocable guarantee issued by the Company.

In December 2004, Semirara entered into a term loan agreement with a local bank amounting to ₱86.9 million to finance the importation of certain conventional mining equipment. The loan is payable in 16 equal quarterly installment to commence at the end of the 5th quarter from initial draw down date. The interest shall be based on the applicable MART1 (base rate) plus spread of 3.5%, repricable and payable quarterly. This loan is covered by an existing company guarantee issued by DMCI. This has been fully paid on March 17, 2005;

- (c) Contech South's outstanding bank loan amounting to ₱100 million in 2004 and 2003 was obtained to partly finance the second phase of its hollow-core wall panel manufacturing project. The loan bears interest at 12% and is payable in 16 equal quarterly installments, starting 2001 until 2003. The loan is secured by a real estate mortgage over DMCI's real estate held for sale and development with an aggregate book value of ₱31 million and ₱18 million in 2004 and 2003, respectively (see Note 8), a first lien chattel mortgage over certain machinery and equipment acquired out of the proceeds of the loan (see Note 12), a continuing suretyship by the Company, and endorsement or assignment in favor of the creditor bank of any insurance policies covering the mortgaged assets. As of May 3, 2005, Contech is still negotiating for the payment/settlement of the loans; and
- (d) The bank loans drawn by Hampstead amounting to ₱97 million in 2004 and ₱51 million in 2003, represent net proceeds from the sale with recourse of a portion of Hampstead's contracts receivable to local banks pursuant to receivable purchase agreements entered into by Hampstead with such banks. Such loans bear interest at 16% and are payable in various maturity dates. The loans are secured by a real estate mortgage over Hampstead's

condominium units with a carrying value of ₱86 million and ₱85 million in 2004 and 2003, respectively (see Note 8); a deed of assignment over Hampstead's related contracts receivable (see Note 5); and a suretyship agreement executed by DMCI, in favor of the banks to further secure the collectibility of the collateralized receivables.

#### Acceptances and Trust Receipts Payable

Acceptances and trust receipts payable include Semirara's liabilities amounting to ₱350 million in 2003, under a three-year deferred issuance letters of credit obtained from a local bank for the acquisition of various mining equipment. This has been fully paid on August 18, 2004.

In 2001, the trust receipts and acceptances payable of Semirara with this local bank were restructured. The loan now bears interest at 18.50%, payable until October 2007, and is secured by a surety agreement by the Company, chattel mortgages over DMCI's construction equipment and real estate mortgages over DMCI's real estate for sale and development (see Notes 8 and 12).

In 2002, Semirara's restructuring agreements with two other local banks have been finalized. The loan with one of the local banks now bears interest at 91-day T-Bill rate plus 3.25%, and is payable in 19 quarterly installments until December 2008. The agreement with this local bank also provided that, should the spin-off of Semirara's assets and liabilities to its wholly owned subsidiary ("NewCo"), which is in the process of incorporation, pushes through, the term loan shall be assumed by NewCo and the annual capital expenditures for the first 3 years shall not exceed ₱223 million. The other restructured loan now bears interest at prevailing market rates and payable in 18 equal quarterly installments starting February 2003 until May 2007. Semirara's loans with the two local banks are secured by real estate mortgages over DMCI's real estate for sale and development, chattel mortgages over Semirara's conventional and continuous mining equipment and a surety agreement issued by the Company (see Notes 8 and 12). These have been fully paid on August 13, 2004.

In 2004, the debt restructuring agreement between Semirara and another local bank has been finalized. The liability from this local bank is now payable in three years with thirty-six equal principal amortization. The loan has no grace period on the principal payment. Interest is computed on the first 31 days at 12% per annum and subsequent payments at prevailing market rate, payable monthly. This is secured by a mortgage on properties owned by DMCI and a suretyship also issued by DMCI. This has been fully paid on November 19, 2004.

#### Notes Payable to Preferred Shareholders

The Group's long-term notes payable as of December 31, 2004 include outstanding peso-denominated obligations of the Company, DMCI and PDI to certain preferred shareholders of the Company amounting to ₱45 million, ₱146 million and ₱53 million, respectively, which are payable in various maturity dates starting February 2007 until April 2009, pursuant to loan agreements evidenced by Promissory Notes (PNs) dated April 7, 2002 entered into by the Company, DMCI and PDI in connection with the redemption of 513,055 preferred shares under Options A and B of the Exchange Offer (see Note 18). The obligations of DMCI and PDI are secured by real estate mortgages over DMCI's and PDI's real estate for sale and development (see Note 8), and certain real estate properties of other related parties while the obligations of the Company are unsecured.

In 2004 and 2003, the details of the foregoing PNs are presented below:

	2004	2003
Prevailing interest rate of the 91-day T-Bill plus a spread of up to 2%, payable in quarterly payments in arrears	<b>₱138,722,813</b>	₱237,783,471
Fixed interest at 13%, payable in quarterly payments in arrears	<b>102,028,705</b>	272,244,885
Fixed interest at 13% for the first 5 years; prevailing interest rate of the 91-day T-Bill plus a spread of up to 3% for the last 2 years, payable in quarterly payments in arrears	<b>3,690,900</b>	3,690,900
	<b>₱244,442,418</b>	₱513,719,256

The loan agreements on the long-term notes payable of the Group with such preferred shareholders also provide for restrictions relating to, among others: encumbrances on the properties; change in the nature of business; change in the ownership or management; merger or consolidation; loans, investments and advances; articles of incorporation and by-laws; and maintenance of financial ratios at certain levels.

#### Payables to Foreign Suppliers

On June 18, 2004, Semirara purchased seven units of mining equipment from a foreign supplier for US\$4 million. This loan is payable in: (a) 12 quarterly payments of principal each in an amount equal to 6.5% of the original loan amount commencing on the date falling 12 months from the drawdown date; and (b) a balloon payment in the amount equal to 22% of the original loan amount. This loan bears interest at prevailing market rates and payable over 16 quarterly payments. This is secured by a chattel mortgage on the mining equipment purchased and a corporate guarantee issued by the Company.

The Group's payables to foreign suppliers include Semirara's foreign currency-denominated long-term obligations of about ₱224 million (US\$4 million) in 2004 and ₱312 million (US\$6 million) in 2003 to a foreign supplier arising from acquisitions of certain mining equipment, parts and supplies (see Note 12). These notes bear interest based on SIBOR plus 3.75% and are payable in 18 consecutive quarterly installments until December 15, 2006. Further, the loans are secured by real estate mortgages over DMCI's real estate for sale and development, chattel mortgages over DMCI's construction equipment and Semirara's conventional and continuous mining equipment which are fully depreciated as of December 31, 2004 and with a total carrying value of ₱140 million as of December 31, 2003, and a letter of guarantee issued by the Company (see Notes 8 and 12). The agreement also provided for the maintenance of a financial ratio at a certain level. This has been fully paid on March 7, 2005.

On October 18, 2004, the Semirara entered into an agreement to purchase eighteen units of conventional mining equipment from the same foreign supplier for US\$11.0 million. The interest is based on SIBOR plus 4.25% per annum and is payable over nineteen agreed interest payment dates. The principal amount is payable in sixteen consecutive, equal, quarterly installments; the

first installment with respect to each shipment shall be due and payable on the fourth interest payment date with respect to such shipment. Title to the equipment will pass to Semirara only upon full settlement of its obligation. As of December 31, 2004 six units of conventional mining equipment amounting to about US\$4 million were delivered to Semirara. This is secured by an unconditional and irrevocable guarantee issued by the Company.

The Group's payables to foreign suppliers also include Semirara's foreign currency-denominated long-term obligations amounting to about US\$5 million in 2004 and US\$8 million in 2003 arising from the acquisition of conventional mining equipment (see Note 12). These obligations bear interest at 8.25% plus establishment fee of 2.75% and commitment fee of 1% and is payable for 5 years in 10 equal semi-annual installments after the 12-month grace period. Title to the mining equipment amounting to ₱489 million will pass to Semirara only upon full settlement of its obligations. The amount due is secured by a corporate guarantee issued by the Company and the existence of the CSA (see Note 29) evidencing a 10-year contract for a supply of up to 2,400,000 MT of coal per year.

In 2003, Semirara acquired on account from the same foreign supplier units of conventional and continuous mining equipment. The foreign-currency denominated loan amounting to US\$1.5 million is payable in 18 months after a three months grace period with interest at 5.75% per annum. This has been fully paid on February 15, 2005.

As of December 31, 2004 and 2003, the Group was in compliance with the loan covenants required by the creditors.

