



CIRCULAR FOR BROKERS No. 225-2004

The Philippine Stock Exchange, Inc.

<input checked="" type="checkbox"/>	Disclosures	<input type="checkbox"/>	Stockholders' Meeting	Others	<input type="checkbox"/>
<input type="checkbox"/>	Dividend Notice	<input type="checkbox"/>	SEC / Gov't Issuance		<input type="checkbox"/>
<input type="checkbox"/>	Stock Rights Notice	<input type="checkbox"/>	Transfer Agent's Notice		<input type="checkbox"/>

Date : **January 19, 2004**
Company : **DMCI HOLDINGS, INC.**

This is in reference to the news article entitled "DMCI, creditors fight" published in the January 19, 2004 issue of the BusinessWorld (Internet Edition). The article reported that: "DM Consunji, Inc. (DMCI), one of the biggest construction companies in the country, has been accused of making fictitious claims against its own subsidiary, Universal Rightfield Property Holdings, Inc., for over PhP480 million. Creditors of Universal Rightfield last week argued before a Mandaluyong trial court that DMCI made it appear as if its own subsidiary owed it nearly half a billion pesos so it could justify its call for the firm's rehabilitation. But creditors said the rehabilitation petition should be dismissed since Universal did not owe its mother company. Instead, they said, debt-saddled Universal Rightfield should be immediately placed under receivership to prevent the further dissipation of its assets. "DMCI does not have any liability to related parties nor a PhP480.5-million receivable from [Universal Rightfield] as reflected in both [their] financial statements filed with the Securities and Exchange Commission and the Philippines Stock Exchange, and as audited by SyCip, Gorres, Velayo and Co.," said lawyer Maricel Lopez. Ms. Lopez, who represents a group of Universal Rightfield creditors, handles the multibillion peso estafa suit against four Consunji firms -- including Universal Rightfield -- and their officers for allegedly defrauding stockholders of Universal Leisure Club, Inc. The club is also a DMCI subsidiary. It sold club shares to investors at PhP1 million apiece in the late 1990s but failed to deliver on promised amenities. x x x"

DMCI Holdings, Inc. ("DMC" or the "Company"), in its letter dated January 19, 2004, contains the following clarification:

"We would like to clarify statements presented in the above-mentioned article, which states that DMCI 2002 balance sheet showed it did not have any trade and other receivables from related parties. Please be informed that DMCI Holdings, Inc. (the listed Parent Company of DMCI) reported receivables from related parties as of December 31, 2002 in the aggregate amount of approximately P1.2-billion.

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It was disclosed that these related party receivables included DMCI

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Tel. No.688-7560/7440/7460	Tel. No. 688-7559	Tel. No. 688-7501/7510	Tel. No. 688-7405/819-4400	Tel. No. 688-7590	Tel. No. 688-7402/819-4408



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Receivables from Universal Rightfield amounting to P595-million, which included P512-million as trade construction receivables (see Annex A, Note 4 of Notes to Financial Statements as filed by DMCI Holdings, Inc. in its 2002 Annual Report-SEC Form 17-A). Moreover, contrary to the statements in the article, the DMCI 2002 Audited Financial Statements also confirmed the amounts disclosed by its parent company DMCI Holdings, Inc. (see Annex B, Note 4 of Noted to Financial Statements of DMCI for 2002)."

For your information.

(Original Signed)
JOSE G. CERVANTES
Senior Vice President

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ANNEX A

Receivables

Receivables are summarized as follows:

	2002	2001
Trade receivables:		
Construction (including retention receivables on uncompleted contracts of P557,687,586 in 2002 and P742,752,631 in 2001) (see Note 20)	P1,655,887,430	P2,278,213,440
Real estate (see Note 12)	116,800,698	101,419,383
Others (see Notes 12, 14 and 23)	546,982,944	346,830,888
Receivable from related parties (see Notes 12, 20 and 25)	1,232,415,302	1,571,185,619
Subcontractors and suppliers	243,550,753	395,720,107
Other receivables	363,350,979	490,464,988
	4,158,988,106	5,183,834,425
	739,873,908	903,846,022
Less allowance for doubtful accounts	3,419,114,198	4,279,988,403
	680,055,302	1,273,851,913
Less noncurrent receivables - net	P2,739,058,896	P3,006,136,490