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#### 17. Other Noncurrent Liabilities

The details of this account consist of:

	2004	2003
Payable to property sellers	<b>₱243,929,192</b>	₱261,810,810
Deferred revenue on real estate sales	<b>57,610,128</b>	45,163,728
Deferred tax liabilities (see Note 24)	<b>14,309,971</b>	70,218,376
Subscriptions payable (see Note 10)	<b>3,750,000</b>	3,750,000
	<b>₱319,599,291</b>	₱380,942,914

##### Payable to Property Sellers

Payable to property sellers represents the balance of the Group's obligations to various real estate property sellers for the acquisition of certain parcels of land and housing and condominium units (see Note 8). The terms of the deeds of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes; and (c) physical turnover of the acquired parcels of land to the Group.

**18. Capital Stock**

The changes in the number of shares follow:

	2004	2003
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized	<b>100,000,000</b>	100,000,000
Issued		
Balance at beginning of year	<b>451,690</b>	1,288,265
Retirement of preferred shares	<b>(109,450)</b>	(836,575)
Balance at end of year	<b>342,240</b>	451,690
Common stock - ₱1 par value		
Authorized	<b>5,900,000,000</b>	5,900,000,000
Issued	<b>2,255,494,000</b>	2,255,494,000
Preferred shares held in treasury		
Balance at beginning of year	<b>(183,700)</b>	(945,125)
Redemption of preferred shares	<b>(111,250)</b>	(75,150)
Retirement of preferred shares	<b>109,450</b>	836,575
Balance at end of year	<b>(185,500)</b>	(183,700)

The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

On April 1, 2002, the Company's BOD approved the Exchange Offer involving the redemption of all of the Company's outstanding preferred shares totaling 1,670,584 shares as of December 31, 2001, which were due for redemption on April 7, 2002 (Final Redemption Date). Such Exchange Offer, which was formally presented to the preferred shareholders on April 5, 2002, consisted of any one or more of the following Options:

Option A - Secured 5-Year Term Loan

*Redemption of preferred shares through the issuance of Promissory Notes (PNs) by the Company, DMCI or PDI at a valuation of ₱1,000 per share, equivalent to the original issue price of the preferred shares. The PNs, which are value dated April 7, 2002, shall be subject to a floating interest rate based on prevailing 91-day T-Bill rate plus a 2% spread; and shall be secured by a mortgage on certain real estate properties owned by the Group and related parties.*

As of December 31, 2004, the Group issued PNs amounting to ₱139 million (net of payments of ₱99 million in 2004) for the redemption of 310,700 preferred shares, respectively, under Option A (see Note 33).

Option B - Secured 7-Year Term Loan

*Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,367 per share, equivalent to the original issue price of the preferred shares plus accumulated and nonconversion premium.* The PNs, which are also value dated April 7, 2002, shall be subject to either of the following interest rates at the option of the preferred shareholders: (a) floating interest rate based on prevailing 91-day T-Bill rate plus a 3% spread; (b) fixed interest at 13% for the first 5 years of the loan and floating for the remaining 2 years at a rate equivalent to that contemplated in letter (a); and (c) fixed interest at 13% for the entire 7-year term; and shall be secured by a participation in a mortgage trust indenture covering various accounts receivables, inventory and equipment and a mortgage on certain provincial real estate properties owned by the Group.

As of December 31, 2004, the Group issued PNs amounting to ₱106 million (net of payments of ₱170 million in 2004) for the redemption of 202,355 preferred shares under Option B (see Note 33).

Option C - Asset for Share Exchange

*Redemption of preferred shares in exchange for residential and office units, equipment and/or accounts receivable at a valuation of ₱1,112 per share (purchase price), equivalent to the original issue price of the preferred shares plus accumulated and current dividends.* The exchange shall be carried out with the subject assets valued at their selling price or fair market value. In the event that the total value of the assets elected by the preferred shareholders exceeds the total purchase price of the preferred shares, the resulting residual amount shall be paid by such shareholders to the Company in cash. Conversely, should the total purchase price exceeds the asset value, the residual amount shall be paid by the Company to the shareholders through either of Options A, B or D.

As of December 31, 2004, the Company redeemed 659,279 preferred shares under Option C in exchange for Asian Hospital, Inc. (AHI) shares; certain construction equipment owned by DMCI amounting to ₱50 million and other certain assets of the Group amounting to ₱586 million in favor of Dacon Corporation (Dacon), a major stockholder (see Note 33); proceeds from sale of various condominium units owned by Constress and PDI totaling to ₱56 million in favor of certain preferred shareholders; and condominium units owned by PDI with an aggregate value of ₱6 million in favor of certain preferred shareholders.

Option D - Cash Payment

*Redemption of preferred shares for cash at a price of ₱775 per share, equivalent to the closing market price of such preferred shares on April 1, 2002 up to a maximum of ₱72 million (cap).* Should the total amount of all the preferred shares of the holders electing this option exceed the cap, the ₱72 million shall be allocated among all accepting shareholders on a pari passu basis; with the remaining preferred shares to be purchased under any of Options A, B or C.

As of December 31, 2004 and 2003, the Group redeemed 341,510 and 286,160 preferred shares, respectively, under Option D.

As of December 31, 2004 and 2003, the outstanding obligations of the Group relative to the issuance of PNs to certain preferred shareholders of the Company amounted to ₱244 million and ₱514 million, respectively (see Note 16).

As of May 3, 2005, the Group has redeemed 2,243,260 preferred shares (including 729,416 preferred shares which were redeemed prior to the Final Redemption Date).

As of December 31, 2004, 2003 and 2002, dividends in arrears for preferred shares amounted to ₱25 million, ₱33 million and ₱92 million, respectively.

Retained earnings is restricted to the extent of the acquisition price of the treasury shares amounting to ₱239 million and ₱237 million as of December 31, 2004 and 2003, respectively.

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#### 19. Sales and Services

This account consists of:

	2004	2003	2002
Coal sales (see Note 29)	<b>₱5,065,864,642</b>	₱2,177,241,132	₱1,517,087,114
Construction contracts (see Note 27)	<b>1,952,555,721</b>	1,948,531,466	1,343,032,243
Real estate sales	<b>718,360,031</b>	470,404,931	328,982,155
Merchandise sales and others	<b>24,299,277</b>	19,653,002	28,484,680
	<b>₱7,761,079,671</b>	₱4,615,830,531	₱3,217,586,192

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#### 20. Costs of Sales and Services

This account consists of:

	2004	2003	2002
Coal sales (see Note 29)	<b>₱2,919,456,427</b>	₱1,531,563,928	₱1,129,910,394
Construction contracts (see Note 27)	<b>1,833,959,651</b>	1,720,573,564	1,305,984,905
Real estate sales	<b>483,637,012</b>	349,098,992	216,391,961
Merchandise sales and others	<b>13,824,634</b>	18,383,216	16,137,676
	<b>₱5,250,877,724</b>	₱3,619,619,700	₱2,668,424,936

Depreciation, depletion and amortization included in the consolidated statements of income follow:

	2004	2003	2002
Included in:			
Coal sales	<b>₱685,147,488</b>	₱427,588,926	₱399,907,592
Construction contracts	<b>52,791,573</b>	86,998,949	141,034,378
Operating expenses (see Note 21)	<b>25,949,306</b>	28,283,319	38,874,528
	<b>₱763,888,367</b>	₱542,871,194	₱579,816,498

	2004	2003	2002
Depreciation, depletion and amortization of:			
Property, plant and equipment (see Note 12)	<b>₱750,628,337</b>	₱529,399,396	₱569,409,943
Deferred stripping and development costs (see Note 13)	<b>7,819,580</b>	10,092,324	8,018,587
Investments in properties (see Note 11)	<b>5,440,450</b>	3,379,474	2,387,968
	<b>₱763,888,367</b>	₱542,871,194	₱579,816,498

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2004	2003	2002
Included in:			
Costs of construction contracts	<b>₱361,408,793</b>	₱371,553,582	₱339,002,631
Operating expenses (see Note 21)	<b>162,569,578</b>	132,543,814	149,131,566
Costs of coal sales	<b>156,171,333</b>	130,580,212	109,655,629
	<b>₱680,149,704</b>	₱634,677,608	₱597,789,826

## 21. Operating Expenses

This account consists of:

	2004	2003	2002
Salaries, wages and employee benefits (see Notes 20 and 28)	<b>₱162,569,578</b>	₱132,543,814	₱149,131,566
Government share	<b>148,623,317</b>	65,221,117	27,052,157
Taxes and licenses	<b>100,344,339</b>	24,092,125	22,090,673
Outside services	<b>79,498,019</b>	68,377,780	36,281,100
Commission	<b>40,187,940</b>	17,060,321	7,118,673
Advertising	<b>33,180,094</b>	30,865,672	22,140,948
Depreciation and amortization (see Note 20)	<b>25,949,306</b>	28,283,319	38,874,528
Communication, light and water	<b>19,959,588</b>	17,759,528	11,735,700
Entertainment, amusement and recreation	<b>18,590,054</b>	12,714,061	6,321,047
Rent (see Note 30)	<b>17,533,933</b>	12,358,626	22,427,700
Provisions for:			
Doubtful accounts	<b>17,252,778</b>	118,367,851	178,544,280
Inventory obsolescence and losses	<b>17,070,283</b>	557,940	-
Probable losses on noncurrent assets	<b>12,214,617</b>	-	-
Probable losses on investments	<b>2,000,000</b>	11,459,652	44,787,767
Transportation and travel	<b>12,831,281</b>	6,671,750	4,402,391
Supplies	<b>8,306,427</b>	7,862,440	4,273,125
Repairs and maintenance	<b>5,879,737</b>	6,361,810	11,187,363
Insurance	<b>3,865,648</b>	2,866,792	2,022,696
Inventories written-off	-	-	44,270,114
Miscellaneous	<b>39,260,954</b>	17,624,139	46,806,481
	<b>₱765,117,893</b>	₱581,048,737	₱679,468,309

## 22. Other Operating Income

This account consists of:

	2004	2003	2002
Gain (loss) on sale of property and equipment and investments - net	<b>₱38,440,148</b>	(₱50,913,033)	(₱25,694,600)
Rental income	<b>22,100,235</b>	30,863,463	18,719,184
Indent commission	-	1,231,481	10,140,607
Reversal of allowance for doubtful accounts	-	-	22,400,272
Miscellaneous - net	<b>53,355,538</b>	58,919,267	77,567,094
	<b>₱113,895,921</b>	₱40,101,178	₱103,132,557

## 23. Interest and other Charges

This account consists of:

	2004	2003	2002
Interest expense (see Notes 2, 14 and 16)	<b>₱368,317,069</b>	₱354,278,164	₱315,978,046
Foreign exchange losses - net	<b>7,844,204</b>	36,975,433	31,958,010
Interest income	<b>(11,012,665)</b>	(7,557,886)	(26,856,148)
	<b>₱365,148,608</b>	₱383,695,711	₱321,079,908

## 24. Income Taxes

As discussed in Note 2, the Group adopted SFAS 12/IAS 12, *Income Taxes*, effective January 1, 2004. The information below includes the additional disclosures required by the new standard.

The significant components of deferred tax assets and liabilities represented the deferred tax effects of the following:

	2004	2003 (As restated)
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	<b>₱63,595,083</b>	₱74,127,798
Inventory obsolescence	<b>19,955,656</b>	14,493,165
Accrued expenses	<b>33,696,860</b>	25,733,685
Accrued retirement costs	<b>30,202,632</b>	21,287,608
Unrealized foreign exchange loss	<b>2,879,450</b>	32,889,179
NOLCO	-	12,683,544
MCIT	-	1,794,165
Excess of tax over book basis of deferred gross profit on real estate sales	-	299,707
Others	<b>7,773,197</b>	7,173,491
	<b>158,102,878</b>	190,482,342

(Forward)

	2004	2003 (As restated)
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	<b>(P129,895,085)</b>	(P149,578,124)
Excess of book over tax income pertaining to construction contracts and real estate sales	<b>(10,216,878)</b>	(65,548,247)
Capitalized interest on real estate for sale and development deducted in advance	<b>(8,327,481)</b>	(2,732,580)
Others	<b>(958,341)</b>	(1,937,549)
	<b>(149,397,785)</b>	(219,796,500)
	<b>P8,705,093</b>	(P29,314,158)

The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2004	2003 (As restated)
NOLCO	<b>P469,681,763</b>	P1,846,047,088
MCIT	<b>75,926,721</b>	36,674,283
Accrued expenses	<b>68,411,200</b>	39,042,734
Allowance for doubtful accounts	<b>56,893,059</b>	71,982,003
Accrued retirement costs	<b>2,000,000</b>	13,001,428
Others	<b>7,816</b>	9,488

The deferred income tax effects of the above deductible temporary differences for which no deferred tax assets are recognized amounted to P267 million and P667 million as of December 31, 2004 and 2003, respectively. Deferred tax assets are recognized only to extent that taxable income will be available against which the deferred tax assets can be used. The Group assesses the unrecognized deferred tax assets and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The components of deferred tax assets and liabilities are included in the following accounts in the consolidated balance sheets:

	2004	2003 (As restated)
Other noncurrent assets - net (see Note 13)	<b>P23,015,064</b>	P40,904,218
Other noncurrent liabilities (see Note 17)	<b>(14,309,971)</b>	(70,218,376)
	<b>P8,705,093</b>	(P29,314,158)

The provision for (benefit from) income tax shown in the consolidated statements of income consists of:

	2004	2003 (As restated)	2002 (As restated)
Current	<b>₱90,458,793</b>	₱72,896,628	₱47,461,856
Deferred	<b>(32,389,140)</b>	(239,230,445)	(139,294,549)
	<b>₱58,069,653</b>	(₱166,333,817)	(₱91,832,693)

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2004	2003 (As restated)	2002 (As restated)
Statutory income tax rate	<b>32.00%</b>	32.00%	(32.00%)
Adjustments for:			
Nondeductible depreciation expense on adjusted cost	<b>1.32</b>	27.38	5.14
Nondeductible expenses	<b>0.11</b>	0.06	0.09
Nondeductible interest expense	<b>0.01</b>	0.70	-
Changes in unrecognized deferred tax assets	<b>(29.68)</b>	(289.68)	11.19
Nondeductible (nontaxable) equity in net losses (earnings) of associates and jointly controlled entities	<b>(0.15)</b>	0.40	1.20
Interest income subjected to final tax at a lower rate - net	<b>(0.03)</b>	(1.00)	(0.45)
Nondeductible loss (nontaxable gain) on sale of investments in shares of stock	<b>(0.02)</b>	(0.87)	1.17
Unrealized gain on redemption of preferred shares	-	-	(0.31)
Others - net	<b>0.35</b>	1.48	(9.98)
Effective income tax rate	<b>3.91%</b>	(229.53%)	(23.95%)

## 25. Basic Earnings (Loss) Per Share

The following table presents information necessary to calculate basic earnings (loss) per share [in thousands except basic earnings (loss) per share]:

	2004	2003 (As restated)	2002 (As restated)
Net income (loss)	<b>₱1,353,496</b>	₱198,837	(₱220,860)
Less dividends on preferred shares	<b>24,641</b>	32,522	92,755
	<b>1,328,855</b>	166,315	(313,615)
Divided by weighted average number of common shares	<b>2,255,494</b>	2,255,494	2,255,494
Basic earnings (loss) per share	<b>₱0.59</b>	₱0.07	(₱0.14)

The assumed conversion of the Company's preferred shares has no dilutive effect in 2002. The preferred shareholders' right of conversion expired in March 2002. Accordingly, no diluted earnings per share is presented in the accompanying consolidated statements of income for such years.

## 26. Segment Reporting

### *Business Segment Information*

Financial information by segment is reported on the basis used internally for evaluating segment performance and allocating resources among operating segments.

The industry segments where the Group operates are: general construction, coal mining, infrastructure and real estate development and manufacturing.

### *Business Segments*

The following tables present revenue, net income (loss) and depreciation, depletion and amortization information regarding business segments for the years ended December 31, 2004, 2003 and 2002 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2004 and 2003 (amounts in millions):

	Revenue			Net Income (Loss)			Depreciation, Depletion and Amortization		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
General Construction	<b>P1,953</b>	P1,949	P1,343	<b>P118</b>	P127	(P232)	<b>P75</b>	P87	P141
Coal Mining	<b>5,066</b>	2,177	1,517	<b>1,246</b>	138	6	<b>685</b>	428	400
Infrastructure and Real Estate Development	<b>718</b>	470	329	<b>36</b>	(23)	43	<b>2</b>	26	31
Manufacturing and Parent Company	<b>24</b>	20	29	<b>(47)</b>	(43)	(38)	<b>2</b>	2	8
	<b>P7,761</b>	P4,616	P3,218	<b>P1,353</b>	P199	(P221)	<b>P764</b>	P543	P580

	Property, Plant and Equipment Additions		Segment Assets		Segment Liabilities	
	2004	2003	2004	2003	2004	2003
General Construction	<b>P22</b>	P11	<b>P2,393</b>	P3,851	<b>P1,632</b>	P2,424
Coal Mining	<b>1,299</b>	229	<b>3,862</b>	3,099	<b>2,390</b>	2,540
Infrastructure and Real Estate Development	<b>14</b>	5	<b>6,196</b>	4,917	<b>1,882</b>	1,539
Manufacturing and Parent Company		11	<b>255</b>	351	<b>1,190</b>	1,269
	<b>1,335</b>	256	<b>12,706</b>	12,218	<b>7,094</b>	7,772
Deferred Tax Assets/Liabilities	-	-	<b>23</b>	41	<b>14</b>	70
Total Assets/Liabilities	<b>P1,335</b>	P256	<b>P12,729</b>	P12,259	<b>P7,108</b>	P7,842

The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

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## 27. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, consisted primarily of the following:

- (a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties (see Notes 14, 16 and 30). Such outstanding surety and/or guarantees amounted to ₱354 million and ₱468 million as of December 31, 2004 and 2003, respectively;
- (b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties (see Notes 8, 10, 11, 12, 14 and 16);
- (c) Interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties (see Notes 5 and 14);
- (d) Issuances of PNs and transfers of certain construction equipment by the Group in favor of certain preferred shareholders for the redemption of the Company's preferred shares (see Notes 16, 18 and 32); and
- (e) Redemption of the Company's preferred shares by the Group in 2002 under Options B and C in exchange for a PN amounting to ₱44 million in favor of DMCI Retirement Fund and other assets amounting to ₱586 million in favor of Dacon (see Notes 16, 18 and 32).