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

The receivable from related parties include notes receivable from AG&P, an associate, of P732 million which bear interest at a rate equal to that charged by AG&P's creditor banks (see Note 9). The Company waived the 12% penalty which was supposed to be charged on the unpaid loans beyond the 90-day term as provided for in the promissory notes (PNs). Further, the accrual of interest on the notes receivable has been suspended for four years since January 1999 in recognition of AG&P's deteriorating financial condition. The PNs are partly collateralized by a participation in the mortgage trust indenture amounting to P143 million covering substantially all of AG&P's real properties. As of December 31, 2002, all of the notes receivable from AG&P have already matured and were due for collection. In view of the financial difficulties AG&P is currently experiencing, the Company has provided an allowance of P552 million on its notes receivable from AG&P in 2000 (see Note 9).

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

Receivables of DMCI from URPHI, an associate, amounted to P595 million and P612 million as of December 31, 2002 and 2001, respectively (including P512 million in 2002 and P524 million in 2001 recorded as part of "Trade - Construction," with the balance of P83 million in 2002 and P88 million in 2001 included in the "Receivable from related parties" account). These receivables will be settled through the assignment of condominium units and other properties.

5. Costs, Estimated Earnings and Billings on Uncompleted Contracts

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

	2002	2001
Total costs incurred	P5,073,468,349	P7,202,336,060
Add estimated earnings-recognized	421,732,888	1,108,040,296
	5,495,201,237	8,310,376,356
Less total billings (including unliquidated advances from contract owners of P408,664,917 in 2002 and P448,727,499 in 2001)	5,888,092,876	8,710,897,711
	(P392,891,639)	(P400,521,355)

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

	2002	2001
Costs and estimated earnings in excess of billings on uncompleted contracts	P27,484,328	P26,865,851
Billings in excess of costs and estimated earnings on uncompleted contracts	(420,375,967)	(427,387,206)
	(P392,891,639)	(P400,521,355)

ANNEX B

Cash in bank earns interest at the respective bank deposit rates. Short-term investments are for varying periods depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

4. Receivables

This account consisted of receivables from:

	2002	2001
Contracts (including retention receivable on uncompleted contracts of ₱533,901,654 in 2002 and ₱711,197,790 in 2001)	₱1,548,783,091	₱2,077,078,713
Affiliated companies (see Notes 11 and 13)	1,886,112,277	1,201,130,403
Subcontractors and suppliers	232,191,433	297,103,638
Others (see Note 8)	311,090,363	305,601,141
	3,978,177,164	3,880,913,895
Less allowance for doubtful accounts	-	77,435,135
	3,978,177,164	3,803,478,760
Less noncurrent portion	1,886,112,277	1,201,130,403
	₱2,092,064,887	₱2,602,348,357

Contracts include receivables from affiliated companies totaling ₱531.7 million and ₱735.5 million as of December 31, 2002 and 2001, respectively.

Significant components of the Company's receivables from affiliated companies follow:

	2002	2001
DMCI-HI (see Notes 11 and 13)	₱999,537,352	₱281,750,463
Semirara Mining Corporation (Semirara) (see Note 13)	627,105,891	530,764,226
Universal Rightfield Property Holdings, Inc. (URPHI)	83,466,648	88,159,535
Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P)	-	61,656,968
Others	176,002,386	238,799,211
	₱1,886,112,277	₱1,201,130,403

Receivables from URPHI amounted to ₱595.4 million as of December 31, 2002 and ₱612.1 million as of December 31, 2001 (including ₱511.9 million in 2002 and ₱523.9 million in 2001 recorded as part of contracts receivable) and these will be settled through the assignment of condominium units and other properties.

Receivables from Semirara and AG&P totaled ₱684.7 million (including ₱92.2 million recorded as part of contracts receivable) as of December 31, 2001. In 2002, the Company wrote off all of its receivables from AG&P amounting to ₱155.4 million due to the continued deterioration of AG&P's financial condition (see Note 15). The Company did not provide for probable losses on its receivables from Semirara amounting to ₱627.1 million as well as other accounts with subsidiaries and associates since management believes that these receivables are fully recoverable. However, the realization of the Company's receivables from Semirara is dependent on Semirara's ability to continue operating in the normal course of business.

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