The consolidated balance sheets include the following amounts resulting from transactions with associates and other related parties:

	2004	2003
Receivable from related parties (see Note 5)	<b>₱1,095,275,329</b>	₱1,173,602,549
Payable to related parties	<b>851,922,968</b>	1,124,295,963
Notes payable to related parties (see Note 14)	-	78,969,912

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## 28. Retirement Plan

The Group has a funded and formal noncontributory defined retirement plans covering substantially all of their regular employees. Total retirement costs charged to operations by the Group amounted to ₱23 million in 2004 and ₱21 million in 2003 and 2002 which were included as part of "Salaries, wages and employee benefits" under the "Operating expenses" account in the consolidated statements of income (see Note 21).

Based on the latest actuarial valuations of the Company and its subsidiaries, the aggregate actuarial present value pension benefits amounted to ₱167.9 million. The aggregate fair value of their respective plan assets amounted to ₱37.9 million. The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates. Actuarial valuations are made at least every two to three years.

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## 29. CSA with NPC

Semirara has a CSA (see Notes 15, 16, 19 and 20) with NPC dated May 19, 1995, whereby Semirara agreed to sell and NPC agreed to buy from Semirara the local coal requirements of its 2 x 300 megawatt coal-fired power plants at Calaca, Batangas (Calaca I & II). As provided for in the CSA, the annual contracted quantities are as follows: (a) 600,000 MT to a maximum of 900,000 MT commencing on July 1, 1995 until March 31, 1996 and (b) 1,050,000 MT to a maximum of 1,500,000 MT, after March 31, 1996 until March 31, 1997 or until Unong mine is declared depleted by Semirara. Since the Unong mine was not declared depleted by Semirara on March 31, 1997, the annual minimum contracted quantity of 1,050,000 was reduced to 900,000 MT starting April 1, 1997. However, upon its declaration that the Unong mine is depleted, Semirara shall supply NPC and NPC shall buy from Semirara an annual minimum quantity of 700,000 MT up to a maximum quantity of 1,200,000 MT of coal.

The CSA also provided for, among others, the pricing determination where the base price per MT of coal is computed based on a formula stipulated in the CSA. The base price is subject to adjustment for penalty or bonus, which is determined on a per delivery basis, based on a set of coal quality standards also as stipulated in the CSA. The CSA is effective for 15 years up to May 2010. In 2001 the first amendment was made to the CSA and on January 1, 2002, the second amendment to the CSA was finalized. The amendments made, among others, follow:

- (a) supply of a revised annual minimum quantity of 1,200,000 MT up to a maximum quantity of 2,400,000 MT of coal, which was stipulated in the first amendment to the CSA dated January 15, 2001;
- (b) NPC to be entitled to an additional 3% discount in the event that its aggregate liftings in any given year exceeds 1,100,000 MT up to 2,400,000 MT of coal. Discount computation shall start on the month its aggregate liftings exceeds 1,100,000 MT of coal;
- (c) conversion of the mode of delivery from FOB-Semirara to C&F-Calaca to simplify the payment and rescheduling of coal deliveries to Calaca I and Calaca II;
- (d) maintenance by Semirara, at its own expense, of a minimum coal running inventory of at least 100,000 MT that meets the applicable coal specifications set forth in the second amendment of the CSA and ready in all aspects for loading and delivery to Calaca I and Calaca II;
- (e) limitation in the coal's sulfur content to 1.0% in compliance with the Clean Air Act and reduction in its ash specification to 20% to minimize coal handling problems;

- (f) inclusion of certain bases of NPC's exercise of its rights to reject and/or stop coal deliveries by Semirara to NPC, consequences of coal rejection in terms of title and risk of loss to coal delivered, relief from payment by NPC, and removal of delivered coal from NPC premises; and remedies for Semirara in the event NPC exercises such rights;
- (g) changes in (i) the pricing periods to a 3-month period which shall commence respectively at the beginning of a calendar quarter namely: January 1, April 1, July 1, and October 1; and (ii) the computation of the base price of Semirara's coal delivery including the determination of the initial and final base prices, to consider the volatile foreign exchange situation and the price of all NPC imported coal for Calaca plant during the pricing period;
- (h) changes in the computation of the adjustment for penalty or bonus from the base price per MT;
- (i) requirement for Semirara and NPC to reconcile payments made for coal deliveries for the immediate preceding pricing period within 30 calendar days from determination of the final base price by issuing a debit memo to the other;
- (j) deletion of the CSA provision requiring NPC to make an equity investment in Semirara in the event that the aggregate deliveries of coal meeting the coal specifications taken by NPC within any calendar year is less than 900,000 MT; and
- (k) inclusion of the provision allowing Semirara and the new owner or operator of Calaca I and Calaca II, in the event that Calaca I and Calaca II are privatized or its operation and maintenance is turned over to the private sector in conformity with the provisions of the Build-Operate-Transfer Law, as amended, or such other enabling statute, to review the provisions of the CSA, provided that in the conduct of such review, the prevailing policy on the development of the country's indigenous energy resources as set forth in the DOE Act of 1992 including changes thereto shall be observed.

Semirara's receivables from NPC arising from this agreement amounted to ₱754 million and ₱252 million as of December 31, 2004 and 2003, respectively, and included in the "Receivables" account under "Trade - Coal Sales" in the consolidated balance sheets (see Note 5).

In 2003, the supplemental agreement (Agreement) to the CSA was finalized. The Agreement provided for among others, the services to be undertaken by Semirara for the coal handling operations at Calaca, Batangas as a result of the extension of coal delivery from C&F Discharge Port to C&F Silo with the cost of ₱66 per MT plus value added tax.

The services to be undertaken by Semirara in order to extend their service delivery service from discharge port to silos include coal unloading and handling; repairs and maintenance of coal handling facilities; stevedoring services; support activities and coal yard management; and tree planting, marine life protection program and environmental programs to enhance image of NPC power plants. Semirara recognized a net income of ₱18 million and ₱6 million from this handling operation for the years ended December 31, 2004 and 2003, respectively.

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**30. Contingencies**

The Group is contingently liable for contractor's guarantees arising in the ordinary course of business, including letters of guarantee for performance, surety and warranty bonds for various construction projects amounting to ₱3,330 million and ₱1,002 million as of December 31, 2004 and 2003, respectively.

The Group is contingently liable for lawsuits or claims filed by third parties (substantially labor related and civil cases) which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made during the year.

DMCI has a contingent claim from URPHI representing interest on contract receivables, the recoverability of which is dependent on the successful implementation of URPHI's rehabilitation plan.

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**31. Commitments**

The Group leases a portion of its office premises that are renewed under the terms and conditions agreed upon with the lessors.

Future minimum rentals payable (in millions) under non-cancelable operating leases of lessee subsidiaries are as follows as of December 31:

Within one year	₱10
After one year but not more than five years	56
After more than five years	5
	<u>₱71</u>

Beta has also entered into a lease agreement with a third party covering the lease of Beta's main office building. The lease has a term of 5 years.

As of December 31, 2004, the future minimum lease rentals receivable (in millions) under this operating lease follow:

Not later than one year	₱3
After one year but not more than five years	14
	<u>₱17</u>

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### 32. Capital Restructuring of Semirara

On March 17, 2004, the stockholders of Semirara ratified its BOD resolution on Semirara's Capital Restructuring. The Capital Restructuring of Semirara was approved by the SEC on July 2, 2004.

The Capital Restructuring of Semirara includes the following:

- (a) Reduction of the authorized capital stock from ₱1,812,200,000, divided into 1,662,200,000 common shares at ₱1 par value per share and 15,000 preferred shares at ₱10,000 par value per share to ₱21,370,448 divided into 21,370,448 common shares at ₱1 par value per share,
- (b) Retirement and cancellation of the ₱150,000,000 authorized preferred shares;
- (c) Issued and outstanding common shares will be used to eliminate deficit as of December 31, 2003 of ₱1,625,852,920, thus reducing issued and outstanding common shares to ₱5,342,612; and
- (d) Increase in authorized capital stock from ₱21,370,448 divided into 21,370,448 common shares to ₱100,000,000 divided into 100,000,000 shares with a par value of ₱1 per share.

On July 30, 2004, Semirara's BOD approved the application for additional listing on the Philippine Stock Exchange (PSE) of 19,657,388 common shares. These shares were subscribed by the Company out of the increase in the authorized capital stock approved by the SEC on July 2, 2004 as part of Semirara's Capital Restructuring at a price of ₱1.05 per share thereby increasing the Company's shareholdings in Semirara from 74.40% to 94.53%.

On September 14, 2004, Semirara's BOD approved the increase in Semirara's authorized capital stock from ₱100 million divided into 100 million common shares with ₱1 par value per share to ₱1,000 million divided into 1 billion common shares with ₱1 par value per share. Semirara's BOD also approved the declaration of stock dividends in the amount of ₱225 million consisting of 225 million common shares at a par value of ₱1 per share in favor of all Semirara's stockholders as of the record date to be determined by the SEC in proportion to their respective shareholdings as of said record date. On October 8, 2004, Semirara's stockholders approved the said increase in the authorized capital stock and the declaration of stock dividends. Semirara's stockholders also approved the offer for subscription to qualified institutional buyers of common shares out of the authorized capital stock provided it does not exceed 20% of the issued and outstanding capital stock after the offered shares have been subscribed.

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**33. Note to Consolidated Statements of Cash Flows**

The Group's significant noncash operating, investing and financing activities follows:

	<b>2004</b>	2003	2002
Acquisitions of conventional and continuous mining equipment through availments of long-term debt	<b>₱434,125,210</b>	₱82,500,000	₱136,980,042
Redemption of preferred shares by related parties charged against advances (see Notes 18 and 27)	<b>61,604,800</b>	-	-
Redemption of preferred shares by the Group in exchange for PNs (see Notes 18 and 27)	<b>13,645,320</b>	2,000,000	571,228,721
Return of joint venture capital charged against advances	<b>12,147,755</b>	-	-
Sale of investment in shares of stocks on account	<b>3,006,213</b>	-	-
Acquisition of property, plant and equipment on account	<b>2,616,742</b>	-	-
Assignment of investments in condominium units in settlement of accounts payable	-	60,977,654	-
Receipt of a condominium unit from an associate as payment of its accounts payable	-	22,275,904	-
Additional subscriptions to capital stock of an associate in exchange for the claims against the associate	-	8,820,000	36,750,000
Redemption of preferred shares from Dacon by the Company on account (see Notes 18 and 27)	-	-	585,756,008
Transfer of AHI shares to a preferred shareholder as payment for the redemption of preferred shares by the Company (see Note 18)	-	-	50,276,000
Transfer of DMCI's construction equipment for the redemption of preferred shares (see Notes 18 and 27)	-	-	50,173,440

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**34. Subsequent Events**

On February 4, 2005, Semirara successfully completed its international offer of 89,866,000 common shares at an offer price of ₱36 per share. The offered shares comprised 42,991,000 existing shares held by the Company and 46,875,000 new shares. Concurrently, the Company offered 15,180,000 existing shares to all of the trading participants of the PSE.

On April 4, 2005, Semirara's BOD approved the following:

- (a) Appropriation for capital expenditure amounting to ₱1 billion from the unappropriated retained earnings as of December 31, 2004 of Semirara;
- (b) The adoption of a dividend policy with a minimum dividend payout of 20% of the net income after taxes starting from the year ending December 31, 2005; subject to the financial requirements of Semirara. The policy further provides that Semirara's BOD may declare more than 20% cash dividends if there is excess cash and less than 20% if there is not enough cash available; and
- (c) Revocation of Semirara's BOD resolution dated April 25, 2000 relating to the spin-off of certain assets and liabilities of Semirara as of March 31, 2000.

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

For the period ended March 31, 2005 and December 31, 2004

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

		<b>AUDITED</b>
	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,183,063	217,125
Receivables - net	2,604,836	2,556,172
Costs and estimated earnings in excess of billings on uncompleted contracts	0	112,260
Inventories - net	929,115	630,834
Real Estate Held for Sale and Development	3,837,980	3,568,147
Prepaid expenses and other current assets	339,593	129,644
<b>Total Current Assets</b>	<b>9,894,586</b>	<b>7,214,182</b>
<b>Noncurrent Assets</b>		
<b>Noncurrent receivables - net</b>	<b>1,043,486</b>	<b>1,095,275</b>
<b>Investments in associates, jointly controlled entities and others - net</b>	<b>662,221</b>	<b>414,255</b>
<b>Investment properties - net</b>	<b>1,008,902</b>	<b>984,309</b>
<b>Property, Plant and Equipment - net</b>	<b>2,913,602</b>	<b>2,563,481</b>
<b>Deferred Charges and Other Assets</b>	<b>469,657</b>	<b>457,262</b>
<b>Total Noncurrent Assets</b>	<b>6,097,869</b>	<b>5,514,582</b>
	<b>15,992,455</b>	<b>12,728,764</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Notes Payable	189,814	403,885
Accounts and other payables	3,764,554	3,029,622
Current portion of long-term debt	303,201	1,048,212
Estimated liability for property development	0	38,005
Billings in Excess of Costs on Uncompleted Contracts	146,758	144,501
<b>Total Current Liabilities</b>	<b>4,404,327</b>	<b>4,664,225</b>
<b>Noncurrent Liabilities</b>		
Long-Term Debt - net of current portion	1,828,840	1,272,665
Payables to related parties	355,668	851,923
Other Noncurrent Liabilities	330,302	319,599
<b>Total Noncurrent Liabilities</b>	<b>2,514,810</b>	<b>2,444,187</b>
<b>Total Liabilities</b>	<b>6,919,137</b>	<b>7,108,412</b>
<b>Minority Interest in Consolidated Subsidiaries</b>	<b>1,418,937</b>	<b>173,088</b>
<b>Stockholders' Equity</b>		
Redeemable Preferred stock - P1 par value		
Authorized -100,000,000 shares	286	342
Common stock - P1 par value		
Authorized -5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494	2,255,494
Additional paid-in capital:	2,771,808	2,827,839
Retained earnings	2,803,819	602,685
Treasury stocks	(177,026)	(239,096)
<b>Total Stockholders' Equity</b>	<b>7,654,381</b>	<b>5,447,264</b>
	<b>15,992,455</b>	<b>12,728,764</b>

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the period ended March 31, 2005 and 2004 and for the quarter ended

March 31, 2005 and 2004

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2005	2004	2005	2004
<b>SALES &amp; SERVICES</b>				
Construction Contracts	415,534	605,363	415,534	605,363
Coal Sales	1,001,397	648,733	1,001,397	648,733
Real Estate Sales	234,618	188,304	234,618	188,304
Merchandise sales	14,635	9,711	14,635	9,711
	<b>1,666,184</b>	<b>1,452,111</b>	<b>1,666,184</b>	<b>1,452,111</b>
<b>COSTS OF SALES &amp; SERVICES</b>				
Construction costs and expenses	383,236	529,443	383,236	529,443
Cost of Coal Sales	604,056	508,594	604,056	508,594
Cost of Real Estate Sold	164,268	146,145	164,268	146,145
Cost of merchandise sales	10,154	7,461	10,154	7,461
	<b>1,161,714</b>	<b>1,191,643</b>	<b>1,161,714</b>	<b>1,191,643</b>
<b>GROSS PROFIT</b>	<b>504,470</b>	<b>260,468</b>	<b>504,470</b>	<b>260,468</b>
<b>OTHER INCOME AND COSTS</b>				
Equity in net earnings of unconsolidated affiliates	(2,246)	(1,350)	(2,246)	(1,350)
General and administrative	(163,138)	(106,153)	(163,138)	(106,153)
Gain on Sale of Investment	2,006,383		2,006,383	
Interest and others - net	3,306	(69,463)	3,306	(69,463)
	1,844,305	(176,966)	1,844,305	(176,966)
<b>INCOME/(LOSS) BEFORE INCOME TAX</b>	<b>2,348,775</b>	<b>83,502</b>	<b>2,348,775</b>	<b>83,502</b>
<b>PROVISION FOR INCOME TAX</b>	<b>14,581</b>	<b>9,748</b>	<b>14,581</b>	<b>9,748</b>
<b>INCOME BEFORE MINORITY INTEREST</b>	<b>2,334,194</b>	<b>73,754</b>	<b>2,334,194</b>	<b>73,754</b>
<b>MINORITY INTEREST</b>	<b>133,061</b>	<b>16,201</b>	<b>133,061</b>	<b>16,201</b>
<b>NET INCOME (LOSS)</b>	<b>2,201,133</b>	<b>57,553</b>	<b>2,201,133</b>	<b>57,553</b>
<b>RETAINED EARNINGS/(DEFICIT), BEG.</b>	<b>602,685</b>	<b>(723,586)</b>	<b>602,685</b>	<b>(723,586)</b>
<b>DIVIDENDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RETAINED EARNINGS/(DEFICIT), END</b>	<b>2,803,818</b>	<b>(666,033)</b>	<b>2,803,818</b>	<b>(666,033)</b>
<b>Earnings per Common share</b>				
Basic*	0.98	0.03	0.98	0.03
Diluted	0.00	-	-	-

\*Net Income less dividends divided by the total outstanding shares of 2,255,494,000

DMCI HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE PERIOD ENDED MARCH 31, 2005 AND 2004

	<b>MARCH 2005</b>	<b>MARCH 2004</b>
<b>CAPITAL STOCK</b>		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,113,760)	(1,948,310)
	<u>286,240</u>	<u>451,690</u>
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494,000	2,255,494,000
	<u>2,255,780,240</u>	<u>2,255,945,690</u>
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at the beginning	2,827,839,006	2,929,845,102
Retirement of Preferred Shares	(56,030,600)	(516,530)
	<u>2,771,808,406</u>	<u>2,929,328,572</u>
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of the period	602,685,131	(723,585,843)
Net income(loss) for the period	2,201,133,856	57,552,067
Accrued dividends declared	-	-
Balance at end of the period	<u>2,803,818,987</u>	<u>(666,033,776)</u>
<b>PREFERRED SHARES HELD IN TREASURY</b>		
Balance at beginning of the period	(239,096,300)	(237,287,967)
Acquisitions for the period	-	-
Redemption/Retirement of preferred shares	62,069,800	(17,327,619)
Balance at end of the period	<u>(177,026,500)</u>	<u>(254,615,586)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>7,654,381,133</u></b>	<b><u>4,264,624,900</u></b>

**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the period ended March 31, 2005 and 2004**  
**(Amounts in Thousands of Philippine Pesos)**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net (Loss)/ Income</b>	2,201,133	57,553
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates	2,246	1,350
Depreciation, depletion and amortization	130,816	14,851
Income (Loss) applicable to Minority Interest	(133,061)	(16,201)
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	3,125	(583,394)
Inventories - net	(298,281)	(109,232)
Prepaid expenses and other current assets	(209,949)	(8,692)
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	696,927	742,137
Current portion of long-term debt	(745,011)	(38,380)
Non current liabilities	70,623	(287,686)
Billings in excess of cost of uncompleted contracts	114,517	115,326
<b>Net cash provided by operating activities</b>	<b>1,833,085</b>	<b>(112,368)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Investments - net	(272,559)	856,675
Real estate held for sale and development	(269,833)	(708,210)
Property, plant and equipment - net	(350,121)	49,170
Deferred charges and other assets - net	(12,395)	(46,999)
<b>Net cash provided by investing activities</b>	<b>(904,908)</b>	<b>150,636</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments (payments) of:		
Notes payable	(214,071)	(88,874)
Redemption of preferred shares		
Capital Stock at P1.00 par value	(56)	0
Additional paid-in capital	(56,031)	(516)
Acquisition of preferred shares to treasury	0	0
Redemption of preferred shares from treasury	62,070	(17,328)
Accrual of Dividends paid:		
Preferred Shares	0	0
<b>Net increase (decrease) in minority interest</b>	<b>1,245,849</b>	<b>(15,073)</b>
<b>Net cash provided by financing activities</b>	<b>1,037,761</b>	<b>(121,791)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,965,938</b>	<b>(83,523)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>217,125</b>	<b>247,591</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>2,183,063</b>	<b>164,068</b>

**1. Summary of Significant Accounting Policies**

Basis of Financial Statement Preparation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines (Philippine GAAP) using the historical cost basis except for certain property, plant and equipment, which are carried at adjusted cost (see Note 12).

Use of Estimates

The preparation of consolidated financial statements in conformity with Philippine GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates will be recorded in the consolidated financial statements as they become reasonably determinable.

Adoption of New Accounting Standards

On January 1, 2004, the Group adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS):

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of the balance sheet liability method in accounting for deferred income taxes. As a result of the adoption of SFAS 12/IAS 12, the deferred tax assets on temporary deductible differences previously covered with valuation allowance are no longer recognized as deferred tax assets (see Note 24). Also, a certain subsidiary derecognized deferred tax assets not covered with valuation allowance in prior years to conform to the standard. This resulted in a retroactive upward adjustment to beginning balance of deficit as of December 31, 2003, 2002 and 2001 amounting to ₱27 million, ₱30 million and ₱31 million, respectively. Net income increased by ₱2 million and ₱1 million in 2003 and 2002, respectively. Additional disclosures required by the new standard were included in the consolidated financial statements.
- SFAS 17/IAS 17, *Leases*, which prescribes the accounting policies and disclosures applicable to finance and operating leases. The new standard also requires the recognition of lease payments under operating leases on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit. The adoption of SFAS 17/IAS 17 did not have a material impact on the consolidated financial statements.

Basis of Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (which were all incorporated in the Philippines) as of December 31:

	<b>Effective Percentages of Ownership</b>	
	<b>2004</b>	2003
<b>General Construction:</b>		
D.M. Consunji, Inc. (DMCI)	<b>100.00</b>	100.00
DMCI International, Inc. (DMCII)	<b>100.00</b>	100.00
OHKI-DMCI Corporation (OHKI)	<b>100.00</b>	60.00
DMCI-Laing Construction, Inc. (DMCI-Laing)	<b>60.00</b>	60.00
Beta Electric Corporation (Beta Electric)	<b>56.57</b>	50.10
<b>Infrastructure and Real Estate Development:</b>		
DMCI Project Developers, Inc. (PDI)	<b>100.00</b>	100.00
Contech Products Corporation (Contech)	<b>100.00</b>	100.00
Constress Philippines, Inc. (Constress)	<b>100.00</b>	50.71
Hampstead Gardens Corporation (Hampstead)	<b>60.00</b>	60.00
Riviera Land Corporation (Riviera)	<b>51.00</b>	51.00
<b>Coal Mining:</b>		
Semirara Mining Corporation (Semirara)	<b>94.53</b>	74.40
<b>Manufacturing:</b>		
Semirara Cement Corporation (SemCem)*	<b>100.00</b>	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	<b>61.70</b>	61.70
Contech Products South Corporation (Contech South)	<b>52.00</b>	52.00

\* Organized on January 29, 1998 and has not yet started commercial operations.

DMCI's subsidiaries include DMCII, DMCI-Laing, OHKI, Beta Electric, Constress and Contech South.

PDI's subsidiaries include Contech and Hampstead.

Except as stated otherwise, consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in consolidation.

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Company. The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest's equity in the subsidiary. The excess and any further losses applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profit until the minority's share of losses previously absorbed by the majority has been recovered.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

#### Receivables

Receivables are recognized and carried at the original contract price or invoice amount, less allowance for any uncollectible amount. An estimate for doubtful accounts is made when collection

of the full amount is no longer probable or when the amounts anticipated to be received in settlement of such receivables are less than the amounts due. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential losses on receivables and is determined after a study of the estimated collectibility of receivable balances and evaluation of such factors as aging of the accounts, collection experience in relation to the particular receivables, past and expected loss experiences and specifically identified doubtful accounts.

#### Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated replacement cost or the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of coal inventory is determined by the weighted average production cost method. The cost of equipment parts, materials and supplies is determined substantially by the average cost methods (either by moving average or weighted average production cost). The cost of equipment parts, materials and supplies determined by the first-in, first-out method accounts for about 7% of total inventories.

#### Real Estate for Sale and Development

Real estate for sale and development are carried at the lower of cost or NRV. Real estate costs include those costs that relate to the acquisition, development, improvement and construction of the real estate projects. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Investments in Associates, Jointly Controlled Entities and Others

Investments in associates and jointly controlled entities are accounted for under the equity method. Under this method, such investments are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of these investees. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Group's interest thereon. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investment.

If the Group's share in the losses of an investee equals or exceeds the carrying amount of its investment, the Group ordinarily discontinues recognizing its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the investee to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of net losses not recognized.

Investments in shares of stock of companies in which the Group does not exercise significant influence are carried at cost. An allowance is set up for any substantial and presumably permanent decline in the carrying value of these investments.

#### Investment Properties

Investment properties consist of land, condominium units, and buildings and improvements in excess of the Group's requirements and that are leased to others and for investment purposes. These are carried at cost less any accumulated depreciation and any impairment in value, except for land which are carried at cost less any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the condominium units and buildings and improvements ranging from 5 to 10 years.

#### Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization and any impairment in value. Land is stated at cost, less any impairment in value.

Certain land and land improvements, buildings and building improvements and conventional and continuous mining equipment of Semirara acquired up to April 30, 1997 are stated at adjusted cost (as a result of Semirara's quasi-reorganization as of December 31, 1997) (see Note 12) as determined by an independent firm of appraisers as of that date less accumulated depreciation and amortization and any impairment in value. Subsequent additions are stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Depreciation and amortization of property, plant and equipment, except for mining properties, mine exploration and development costs, are calculated on the straight-line basis over the following estimated useful lives of the respective assets:

Land improvements	5 to 17 years
Buildings and building improvements	5 to 25 years
Construction equipment, machinery and tools	5 to 10 years
Office furniture, fixtures and equipment	3 to 5 years
Transportation equipment	4 to 5 years
Conventional and continuous mining equipment	2 to 13 years
Leasehold improvements	5 to 7 years or remaining lease term, whichever is shorter

Depletion of mining properties, mine exploration and development costs are calculated based on the units-of-production method.

The estimated useful lives and depreciation, depletion and amortization methods are reviewed periodically to ensure that the period and methods of depreciation, depletion and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress included in property, plant and equipment is stated at cost. This includes cost of construction of property, plant and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

#### Mine Exploration and Development Costs

Expenditures for mine exploration and development activities on mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, the exploration expenses and subsequent development expenses are capitalized and presented under the "Other noncurrent assets" account in the consolidated balance sheets. Upon the start of commercial production, such capitalized costs are accordingly transferred to the "Property, plant and equipment" account in the consolidated balance sheets and amortized using the units-of-production method.

#### Stripping Costs

Stripping costs are deferred based on the difference between the actual stripping ratio (ratio of waste moved to coal mined) and the estimated stripping ratio established in accordance with the survey conducted on the mine. These costs, included under the "Other noncurrent assets" account in the consolidated balance sheets, are amortized using the units-of-production method.

#### Impairment of Assets

An assessment is made at balance sheet date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of housing and condominium units are capitalized as part of the “Real estate for sale and development” account in the consolidated balance sheets. Other borrowing costs are recognized as expense in the year in which these costs are incurred.

The capitalization of borrowing costs as part of the cost of housing and condominium units:

(a) commences when the expenditures and borrowing costs for the housing and condominium units are being incurred and activities that are necessary to prepare the housing and condominium units for its intended use or sale are in progress; (b) is suspended during extended periods in which active development, improvement and construction of the housing and condominium units are interrupted; and (c) ceases when substantially all the activities necessary to prepare the housing and condominium units for its intended use or sale are complete. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recorded.

### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

#### *Construction Contracts*

Revenue from construction contracts is recognized under the percentage of completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Contracts to manage, supervise, or coordinate the construction activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margin are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset, “Costs and estimated earnings in excess of billings on uncompleted contracts”, represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability, “Billings in excess of costs and estimated earnings on uncompleted contracts”, represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are included as part of “Trade receivables - construction” under the “Receivables” account in the consolidated balance sheets.

### *Real Estate Sales*

Revenue from real estate sales, which consists primarily of the sale of housing and condominium units, with material obligations under the sales contracts to provide improvements after the property is sold, is accounted for under the percentage of completion method. Under this method, the revenue is deferred and presented as “Deferred revenue on real estate sales” under the “Other noncurrent liabilities” account in the consolidated balance sheets and realized as the related obligations are fulfilled. If any of the criteria under the percentage of completion method is not met, the deposit method is applied until such criterion is met. Under the deposit method, revenue recognition is deferred until the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as “Customers’ deposits,” included in the “Accounts and other payables” account in the liabilities section of the consolidated balance sheets. Cancellations of prior year sales and related deferred gross profit are deducted from current year revenue and costs.

The costs of related housing and condominium units sold before completion of the projects are determined based on the actual costs incurred and project cost estimates as determined by the contractors and technical staff of the Group. The estimated future expenditures for the completion of sold residential and condominium units are presented as “Estimated liability for property development” account in the consolidated balance sheets.

### *Coal Sales*

Revenue from coal sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

### *Merchandise Sales*

Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the risks and rewards are passed on to the buyers.

### *Rental Income*

Rental income from investment properties is accounted for on a straight-line basis over the lease term.

### *Interest Income*

Interest income is recognized as it accrues.

### Leases

Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

### Retirement Costs

Most of the Group’s retirement costs are actuarially determined using either the projected unit credit method or the attained age cost method. The projected unit credit method reflects the services rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Retirement costs include current service costs plus amortization of past service costs, experience adjustments and changes in actuarial assumptions over the expected remaining working lives of the covered employees. Certain subsidiaries determined their retirement costs using the attained age cost method. Under the attained age cost method, past

service costs, experience adjustments and the effects of changes in actuarial assumptions are amortized over the expected remaining working lives of the covered employees. Of the consolidated retirement costs, 53% was determined using the projected unit credit method and 43% using the attained age cost method.

#### Income Taxes

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, and the carryforward benefits of the excess of minimum corporate income tax (MCIT) over regular corporate income tax, and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deferred tax asset can be used or when there are sufficient taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been substantially enacted at the balance sheet date.

Under the provisions of Republic Act No. 7227, DMCII, being a Subic Bay Free Port Zone enterprise, is subject to a tax of 5% on gross income in lieu of all other taxes.

#### Foreign Currency Transactions

Transactions denominated in foreign currency are recorded using the exchange rate prevailing as of the date of the transactions. Outstanding foreign currency-denominated assets and liabilities at year-end are translated to Philippine Pesos at prevailing Philippine Dealing System rates at balance sheet dates. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

### Subsequent Events

Post year-end events up to the date of the auditors' report that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

### Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to common shareholders [net income (loss) for the period less dividends on convertible redeemable preferred shares] by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted earnings per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. The net income (loss) attributable to common shareholders is increased by the dividends on convertible redeemable preferred shares. The weighted average number of common shares is increased by the weighted average number of additional common shares which would be issued assuming the conversion of all dilutive potential common shares.

Diluted earnings (loss) per share assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted earnings per share is presented.

### Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

### New and Revised Accounting Standards Effective in 2005

New and revised accounting standards based on revised IAS and new International Financial Reporting Standards (IFRS) referred to as Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRSs), respectively, will become effective in 2005.

Beginning January 1, 2005, the Company will adopt the following relevant new accounting standards:

- PAS 19, *Employee Benefits*, prescribes the accounting and disclosures by employers for employee benefits, including short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits. For post-employment benefits classified as defined benefit retirement plans, the standard will require the use of the projected unit credit method in measuring the retirement benefit expense and will result in change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. The Company's subsidiaries using an actuarial valuation method other than the projected unit credit method are in the process of having their actuarial valuation made using the projected unit credit method to determine the net impact of adopting PAS 19. The Group will engage a qualified actuary to perform an actuarial valuation of the retirement benefit obligations in accordance with PAS 19, and to determine the amount of transitional liability or asset that will be adjusted against January 1, 2005 retained earnings.
- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, eliminates the capitalization of foreign exchange losses. The standard also requires a company to determine its functional currency and measure its results and financial position in that currency. The adoption of PAS 21 will not have an impact on the consolidated financial statements.
- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the company, types of risks associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. The standard also requires financial instruments to be classified as either liabilities or equity in accordance with its substance and not its legal form. Disclosures required by PAS 32 will be included upon adoption in 2005.
- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for recognizing and measuring a company's financial assets and financial liabilities. The standard requires a financial asset or financial liability to be recognized initially at fair value. Subsequent to initial recognition, a company should continue to measure financial assets at their fair values, except for loans and receivables and

held-to-maturity investments, which are to be measured at cost or amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as “at fair value through profit and loss” and derivatives, which are subsequently to be measured at fair value.

PAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (and derivative-like provisions) embedded in non-derivative contracts. Under the standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that do not qualify as hedges are adjusted to fair value through income. If a derivative is designated and qualifies as a hedge, depending on the nature of the hedging relationship, changes in the fair value of the derivative are either offset against the changes in fair value of the hedged assets, liabilities, and firm commitments through earnings, or recognized in stockholders’ equity until the hedged item is recognized in earnings. The Company must formally document, designate and assess the hedge effectiveness of derivative transactions that receive hedge accounting treatment.

Given the complexities of PAS 39, the Group will undertake certain detailed procedures to quantify the potential financial statements impact of this standard in 2005.

- PAS 40, *Investment Property*, prescribes the accounting treatment for investment property and related disclosure requirements. This standard permits the company to use either the fair value model or cost model in accounting for investment property. The fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. The cost model requires that an investment property should be measured at depreciated cost less any accumulated impairment losses. Upon effectivity of PAS 40, the Group will adopt the cost model and will continue to carry their investment properties at depreciated cost less any accumulated impairment losses. Additional disclosures required by the standard will be included in the 2005 consolidated financial statements.
- PFRS 3, *Business Combination*, which will result in the cessation of the amortization of goodwill and a requirement for an annual test for goodwill impairment. Any resulting negative goodwill after performing a reassessment will be credited to income. Moreover, pooling of interests in accounting for business combination will no longer be permitted. The Group does not expect that the effect of adopting PFRS 3 will be material.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on such assets to cease. Furthermore, assets that meet the criteria to be classified as held for sale should be presented separately on the face of the balance sheet and the results of discontinued operations to be presented separately in the statements of income. The adoption of PFRS 5 will not have a material impact on the consolidated financial statements.

The group will also adopt in 2005 the following relevant revised accounting standards:

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statement of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments that management has made in the process of applying the entity's accounting policies. It also requires changes in the presentation of minority interest in the consolidated balance sheets and consolidated statements of income.
- PAS 2, *Inventories*, reduces the alternatives for measurement of inventories by disallowing the use of the last in, first out (LIFO) formula. Moreover, the revised standard does not permit foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency to be included in the cost of purchase of inventories.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.
- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.
- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- PAS 17, *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessors.
- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosure of the total compensation of key management personnel and by benefit types.
- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, *Investments in Associates*, reduces alternatives in accounting for associates in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances.
- PAS 31, *Interests in Joint Ventures*, reduces the alternatives in accounting for interests in joint ventures in the separate financial statements of a venturer. Interests in joint ventures will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements.
- PAS 33, *Earnings Per Share*, prescribes principles for the determination and presentation of earnings per share for entities with publicly traded shares, entities in the process of issuing ordinary shares to the public, and any entities that calculate and disclose earnings per share. The standard also provides additional guidance in computing earnings per share including the effects of mandatorily convertible instruments and contingently issuable shares, among others.
- PAS 36, *Impairment of Assets*, establishes frequency of impairment testing for certain intangibles and provides additional guidance on the measurement of an asset's value in use.
- PAS 38, *Intangible Assets*, provides additional clarification on the definition and recognition of certain intangibles. Moreover, this revised standard requires that an intangible asset with an indefinite useful life should not be amortized but will be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

The adoption of the above revised accounting standards is not expected to have a material impact on the consolidated financial statements. Additional disclosures and presentation changes required by the revised accounting standards will be included in the 2005 consolidated financial statements.

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## 2. Capital Stock

The changes in the number of shares follow:

	As of March 31, 2005	Audited as of December 31, 2004
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized	<b>100,000,000</b>	100,000,000
Issued		
Balance at beginning of the period	<b>342,240</b>	451,690
Retirement of preferred shares	<b>(56,000)</b>	(109,450)
Balance at end of the period	<b>286,240</b>	342,240

Common stock - ₱1 par value		
Authorized	<b>5,900,000,000</b>	5,900,000,000
Issued	<b>2,255,494,000</b>	2,255,494,000
Preferred shares held in treasury		
Balance at beginning of year	<b>(185,500)</b>	(183,700)
Redemption of preferred shares		(111,250)
Retirement of preferred shares	<b>56,000</b>	109,450
Balance at end of year	<b>(129,500)</b>	(185,500)

The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

On April 1, 2002, the Company's BOD approved the Exchange Offer involving the redemption of all of the Company's outstanding preferred shares totaling 1,670,584 shares as of December 31, 2001, which were due for redemption on April 7, 2002 (Final Redemption Date). Such Exchange Offer, which was formally presented to the preferred shareholders on April 5, 2002, consisted of any one or more of the following Options:

**Option A - Secured 5-Year Term Loan**

*Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,000 per share, equivalent to the original issue price of the preferred shares. The PNs, which are value dated April 7, 2002, shall be subject to a floating interest rate based on prevailing 91-day T-bill rate plus a 2% spread; and shall be secured by a mortgage on certain real estate properties owned by the Group and related parties.*

As of December 31, 2004 and March 31, 2005, the Group issued PNs amounting to ₱139 million and ₱0 respectively for the redemption of 310,700 preferred shares, respectively, under Option A

**Option B - Secured 7-Year Term Loan**

*Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,367 per share, equivalent to the original issue price of the preferred shares plus accumulated and nonconversion premium. The PNs, which are also value dated April 7, 2002, shall be subject to either of the following interest rates at the option of the preferred shareholders: (a) floating interest rate based on prevailing 91-day T-bill rate plus a 3% spread; (b) fixed interest at 13% for the first 5 years of the loan and floating for the remaining 2 years at a rate equivalent to that contemplated in letter (a); and (c) fixed interest at 13% for the entire 7-year term; and shall be secured by a participation in a mortgage trust indenture covering various accounts receivables, inventory and equipment owned by the Company and/or its subsidiaries and related parties; and/or a mortgage on certain provincial real estate properties.*

As of December 31, 2004 and March 31, 2005, the Group issued PNs or incurred loans amounting to ₱ 106 million and ₱0 for the redemption of 369,915 preferred shares under Option B.

**Option C - Asset for Share Exchange**

*Redemption of preferred shares in exchange for residential and office units, equipment and/or accounts receivable at a valuation of ₱1,112 per share (purchase price), equivalent to the original issue price of the preferred shares plus accumulated and current dividends. The exchange shall be carried out with the subject assets valued at their selling price or fair market value. In the event that the total value of the assets elected by the preferred shareholders exceeds the total purchase price of the preferred shares, the resulting residual amount shall be paid by*

such shareholders to the Company in cash. Conversely, should the total purchase price exceeds the asset value, the residual amount shall be paid by the Company to the shareholders through either of Options A, B or D.

As of December 31, 2004 and March 31, 2005, the Group redeemed 603,879 preferred shares under Option C in exchange for Asian Hospital, Inc. (AHI) shares, certain construction equipment amounting to ₱50 million and other assets amounting to ₱586 million in favor of Dacon Corporation (Dacon), a major stockholder.

**Option D - Cash Payment**

*Redemption of preferred shares for cash at a price of ₱775 per share, equivalent to the closing market price of such preferred shares on April 1, 2002 up to a maximum of P72 million (cap). Should the total amount of all the preferred shares of the holders electing this option exceed the cap, the ₱72 million shall be allocated among all accepting shareholders on a pari passu basis; with the remaining preferred shares to be purchased under any of Options A, B or C.*

As of December 31, 2004 and March 31, 2005, the Group redeemed 341,510 and 403,281 preferred shares, respectively, under Option D.

As of December 31, 2003, 2002 and September 30, 2004, dividends in arrears for preferred shares amounted to ₱33 million.

### 3. Business Segments

The following tables present sales and services, cost of sales and services, and gross profit information regarding business segments for the period and quarter ended September 30, 2004 and 2003 (amounts in thousand):

	<b>Sales &amp; Services</b>			
	For the period		For the Quarter	
	2005	2004	2005	2004
General Construction	415,534	605,363	415,534	605,363
Coal Mining	1,001,397	648,733	1,001,397	648,733
Infrastructure and Real Estate Development	234,618	188,304	234,618	188,304
Manufacturing and Parent Company	14,635	9,711	14,635	9,711
	1,666,184	1,452,111	1,666,184	1,452,111

	<b>Cost of Sales &amp; Services</b>			
	For the period		For the Quarter	
	2005	2004	2005	2003
General Construction	383,236	529,443	383,236	529,443
Coal Mining	604,056	508,594	604,056	508,594
Infrastructure and Real Estate Development	164,268	146,145	164,268	146,145
Manufacturing and Parent Company	10,154	7,461	10,154	7,461

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1,161,714	1,191,643	1,161,714	1,191,643
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**Gross Profit**

	For the period		For the Quarter	
	2005	2004	2005	2004
General Construction	32,298	75,920	32,298	75,920
Coal Mining	397,341	140,139	397,341	140,139
Infrastructure and Real Estate Development	70,350	42,159	70,350	42,159
Manufacturing and Parent Company	4,481	2,250	4,481	2,250
	504,470	260,468	504,470	260,468

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#### 4. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties consisted primarily of the following:

- (a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
- (b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties
- (c) Interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties.