

Leap A Mile



ANNUAL REPORT
2004

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COVER STORY

"LEAP A MILE", fittingly the theme of this Annual Report, binds the whole PSE organization as one dynamic and committed team sharing the same vision they have set out for themselves for the benefit of all stakeholders.

"LEAP A MILE", also the acronym for the strategic plans Management will strive to achieve in the next three years, stands for:

L istsings Campaign
E ducation and Efficiency
A dherence to Integrity and Good Governance
P roduct Diversity

A ctive Marketing

M arket Maturity
I nvestment Haven
L iquidity
E nhanced earnings for Stakeholders

OUR VISION

By 2007:

A peer among the premier stock exchanges within the region.

One of the most efficient, orderly, fair, transparent center for raising capital and trading securities that will be beneficial to all participants in the market place.

A strong foundation for the growth of the Philippine economy by being the forefront of savings mobilization and investments through existing and innovative instruments.

OUR MISSION

The PSE is committed to:

Maximize value for shareholders with optimal service to all stakeholders.

Practice good governance and promote this in listed companies and Trading Participants to sustain investors' confidence.

Develop world class trading and settlement infrastructure and information system.

Develop new products and services.

Promote the professional and personal growth of our personnel to better serve the investors, the listed companies and the Trading Participants.

OUR CORPORATE VALUES

Professionalism

Efficiency

Accountability

Transparency and Fairness

Collaboration

Teamwork

Ethics

Integrity

Chairperson's Message

Dear Shareholders, Trading Participants and Employees,

It has been almost three years since we developed a strategic framework with a vision of putting your Exchange at par with our best counterparts in the Region. The framework outlines the various action plans in the medium-term to restore confidence in the stock market upon consultation with our major stakeholders – the investing public, our Issuers and underwriters, our regulator, and especially within our own ranks.

We embarked on this framework in the midst of an economic slump and political uncertainty, which manifested in the low trading volumes – one of the lowest in almost two decades. We did not wait for the political and economic climate to improve. Instead, we focused our energies on action plans within the control of the Exchange, citing specific target dates. We believe that any crisis gives rise to an opportunity.

The opportunity came indeed. In 2004, your Exchange emerged as the second best performer in the Region with the Index climbing 26.4% or 380.5 points at 1,822.83 from 1,442.37 in 2003. Trading volume, on the other hand, improved by 230.6% to 284.3 billion shares from 86.0 billion shares in 2003. As if this were not enough, the Index breached the 2,000 mark, making it as the best performer among its neighbors for January. It surged 10.8% or 196.73 points to 2,019.56 from 1,822.83 in December 2004. Very recently, the Index hit a five-year high.

This strong bullish sentiment can now be felt beyond the four walls of both trading floors and finally among the domestic and international investment community. More lucrative companies are now enticed to make a public offering. International Exchange Bank listed in December while Manila Water Company, Inc. and SM Investment Corporation will be listed shortly. We thank Director Peter Favila and the rest of the Listing Committee for their substantial contribution to these developments.

Having been granted the mandate to serve as Chairperson for the second year brought forth continuity essential to execute the action plans laid out in the strategic framework. We followed a roadmap and implemented all the measures cited in the framework in terms of better governance, greater efficiency, transparency, information technology, investor education and market promotion. Reforms were made in corporate governance, listing and disclosure, compliance and surveillance and demutualization. The framework paved the way for the creation of a more solid five-year business plan.

2004 marks our first year both as a listed and a demutualized company. During the year, your Exchange partially fulfilled the requirement of the Securities Regulation Code (SRC) calling for an ownership limitation in an exchange of not more than 20% for any industry, including the stockbrokerage industry that used to wholly-own your Exchange. Your Exchange, as mandated by law, sold 40% of its outstanding shares to five strategic investors – PLDT Beneficial Trust Fund, SMC Retirement Fund, Government Service Insurance System, Kim Eng Investment Ltd., and KE Strategic Pte. Ltd.



THE PHILIPPINE
STOCK EXCHANGE
INC.

The sale generated substantial proceeds to be used to finance capital expenditures to improve our operations, fortify our working capital, and address other concerns that benefit the shareholders. This enabled your Exchange to achieve the true essence of full demutualization by having non-brokers as shareholders similar to those of our listed counterparts in the Region such as the Australian, Hong Kong, and Singapore stock exchanges.

We invested in a new clearing and settlement system and acquired complete control of the Securities Clearing Corporation of the Philippines (SCCP) as a wholly-owned subsidiary. The system responds to the expanding market demands and puts us at par with international standards. This will now generate clearing and settlement fees due to SCCP that was previously paid to the Philippine Central Depository. This new stream of sustainable earnings based on a growing trade volume makes your Exchange less dependent on listing revenues.

To further protect the interest of the investing public, we have strengthened our audit, compliance and surveillance capacity through the creation of the Market Integrity Board (MIB). The MIB oversees the regulatory functions of the Market Regulatory Office, formerly the Compliance and Surveillance Group. Both entities have full autonomy over their regulatory functions and are independent from your Exchange's Board and Management.

Further enhancing shareholder value is the execution of an escrow agreement with Fort Bonifacio Development Corporation, which implements the donation deal on the 2,182-square meter lot in Bonifacio Global City inked in 2002. Under the agreement, an escrow agent was appointed to transfer the shares of Crescent West Development Corporation, a subsidiary of FBDC and the registered owner of the lot subject of the donation, to your Exchange over a seven-year period beginning January 2005.

At the same time, the donation restrictions with Philippine Realty Holdings and Ayala Land Inc. on the Tektite and Ayala trading centers and head office respectively have lapsed, making your Exchange the full-fledged owner of the two properties. Our management is tasked to optimize shareholder value on these two real estate assets.

We appreciate the timely assistance of the distinguished and independent international organizations, namely the Asian Development Bank, International Finance Corporation and Philippines-Australia Governance Facility. They have granted your Exchange their respective technical assistance programs for a strategic and business review and profitability, to strengthen our governance structure and upgrade staff proficiency in credit and financial analysis.

Noteworthy on the investor education front is the holding of the first ever fund-raising and fun-running event, dubbed as "PSE Bull Run: Takbo Para sa Ekonomiya" at the Bonifacio Global City in December. The event, which opened up the stock market to average folks and correct the misconception that it is only for the elite, generated excitement from over a thousand runners within and outside the PSE community. Another first towards this end is the launch of the "Best Thesis Competition", which aims to recognize and encourage

undergraduate students to research and study the domestic capital market. Our thanks goes to the Investor Education Committee, chaired by Director Marita Limlingan, for making these projects possible.

Recognizing the value of strong alliances with other exchanges, we collaborated with the Stock Exchange of Thailand (SET), whose impressive turnaround in recent years has inspired many of its peers, for an Exchange Employee Program. The program allows the two exchanges to gain first-hand experience on the best practices of the other via a one-month training visit.

In August, we sent two delegates to visit SET to learn more about its strategies on investor education, market promotion and corporate communications. Two representatives from the SET, meanwhile, visited the Exchange in September to find out more about our practices in the areas of research and international affairs and corporate communications. A study team of Trading Participants are also set to visit Thailand in February this year for a three-day observation tour at the SET and select broker firms. This alliance represents the threshold of further international cooperation with other Exchanges, a step towards fulfilling our vision.

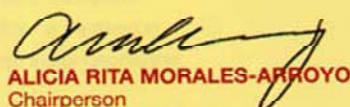
As you may have noticed, your Exchange has reinvented its corporate identity. The new logo follows the roadmap we intend to be in for the coming years. The roadmap starts at the vertical stroke of "p" and has two exit points – one at the top of "s" and the other at the end stroke of "e". This can be interpreted as a journey where there should be no defeat as one can exit on higher points. The bold transformation of our logo's colors to red and yellow manifests a combination bursting with dynamism and energy. Using this new corporate identity, the new listing marketing packet carrying the new set of rules for listing and disclosure was published for the benefit of prospective Issuers.

I am confident that your Exchange is in good hands with an upbeat and committed president, Atty. Francisco Ed. Lim. As an expert in commercial and corporation law and the SRC, he is familiar with the workings of PSE having served as director of the Board in the last two years. As president, Atty. Lim can enhance the collaboration between your Exchange and our regulator. At the same time, his "LEAP A MILE" agenda speaks of dynamism, creativity and caliber which builds on the business plan established in 2004 with a drive to bring us closer to our vision.

In closing, I thank the shareholders for this renewed mandate and for the trust and confidence you kindly bestowed on me. Same goes to my colleagues in the Board for addressing various issues competently and setting policies diligently regardless of the diverse sectors we represent. My deepest thanks to the management team for painstakingly making things happen. Last but not least, I thank God for all the blessings He has given us.

Let us all join hands in reaching out across the nation and around the world for a sustained PSE Bull Run!

Maraming salamat po!


ALICIA RITA MORALES-ARROYO
Chairperson
February 14, 2005

President's Message

Dear Shareholders, Trading Participants and Employees,

Year 2004 was an eventful year in the domestic equities market – from one of tremendous setback in previous years to a windfall enthusiastically received. Your Exchange, amid political, fiscal and inflationary concerns in the country, emerged as the second best performer among its counterparts in the Region, having climbed 26.4% or 380.5 points at 1,822.83 from 1,442.37 in 2003. Trading volume escalated by 230.6% to 284.3 billion shares from 86.0 billion shares in 2003. Value turnover jumped by 42.1% to P206.6 billion from P145.4 billion the previous year.

And in January 2005, your Exchange remarkably topped in the Region, posting a growth of 10.8% or 196.73 points to 2,019.56 compared to 1,822.83 in December 2004.

Clearly, this development puts the country back in the portfolio of both the domestic and international investment communities. More companies too are now keener in making a public offer.

We are equally proud to say that your Exchange in its first year as a listed company posted operating revenues of P137.58 million, increasing by 23.16% compared to the previous year. Our net income after tax of P19.76 million soared by 83.92% from 2003.

"LEAP A MILE", fittingly the theme of this Annual Report, binds the whole PSE organization as one dynamic and committed team sharing the same vision they have set out for themselves for the benefit of all stakeholders.

"LEAP A MILE" is also the acronym for the strategic plans your Management will strive to achieve during my term. It stands for listings campaign, education for the investors and efficiency in operations, adherence to integrity and good corporate governance, active marketing, market maturity, investor haven of choice, liquidity, and enhanced earnings for all.





These strategies address the paramount need for more intensive and proactive efforts to stir market activity and expand market breadth, liquidity and depth. We have adopted a multi-pronged approach towards this end - supply side, demand side and infrastructure.

On the supply side, we will launch a dynamic listing marketing campaign to educate companies about the opportunities available in going public and work with government to promote and develop pro-market reforms consistent with the mandate of the Securities Regulation Code to develop the capital market.

On the demand side, we will devote resources towards educating the public on the risks and rewards of stock investing and the strong role it plays in the economy.

Another significant target is to enhance your Exchange's operating efficiency by upgrading infrastructures, automating processes and improving personnel competencies.

"LEAP A MILE" likewise provides for the strengthening of governance and market integrity measures. We now have in place the Market Integrity Board (MIB) to oversee our compliance, surveillance and audit operations. The MIB, which is chaired by no less than retired Supreme Court Senior Associate Justice Jose Vitug, strongly reveals our commitment to fulfill the high demands of investor protection and

market integrity.
It sends a resounding message to the investing public that our stock market is a safe haven of choice for their investments.

To ensure timely, full and accurate disclosure of information, your Exchange is on its way to fully implementing the Online Disclosure System (ODiSy), which will not only reduce the cost of compliance on the part of listed companies but more importantly, will improve our disclosure system for the greater good of the investing public.

Consistent with our belief that government should not only regulate the capital market but should likewise develop it to its fullest potential, we will endeavor at building an atmosphere of cooperative endeavor and mutual trust with our regulator and strike a balance between the SEC's oversight role and your Exchange's self-regulatory status.

We believe that by staying focused on our goals, sustaining our dedication and establishing a synergy with both our stakeholders - investors, listed companies and Trading Participants - and our government especially our regulator, we are up for even better times. Of course, there will be pains along the way, but it is our conviction that, at the end of the day, your Exchange will LEAP A MILE in terms of making everybody emerge as a winner!

In closing, we affirm our commitment to maximize value for our shareholders and create an exchange that can truly be a conduit for growth and opportunities.

FRANCISCO ED. LIM
President and Chief Executive Officer
February 14, 2005

Performance of the Stock Market

Amid political, fiscal and inflationary concerns that faced the country last year, the Philippines emerged as the second best-performing stock exchange among the bourses within the Region in 2004 with the Philippine Stock Exchange (PSE) Composite Index climbing 26.4% or 380.5 points at 1,822.83 from 1,442.37 in 2003.

The 30-company Index is next only to Indonesia's Jakarta Composite Index, which registered a 44.6% growth. Trailing behind the PSE is Singapore's Straits Times Index, which posted a 17.1% increase. Three exchanges, on the other hand, posted declines in 2004, namely Stock Exchange of Thailand, and Shenzhen Stock Exchange and Shanghai Stock Exchange, both in China.

The local market was firmly boosted by the impressive achievement of selected stocks and favorable economic performance. The year started with encouraging gains from stocks of telecommunication companies because of huge earnings generated from their mobile services. Together with telecommunications companies, firms from the banking, property and holding sectors performed well as they recorded substantial improvement in net income. In the latter part of the year, mining stocks made a significant turnaround owing to the positive decision of the Supreme Court allowing 100% foreign investments in this sector.

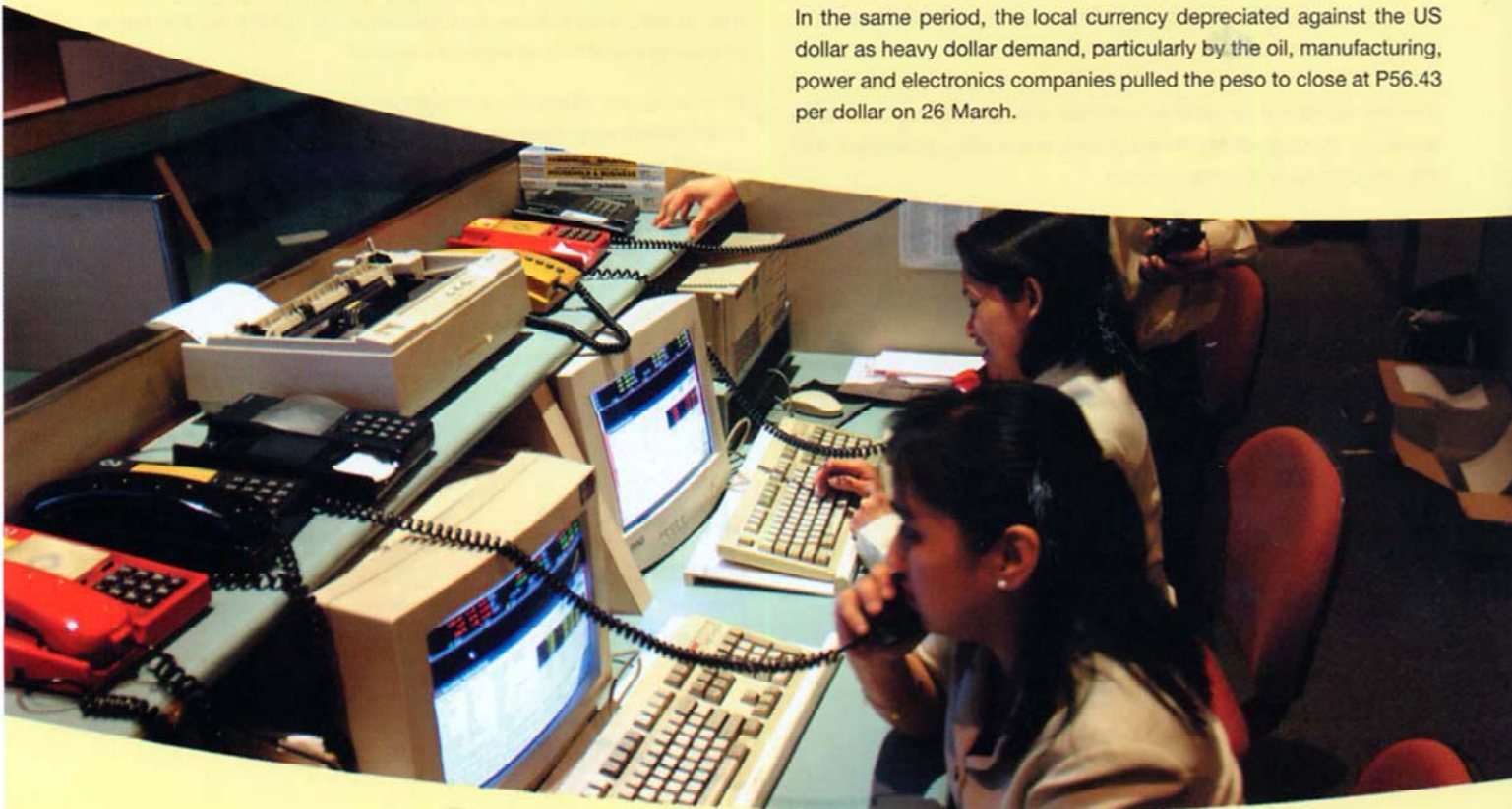
Table 1. PRICE INDICES OF SELECTED ASIAN EXCHANGES, YEAR-END

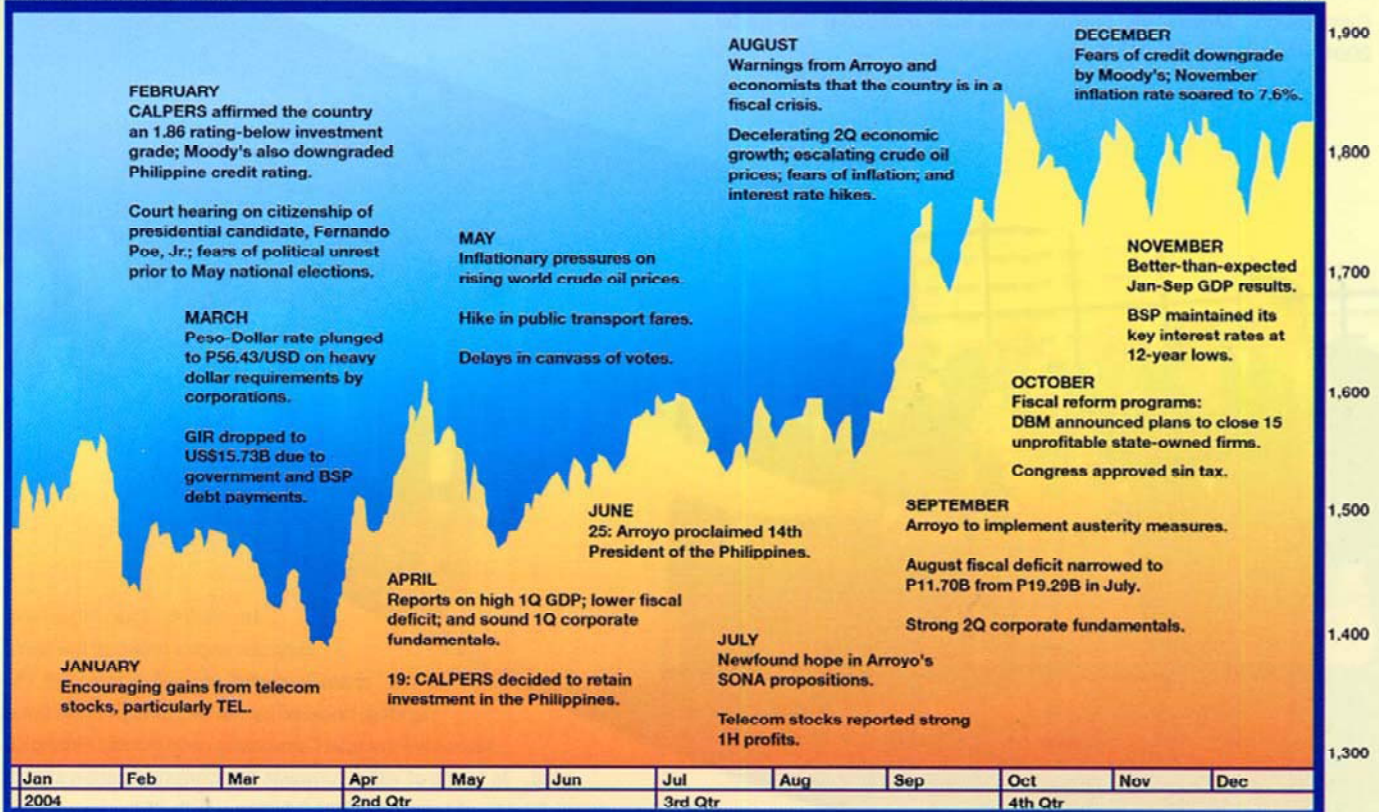
Country	Index	2003	2004	Growth (%)
Indonesia	Jakarta Composite Index	691.90	1,000.23	44.6
Philippines	PSE Composite Index	1,442.37	1,822.83	26.4
Singapore	Straits Times Index	1,764.52	2,066.14	17.1
Malaysia	Kuala Lumpur Composite Index	793.94	907.43	14.3
Hong Kong	Hang Seng Index	12,575.94	14,230.14	13.2
Korea	KOSPI	810.71	695.92	10.5
Japan	TOPIX	1,043.69	1,149.63	10.2
Taiwan	TAIEX	5,890.69	6,139.69	4.2
Thailand	SET Index	772.15	668.10	(13.5)
China	China SE Shang Composite Index	1,497.04	1,266.50	(15.4)
	China SE Shenz Composite Index	378.63	315.81	(16.6)

The stock market was likewise invigorated by the economy that notably improved during the year. The growth of the country's gross domestic product (GDP) exceeded the forecast of the economic managers as the GDP for the full year 2004 grew by 6.1% higher than the 4.9% - 5.8% expectation of the government.

Concerns about the political situation dominated the first half of 2004 as the nation focused its attention on the national elections in May. Fears of political unrest specifically during the court hearing on the citizenship issue of presidential candidate Fernando Poe, Jr. drove the Composite Index to its lowest for the year on 29 March to 1,388.15. These issues were quelled by the fresh mandate given to incumbent President Gloria Arroyo in the May elections.

In the same period, the local currency depreciated against the US dollar as heavy dollar demand, particularly by the oil, manufacturing, power and electronics companies pulled the peso to close at P56.43 per dollar on 26 March.





The fiscal deficit also weighed heavily on market activity during the year as international credit rating agencies threatened a downgrade of it's the country's credit standing. In addition, warnings from economists that the country was in a fiscal crisis affected the market. The market eventually recovered as CalPERS decided to retain investments in the Philippines. Reports that President Arroyo would implement austerity measures and plan to close 15 unprofitable state-owned firms lifted the market to a four-year high with the Composite Index reaching its highest in 2004 to 1,851.60 in 4 October. Further hopes of alleviating the budget shortfall came in the last quarter as both Houses of Congress approved the bill imposing new taxes on cigarettes and liquor expected to generate at least P15 billion for the country next year. The government made modest progress in containing budget deficit within target towards the end of 2004. Full year 2004 fiscal deficit amounted to P186.1 billion compared with the P197.8 billion target.

Fears of inflation and interest rate hikes caused worry among investors – as soaring crude oil prices drove inflation rates to high levels. Full year 2004 inflation rate rose to 5.5%, higher than government target of 4.0% to 5.0% for the year. The Bangko Sentral ng Pilipinas, however, maintained key interest rates at 12-year lows.

Trading turnovers reversed their declining trends in the period 2000 to 2003 and recorded notable gains in 2004. Trading volume escalated by 230.6% to 284.3 billion shares from 86.0 billion shares the year before as trades in mining, holding, communication and oil stocks

hiked volume turnovers. Value turnover likewise surged by 42.1% to P206.6 billion from P145.4 billion in 2003. On the other hand, net foreign transactions in the market slowed down to 53.9% in 2004 from 60.2% the previous year.

Meanwhile, market capitalization expanded by 60.3% to P4.8 trillion from P3.0 trillion largely due to remarkable increase in market prices. International Exchange Bank's initial public offering (IPO), the sole IPO for the year, raised a total of P1.01 billion. The Exchange also

Table 2. SELECTED PSE MARKET INDICATORS

	Yearend				
	2000	2001	2002	2003	2004
Trading Volume (B Shs)	659.4	164.4	99.8	86.0	284.3
Trading Value (PB)	357.7	159.6	159.7	145.4	206.6
Average daily turnover (PB)	1.2	0.6	0.5	0.4	0.8
Brokers Turnover (PB)	715.3	319.1	319.5	290.7	413.1
Foreign Transactions	226.2	143.2	135.5	175.0	222.8
% Share of Foreign Trans.	31.6	44.9	42.4	60.2	53.9
Capital Raised (PB)	37.2	7.3	40.6	1.7	2.1
Initial Public Offerings	0.6	0.2	4.0	0.2	1.0
Additional Listings	36.6	7.1	36.6	1.5	1.1
Equities					
Listed Companies	229	231	234	236	235
Listed Issues	308	310	310	317	313
Market Capitalization (PB)	2,576.5 ^a	2,141.4 ^a	2,083.2	2,973.8	4,766.3

It – revised: Market capitalization published for 2000 to 2001 revised to remove P1.2 billion market capitalization of Sima Darby Pilipinas, Inc. with retroactive effect in 1999.

welcomed the listing by way of introduction of PetroEnergy Resources Corporation. Meanwhile, capital raised from additional listings for 2004 amounted to P1.11 billion.



In 2004, the financial services sector retained the lion's share in market capitalization at 66.1% to total, boosted by the two foreign listed firms Manulife Financial Corporation and Sunlife Financial, Inc. In terms of value turnover, the communication sector cornered 38.8% of total with P80.2 billion worth of trades. Other sectors which contributed much to value of trades in 2004 are holding firms (16.1% share to total), banks (13.9%) and property (13.3%).

TABLE 3. MARKET CAPITALIZATION, TRADING VALUE AND VOLUME OF DIFFERENT SECTORS

	Market Capitalization				Trading Value				Trading Volume			
	2003 (PB)	2004 (PB)	Growth (%)	% Share to Total	2003 (PB)	2004 (PB)	Growth (%)	% Share to Total	2003 (PB)	2004 (PB)	Growth (%)	% Share to Total
Banks	259.2	318.9	23.0	6.7	14.9	28.8	93.2	13.9	0.6	1.0	52.3	0.3
Communication	319.5	406.4	27.2	8.5	66.5	80.2	20.6	38.8	16.1	35.5	120.8	12.5
Construction & Other Related Products	12.8	21.0	63.5	0.4	0.2	1.2	591.8	0.6	0.3	0.7	165.3	0.3
Financial Services	1,673.2	3,150.4	88.3	66.1	1.5	1.1	(27.9)	0.5	0.3	0.1	(70.6)	0.0
Food, Beverage & Tobacco	216.3	251.2	16.1	5.3	8.0	13.7	72.5	6.7	0.4	0.6	49.2	0.2
Holding Firms	181.1	255.7	41.2	5.4	17.1	33.2	93.6	16.1	15.7	40.3	157.2	14.2
Hotel, Recreation & Other Services	11.3	12.7	12.7	0.3	0.9	0.9	7.6	0.4	1.1	1.3	18.6	0.5
Manufacturing, Distribution & Trading	24.9	21.4	(14.2)	0.4	1.1	0.3	(75.4)	0.1	0.6	0.8	33.4	0.3
Mining	10.3	17.7	72.4	0.4	0.4	4.0	822.9	1.9	23.8	156.0	556.3	64.9
Oil	3.7	4.4	19.7	0.1	0.1	0.2	230.2	0.1	14.9	35.2	135.7	12.4
Others	5.7	5.6	(1.3)	0.1	0.3	0.1	(79.6)	0.0	0.0	0.0	(60.1)	0.0
Power and Energy	44.0	53.9	22.5	1.1	9.1	12.0	31.8	5.8	1.6	1.6	1.3	0.6
Property	170.3	201.1	18.1	4.2	20.5	27.5	34.0	13.3	7.6	10.6	39.8	3.7
Small and Medium Enterprises	0.3	0.3	(7.8)	0.0	0.0	0.0	52.0	0.0	0.0	0.0	190.2	0.0
Transportation Services	14.1	20.8	47.6	0.4	1.1	1.2	9.9	0.6	0.4	0.4	6.4	0.2
Preferred	15.3	15.6	2.0	0.3	2.0	0.0	(97.8)	0.0	0.3	0.0	(99.4)	0.0
Warrants, Phil. Deposit Receipts, etc.	12.0	9.4	(21.2)	0.2	1.8	2.2	23.8	1.1	2.4	0.4	(85.2)	0.1

Highlights of Operations

LISTINGS AND DISCLOSURES

Revision of Listing Rules

In June 2004, the Securities and Exchange Commission (SEC) approved certain revisions to the Listing Rules aimed at enhancing the role of the Exchange as an effective and efficient venue for capital mobilization. Among the revisions include:

Listing by Way of Introduction

The rule sets forth the framework for listing securities which are already in issue at the listing date and the adequate marketability of these securities can be assumed.

First Board

- The requirement for financial projections to adhere to the international practice on financial reporting requirements was lifted;
- Companies that use the operational track record of their subsidiaries are not allowed to divest their shareholdings in these subsidiaries within three years after listing to protect the investors from any dilution in the value of their shares brought about by a takeover or change in management control.

Second Board

- In lieu of a Business Plan, companies are now required to submit a "Statement of Active Business Pursuits and Objectives";
- The lock up period for the shares of existing security holders who own at least 10% of the issued and outstanding securities of the company was reduced from two years to one year from listing date.

Small and Medium Enterprises Board

- The track record requirement of two years with positive operating income was reduced to one year of positive operating income;
- The requirement of a Business Plan was replaced with a "Statement of Active Business Pursuits and Objectives";
- The lock up period for the shares of all existing security holders was reduced from three years to two years from listing date; and
- Initial listing fee was reduced from P200,000.00 to P50,000.00.

Revisions of Disclosure Rules

The revisions to the Disclosure Rules were approved by the SEC in 2003 and were fully implemented in 2004. The revised rules include a.) requirement to report the transactions of directors and principal officers within five trading days, b.) blackout provision on directors or principal officers not to deal on the security during the period within which material non-public information is obtained and up to two full trading days after disclosure, and c.) prohibition on selective disclosure of material information.

The Exchange also formulated the disclosure policies relating to listed companies undergoing corporate rehabilitation. The new guidelines also include the procedures that will be followed in the trading of such security, aimed at promoting investor protection as well as orderly trading. This policy was recently approved by the SEC.

Revised Listing Maintenance Fees and New Services

The Exchange also approved the implementation of a new set of rates for the annual listing maintenance fees for 2005 in tandem with the implementation of the Online Disclosure System to enable listed companies to ensure timely, full and accurate disclosure of information. Seminars on the disclosure rules and procedures will also be undertaken in 2005 to improve compliance with reportorial requirements.

TRADING

Amendment of Trading Rules and Adoption of New Policies

The Exchange finalized and submitted to the SEC the revisions to the Trading and Settlement Rules (Book IV) of the Exchange. New rules were incorporated to enhance trading supervision and monitoring while some, which were already covered in the other rules, were removed. Overall, the revisions, now pending approval by the SEC were intended to ensure seamless operation, supervision and monitoring of trading.

Other specific measures undertaken in order to improve the trading environment are:

Amendment of SRC Rule 34.1 (Customer First Policy)

To help improve market liquidity and volume, the Exchange worked with the SEC for the amendment of the 3-fluctuation requirement of SRC 34.1 or the Customer First Policy to just one (1) fluctuation. The amendment will allow the order of a trading participant to take precedence over the pre-existing order of a customer if the Trading Participant has a better price. The amendment took effect in November 2004.

Revision of Minimum Commission Rates for Bulk Sales

For a more level-playing field, the Exchange amended the rule on minimum commission by placing a minimum rate on all trades regardless of the amount of the transaction. The new rates took effect September 2004.

Policies on Quasi-Reorganization and Other Corporate Actions Affecting Price and/or Outstanding Shares

This new set of policies and procedures was aimed at facilitating a fair and orderly trading of securities in instances where a company undergoes quasi-reorganization. The guidelines provide for specific

steps that will be undertaken to ensure that Trading Participants and the investing public are well informed of the changes/actions undergone by a listed company, thereby allowing them to make informed decisions as well as facilitate orderly trading. The SEC has approved the implementation of this policy.

CLEARING AND SETTLEMENT

The Securities Clearing Corporation of the Philippines (SCCP) had been an integral part of the Exchange's operations by providing an infrastructure for the clearing and settlement of transactions executed through the facilities of the Exchange. During the year, to strengthen its viability as a profitable organization, and with a view of a more efficient and effective infrastructure for the perfection of trades, the Exchange acquired SCCP as a fully owned subsidiary. In August 2004, all clearing and settlement operations were centralized into SCCP's operations.

SCCP will implement the new Central Clearing and Central Settlement (CCCS) System in early 2005 that will benefit Trading Participants, the investing public, and the Philippine equities market as a whole. The system is designed to settle trades on any mode of Delivery Versus Payment settlement, i.e. multilateral netting, continuous net settlement and real time gross settlement (RTGS), and enables straight-through processing (STP) with its market participants. This investment in technology will enable SCCP and the Exchange to be at par with international standards and create new opportunities through the facilitation of clearing and settlement of multiple products other than equities, and clearing and settlement on multiple or different markets.

The new clearing and settlement infrastructure will support seamless integration of the trading, depository/registry and clearing banks' systems, thereby improving management of risks. It will also be capable of allowing online, real-time connectivity and exchange of data/instructions depending on the capabilities of the counterpart entities' systems. The system also enables settlement at both Trading Participant/Broker and client levels.

As a risk management tool and in order to further protect the clearing members of SCCP, a build up of the size of the Clearing and Trade Guaranty Fund (CTGF) was also undertaken. The fund level as of December 31, 2004 is at PHP 256.4 million, +6.7% compared to last year.

BUSINESS DEVELOPMENT

New Products and Facilities

On February 17, 2004, RA 9243 or the Act Rationalizing the Provision on Documentary Stamp Tax (DST) was passed into law. It includes a provision exempting Securities Borrowing and Lending (SBL) transactions from payment of DST. The law would provide the enabling environment for the implementation of the SBL Facility for Trading Participants in the Exchange. The Exchange has worked closely with the Department of Finance (DOF), SEC and the Bureau of Internal Revenue (BIR) as well as with both houses of Congress to lay the groundwork for the SBL facility's full implementation. SBL is a mechanism that allows the loan of securities by a lender to a borrower

who needs the securities to support settlement obligations or trading strategies.

To diversify the portfolio of products and facilities among investors and market participants, the Exchange has been studying new products and facilities such as Exchange Traded Fund (ETF) and the Real Estate Investment Fund (REIF).

ETF is an open-end fund that issues and redeems shares on demand, whenever investors put money into the fund or take it out. For a PSE-based ETF, the ETF's underlying securities shall be limited to listed securities of the Exchange.

The REIF, on the other hand, is an investment company formed for the purpose of owning real estate assets and real estate related securities. Generally, income is generated by rents collected from those properties and the proceeds from the sale of properties. A REIF distributes its income as dividends to the investors of the fund.

RESEARCH

Rationalization of the PSE Composite Index

The Exchange continued to undertake market research, data analysis and studies to support its strategic development and policy-making activities. In 2004, among the major activities in this area are:

- study on the recomposition of the Index based on new parameters including the free float, financial performance and liquidity (approved by the PSE Board in March 2004);
- study on the sectoral reclassification of listed companies;
- various studies on other exchanges, including review of success factors, products, structural and implementing arrangements.

Management plans to submit the results of the studies to the PSE's Strategic Committee and Board of Directors in the first half of 2005.

INVESTOR EDUCATION AND MARKET PROMOTION

The Exchange also created a Market and Product Development Task Force to develop marketing plans and programs to attract more investors as well as encourage more listings in the Exchange.

A communication program has likewise been formulated which aims, among others, to create a better understanding of the PSE's role in the economy and the opportunities it offers to investors and companies and to promote an investment-conscious culture among a greater number of Filipinos.

The Exchange intensified its stock market campaign through the conduct of various seminars, work-shops and training programs. Nationwide information campaign was undertaken to tap a wider base of retail investors and to market the Exchange's SME Board. Some 4,413 visitors from 89 groups representing various academic

institutions, professional associations and business organizations from all over the Philippines and other countries were provided with orientation and tour of the Exchange. Likewise, the PSE visited several institutions during the year to promote the stock market. These are: University of San Carlos, San Jose Recoletos, Ateneo de Naga, Pasig Catholic College, Assumption College, New Era University, St. Paul's University – QC, Miriam College, San Beda College, Financial Securities Center and UCPB Securities, Inc.



Market briefings for the American Chamber of Commerce, European Chamber of Commerce, British Chamber of Commerce, Pampanga Chamber of Commerce and the Perlas Pasay Jaycees, as well as a cross sector briefing for telecoms, energy, property featuring PLDT, MERALCO and Filinvest Land Inc. were also undertaken.

Through collaboration with the Philippine Association of Collegiate Schools of Business (PACSB) in educating both faculty and students about the Philippine securities market, continuing business education programs were conducted in the provinces of Bacolod, Cagayan de Oro and Batangas.

The online stock-trading tournament was also launched in 2004 aimed to equip players with knowledge on investment techniques and help them predict market behavior. The tournament was opened to members of the Philippine Association of Collegiate Schools of Business (PACSB) nationwide.

The first-ever fun run event called PSE Bull Run: *Takbo para sa Ekonomiya* was also launched in December aimed at generating public interest in the stock market and spreading awareness of the Exchange as an instrument for economic development. About 1,200 participants joined the race led by Former President Fidel V. Ramos, Senate President Franklin Drilon, Senator Pia Cayetano and Taguig Mayor Dante Tinga, representatives of top listed corporations, stockbrokers, students and professional runners.

MARKET INTEGRITY

One of the milestones in 2004 was the creation of the Market Integrity Board (MIB) to oversee the compliance and surveillance activities of the Exchange. With the MIB, it is envisioned that public confidence shall be fully restored and that perceptions of an "old boys club" in the Exchange shall be eliminated.

The MIB is composed of retired Senior Supreme Court Justice Jose Vitug as Chairman, Former SEC Commissioner Monico Jacob as Vice-Chair and Atty. Tadeo Hilado as Alternate Vice-Chair; PSE independent director Peter Favila; and two stock-brokers in good standing William Ang and Ignacio Jimenez. Alternate members are PSE independent director and Dean of U.P. College of Law Raul Pangalangan, former PSE president Atty. Ramon T. Garcia and former PSE Governor David Go. The PSE President, on the other hand, is a non-voting member of the MIB.

The compliance and surveillance group was also restructured to become the independent Market Regulatory Office (MRO). The restructuring also included the creation of a prosecution and enforcement unit in the MRO as well as the strengthening of capacity of its market surveillance, investigation and audit departments.

The PSE also revised and implemented audit programs to cover SRC rules amended during the year and finalized the guidelines on the accounting treatment of PSE shares and trading rights. It also completed its regular audit of 119 Trading Participants.

The Exchange started distributing trade-related assets of Asian Capital Equities, Inc. Claims deemed valid were endorsed to the Securities and Investors Protection Fund (SIPF) which has started disbursing the cash payments.



The Exchange took over the operations of Marino Olondriz y Cia, which went on voluntary suspension in 1997 and started processing the claims of its clients.

A takeover petition has been filed with the SEC in connection with voluntary suspension of the Pryce Securities Inc. A draft compromise settlement has been agreed upon and is awaiting approval by the SEC.

The Exchange initiated improvements in the alert generation by implementing a more system-based alert monitoring, in preparation for the implementation of an automated surveillance system.

OPERATIONAL EFFICIENCY

Infrastructure Development

The Exchange implemented the Voice Logger system in its Disclosure Department and Market Regulation Office, which allowed recording of conversation between the caller and the attending PSE staff to safeguard the integrity of information.

As part of its server and storage consolidation project, and to improve the performance, reliability and availability of computer systems, the Exchange upgraded a number of its servers and added another high-capacity central storage system. The Internet connection bandwidth was also quadrupled to allow faster access to the Exchange's website and other web-based systems for brokers that were introduced during the year.

Likewise, the Exchange launched the Oracle Collaboration Suite (OCS), which incorporates all applications such as email, calendar, bulletin board, and files into one portal.

To help the brokers comply with Bureau of Internal Revenue's requirement that brokers must submit all daily transactions to the BIR, the Exchange implemented the iReport system, which allowed all PSE brokers to submit their reports with ease online.

The Exchange also developed a legal library to allow for automated search and retrieval of Philippine Laws, Executive Orders, SEC circulars, among others.

During its elections held in March, the Exchange adopted an automated voting system, which enabled the Exchange to determine its new set of directors within five minutes after the last vote was cast. The votes were then automatically tallied in the computer machines, allowing an orderly and systematic election process. The system, provided by Mega Data Corporation, was customized to accommodate cumulative voting being practiced by most corporations. To ensure accuracy, the election board of canvassers audited the system beforehand and verified the results on election day.

Market Data Business

The number of subscribers to the PRS data feed grew 36% to 19 in 2004. While one subscriber ended its contract in 2004, seven (7) new accounts were generated. Streamlining of market data vending operations was further undertaken to include improved collection of receivables, more responsive terms of contract and cost-effective email-based customer invoices.

Human Resource Development

The Exchange implemented various measures to strengthen the administration of human resource development. Noteworthy of this is the creation of the Selection and Promotion Review Board tasked to evaluate and review promotions and compensation.

In August, the Exchange and the Stock Exchange of Thailand executed an agreement for a one-month Exchange Employee Program aimed at understanding and learning the best practices of each. This is part of the benefits of maintaining alliances with other exchanges as a member of the World Federation of Exchanges and the East Asian and Oceanian Stock Exchanges Federation.

Bids and Procurement

The Exchange created the Bids and Procurement Committee, which formulated rules duly approved by the MANCOM to address principles of transparency, efficiency and accountability in the procurement of goods and services in the Exchange.

Cost Reduction Measures

Cost reduction measures are continuously implemented to provide efficient operations with minimal expenses. Office supplies consumption for 2004 was significantly reduced by 25% compared to that of the previous year.

The private placement generated cash of about P726.3 million. The proceeds were to be used to finance capital expenditures to improve operations, fortify working capital, and address other concerns that benefit the shareholders.

This move was also a major step towards achieving a status of full demutualization, similar to those of other demutualized exchanges in the Region, such as the Australian, Hong Kong, and Singapore stock exchanges.



SOCIAL RESPONSIBILITY

The Exchange, through the PSE Foundation, remains to be a principal instrument for extending support to educational and social development. The focus has been on development of the capital market with some resources allocated to poverty alleviation, disaster assistance and environmental protection projects.

In partnership with the Philippine Association of Collegiate Schools of Business, the Foundation continued to support the Teacher's Training Seminar on Financial Management and Philippine Securities held in the Luzon and Visayas regions.

To assist displaced residents of flood-stricken towns in the provinces of Aurora and Quezon brought about by the typhoons that wrought havoc in early December, the Exchange, its shareholders and the Foundation donated P783,000.00 cash to ABS-CBN Foundation "Sagip Kapamilya". The donation was to be given to victims residing in the towns of Baler and Dingalan in Aurora Province, and the towns of Infanta and Gen. Nakar in Quezon province.

DEMUTUALIZATION

In order to comply with the requirements of the Securities Regulation Code (SRC), the Exchange sold 6,077,505 shares from its unissued shares to five strategic investors – PLDT Beneficial Trust Fund, SMC Retirement Fund, Government Service Insurance System, Kim Eng Investment Ltd., and KE Strategic Pte Ltd. The SRC requires an exchange to be a stock corporation and an ownership limitation of not more than 20% for any industry.

Board of Directors



ALICIA RITA M. ARROYO
Chairperson



RAMON S. ANG
Director



FRANCISCO ED. LIM
President and Chief Executive Officer



ANNABELLE L. CHUA
Director



ISMAEL G. CRUZ
Director



FILOMENO G. FRANCISCO
Director



PETER B. FAVILA
Director



WINSTON F. GARCIA
Director



EDDIE T. GOBING
Director



MARITA A. LIMLINGAN
Director



RAUL C. PANGALANGAN
Director



FRANCISCO VILLAROMAN
Director



MA. VIVIAN YUCHENGO
Director



CORNELIO T. PERALTA
Director



RODOLFO V. CRUZ
Treasurer



AISSA V. ENCARNACION
Corporate Secretary

2004 Senior Officers



FRANCISCO ED. LIM
President and Chief Executive Officer



JOSE G. CERVANTES
Senior Vice President
Head, Research and Business
Development Group



JURISITA M. QUINTOS
Senior Vice President
Head, Operations Group
OIC, Corporate Affairs Office
Corporate Information Officer



MA. LOURDES A. DE GUZMAN
Vice-President
Head, Market Regulatory Office



MARIETTA U. TAN
Vice President
Head, Finance and Investments Group



EFREN C. SIRON
Assistant Vice President
OIC, Automated Trading Group



FRANKLIN NOEL P. TRAZO
OIC, Office of the General Counsel

Department Heads and OICs



From L-R:

RICARTE L. GONZALES, Administration Department; JENNIFER P. FRANCISCO, Training Institute; CELESTE M. JOVENIR, Corporate Communications Department; PRECILLA S. SANDOVAL, Strategic/Corporate Planning Department; JINKY A. ALORA, Trading Participants Regulation Department; ELIZABETH C. DINOY, Membership Department; ALFREDO S. JINGCO, Human Resources Management Department



Standing, from L-R:

RAUL G. ORTIZ, Trading Department; TRICIA LIZA N. DAMO, Research and International Affairs Department; CLAUDINE E. CRUZ, Listings Department; ELISA L. BENAVIDEZ, Treasury Department

Seated, from L-R:

ATTY. MA. PAMELA BARBARA Q. LABAYEN, Disclosure Department; JO ANN D. BAUTISTA, Business Development Department; SOCORRO B. ESGUERRA, Public Information and Assistance Center; ELIZA C SANTOYO, Accounting Department

Securities Clearing Corp. of the Phils. Board of Directors



WILLIAM L. ANG
Chairman / Officer-in-Charge



FRANCISCO ED. LIM
Director



EMMANUEL O. BAUTISTA
Director



ANNABELLE L. CHUA
Director



PETER B. FAVILA
Director



MANUEL M. MAÑALAC, JR.
Director



MYRON TIMOTHY P. PAPA
Director



RUBY S. TAN
Director



FRANCISCO VILLAROMAN
Director



JOHNNY S. YAP
Director

Information Required by the SRC

BUSINESS AND GENERAL INFORMATION

Business

It was incorporated on 14 July 1992 as a non-stock corporation. On 15 December 2003, pursuant to the demutualization mandate of Republic Act (RA) No. 8799 entitled "Securities Regulation Code" (SRC), the Company's outstanding capital stock was listed by way of introduction. Furthermore, the Company sold 6,077,505 shares from its unissued shares to five strategic investors by way of private placement. The strategic investors include the PLDT Beneficial Trust Fund, SMC Retirement Fund, Government Service Insurance System, Kim Eng Investment Ltd., and KE Strategic Pte Ltd.

The Company's revenues are primarily derived from listing-related income. The Company charges listing fees for initial public offerings and additional listings, and annual listing maintenance fees. Other primary sources of revenues are membership fees, transaction fees, data feed, and miscellaneous fees, which include service fees. Membership and transaction fees are charged to Trading Participants while data feed fees are charged to data vendors.

Subsidiary and Affiliates

The Securities Clearing Corporation of the Philippines, Inc. (SCCP) handles the clearing and settlement of trades. SCCP is now a 100%-owned subsidiary of the Company by virtue of the latter's acquisition in 2004 of the entire stakes of Rizal Commercial Banking Corporation, Equitable PCI Bank, and Citicorp Securities International (RP), Inc. including the qualifying shares held by their nominees in the SCCP Board.

The Company also has an investment of up to 12% of the capital of the Philippine Dealing System Holdings Corporation, the holding company of the Fixed Income Exchange (FIE) in exchange for the Company's Philippine Central Depository, Inc. (PCD) shares.

The FIE is designed to be an alternative market for raising funds in the financial markets other than equities. It aims to provide a competitive substitute to bank loans as funds are generated from alternative sources. In April 2004, the PSE subscribed to 611,439 common shares of the Philippine Dealing System Holdings Corp. In payment of the subscription, the Company divested all its Philippine Central Depository, Inc. (PCD) preferred shares (as reclassified into preferred shares in PCD) and transferred them in favor of PDS Holdings.

Properties

PSE's two principal properties are its offices in PSE Centre, Ortigas Center and PSE Plaza, Ayala. The Tektite and Ayala offices were donated by Philippine Realty and Holdings Corporation and Ayala

Land, Inc. in 1993 to be used exclusively for PSE's stock exchange and stock trading operations for a period of at least 10 years. With the lapse of the donation restrictions, PSE is now the full-fledged owner of the two properties.

The title to the Ayala property was officially transferred to the Company's name in January 2005. The transfer of title for the Tektite property, on the other hand, was still being processed as of February 2005.

In addition, over a seven-year period beginning January 2005, the outstanding shares of Crescent West Development Corporation, a subsidiary of Fort Bonifacio Development Corporation (FBDC) and registered owner of a 2,182-square meter lot in Bonifacio Global City, will be transferred to PSE. Under a Definitive Agreement signed by PSE and FBDC, the former shall relocate its headquarters, management offices, and unified trading operations to the Fort Bonifacio Global City.

OPERATIONAL AND FINANCIAL INFORMATION

Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

Principal Market Where the Registrant's Common Equity is Traded

The common stock of the Company is listed in the Philippine Stock Exchange, Inc.

Stock Prices

The high and low prices of the PSE shares in the Philippine Stock Exchange from January 3, 2004 to December 29, 2004 are P200 and P101, respectively. It closed at P109 on December 29, 2004.

The high and low prices of PSE shares in January 2005 are P131 and P105, respectively. It closed at P129 on January 31, 2005.

Holders

The number of shareholders of record as of December 31, 2004 is 200. Total shares outstanding as of December 31, 2004 is 15,277,513 shares with a par value of P1.00

The number of shareholders of record as of January 31, 2005 is 199. Total shares outstanding as of January 31, 2005 is 15,277,511 shares with a par value of P1.00.

Dividends

Dividends Per Share

P2.00 in 2003

P16.00 in 2004.

P5.00 in 2005.

No dividends were declared in previous years.

Dividend Declaration in 2005 - The Board of Directors in its regular meeting held on February 09, 2005 declared a cash dividend of P5 per share to stockholders of record as of February 28, 2005 payable on March 15, 2005.

Dividend Policy

Payment of dividends depends upon the earnings, cash flow and financial condition of the Company.

Recent Sale of Unregistered Securities

PSE did not sell unregistered or exempt securities nor did it issue securities constituting exempt transactions in the last three years.

Management's Discussion and Analysis and its Plan of Operations

2004 vs. 2003

Operating revenues amounted to P137.58 million, higher by 23.16% from the same period in 2003. This can be attributed primarily to higher membership and listing fees. Membership fees comprised 24.92% of total operating revenues while listing revenues accounted for 58.26%. The increase in operating revenues was also due partly to the re-imposition of transaction fees in 2004, which accounted for 13.25% of total operating revenues.

Subscription to Maktrade was lower last year by 60.82% because of the relief granted to brokers for the first terminal. Income from data feed connections, while it registered a slight decline during the period, contributed 11.49% to total operating revenues.

Operating expenses increased by 29.08% mainly due to increases in the following expense items: manpower costs, trading technology, computer maintenance and other trading related expenses, professional fees, taxes and licenses, miscellaneous expenses and donation to calamity victims.

Non-operating income was 62.31% higher year on year mainly due to proceeds from the private placement and the employment of better investment mix. Net income reached P19.76 million, up by 83.92% year on year.

Total resources reached P1.80 billion, higher by 39.09% compared to the same period last year. Cash and cash equivalents amounted to P56.00 million, higher by 38.90% while short term investments amounted to P411.17 million, up by 642.14% from the previous year due to additional cash inflow from the proceeds of the private placement. Accounts receivables declined by P10.17 million to P 11.81 million due to loan collections from trading participants and data vendors.

Long-term investments rose to P546.03 million, up by 27.94% from the previous year, as additional investments were made in foreign exchange traded notes, promissory notes, and US dollar denominated Republic of the Philippines' bonds. Other assets rose to P88.69 million, up by 15.94% due to license and other related software of SCCP's clearing and settlement system amounting to P36.21 million and the

reduction in outstanding investments with a local bank that went into receivership.

Current liabilities increased to P65.11 million, up by 9.17% mainly because of accruals made for unpaid suppliers engaged in 2004.

The Company remained liquid with working capital of P436.94 million and a current ratio of 7.71:1.

Retained Earnings amounted to P95.25 million, lower by 70.23% from the same period last year, primarily because of the declaration of cash dividends amounting to P244.44 million.

Capital Expenditures

A new trading system with an estimated cost of P100.00 million was budgeted in 2004. However, the acquisition did not push through due to the need to further study and evaluate the system that will best fit the Company's business objectives. Should the Board approve the acquisition of a new system in 2005, a budget for half of its cost amounting to P56 million has been provided as completion of installation will stretch towards 2006.

Liquidity

The Company does not anticipate any cash flow or liquidity problem within the next 12 months. The Company is not in default of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Company has been paying its trade payables within the stated trade terms.

The Company believes that, given the levels of its existing working capital, it has sufficient liquidity to fund these acquisitions without resorting to external sources.

2003 vs. 2002

Operating revenues amounted to P111.71 million, lower by 29.96% from the same period in 2002, due to the decrease in listing fees as a result of the lower number of new issues as well as the lower market capitalization of listed stocks. Trading related income was also lower due to delay in payment by data feed vendors and the absence of processing fees for block sales during the first three quarters of 2003. Membership fees declined since there was no new processing undertaken and less subscription fees were earned. Service fees, primarily for Maktrade were almost the same as that of last year.

Operating expenses decreased by 6.37% mainly due to the non-amortization of pre-operating expenses and to the cost cutting measures enforced by management.

Non-operating income was higher by 26.65% due to a more organized investment mix that took advantage of optimum yields.

Net income posted during the year amounted to P10.74 million, lower than the P31.38 million posted in the previous year.

Total resources was recorded at P1.29 billion, slightly higher than P1.27 billion as of the same period last year. Cash and cash equivalents

amounted to P40.32 million, up by 60.32% from the same period last year, primarily because of lower cash used by investing activities.

Short-term investments amounted to P55.40 million, lower by 59.28% from the same period of the previous year, as funds were redirected to long-term investments. Accounts receivable declined by P3.29 million to P21.96 million, primarily due to lower listing activities and timely collections made during the year. Equity investments amounted to P67.05 million, up by 14.65% from the same period last year, mainly because of the share in the net income of PCDI.

Long-term investments rose to P426.79 million, up by 28.01% from the same period of the previous year, as additional investments were made in foreign exchange traded notes, promissory notes, and US dollar denominated Republic of the Philippines' bonds. Other assets dropped by 21.69% to P76.50 million due to reversal of unamortized pre-operating expenses of SCCP in compliance with SFAS 38 / IAS 38 rule starting 2003. Previously, such expenses were deferred. This is also due to a reduction in outstanding investments with a local bank that went into receivership.

Current liabilities increased to P59.64 million, up by 39.15% mainly because of dividends declared during the year of P18.40 million. Reduction of P1.37 million is due to decrease in Income Tax Payable.

The PSE remained liquid with working capital of P72.12 million and a current ratio of 2.21:1.

Retained Earnings amounted to P319.93 million, lower by 2.34% from the same period last year, primarily because of the reversal of unamortized pre-operating expenses in compliance with SFAS 38 / IAS 38 rule and declaration of cash dividend.

2002 vs. 2001

The Company recorded operating loss of P9.08 million, lower by 62.92% from 2001, due to the continuing weak market conditions as reflected in the reduced market capitalization of listed equities.

Operating income declined to P159.49 million mainly due to a 62.55% reduction in subscription fee income, which resulted from the one-year relief from MakTrade (terminal) fees granted to brokers. Listing fees were up by 8.04% brought about by additional listings. There was a substantial increase of 626% in membership processing fees because the 2002 fees covered the full year while 2001 only covered four months. The imposition of the membership processing fees started only in September 2001. On the other hand, entrance fees were lower by 72.67% from 2001 due to the decrease in the number of requests for changes in corporate names and nominees.

Total operating expenses declined by 8.81% to P168.57 million due to cost-cutting measures employed by management. There were also substantial reductions in the expenses for market development, office expenses, taxes and licenses, membership development, among others. Market development expense dropped by 80.08% because of the payment made for extraordinary transaction in 2001 when the Company paid the 1999 SIFP fees amounting to P8.40 million.

Occupancy costs (excluding depreciation and amortization) amounted to P35.60 million, up by 14.47% because of the yearly increase in utility expenses. Trading technology, computer maintenance, and other trading-related expenses grew by 18.16% because of new maintenance contracts entered into for newly installed systems. Office expenses increased by 109.25% because of the recognition of the cost of paper used for circulars incurred but not recorded during previous years.

Non-operating income amounted to P49.66 million, lower by 10.47% from 2001, but still sufficient to cover operating losses.

Net income after tax was P31.38 million, up 44.54% from 2001.

PLANS AND PROSPECTS

The Company's strategic priorities and operating objectives for the next three years are spelled out in the recently approved 2005 Business Plan, which has for its buzzword, "LEAP A MILE". This stands for listings campaign; education for the investors and efficiency in operations; adherence to integrity and good corporate governance; active marketing; market maturity; investor haven of choice and enhanced earnings for all. The Plan addresses the paramount need for more intensive and proactive efforts to stir market activity and expand market breadth, liquidity and depth. It likewise provides for the continued strengthening of governance and market integrity measures through the newly organized Market Integrity Board. In terms of operations, a significant target is to break away from the operating loss hiatus of the past four years and post positive net operating income.

Changes in Disagreements with Accountants on Accounting and Financial Disclosure.

The Company retained the services of the auditing firm of Sycip Gorres Velayo & Company (SGV & Co.) as its principal accountants and external auditors. The Company has not changed its accountants in the last four years and has not had any disagreements on accounting and financial disclosures with the SGV at any point during the last four years or any subsequent interim periods.

Representatives of SGV were present during the annual stockholders' meeting and were made available to make a statement or respond to issues pertinent to the audited financial statements.

Financial Highlights

IN THOUSAND PESOS

	GROUP			PARENT		
	2004	2003	% Change	2004	2003	% Change
RESULTS OF OPERATIONS:						
TOTAL REVENUES	137,582	111,712	23.16	135,498	110,188	22.97
Listing Fees	80,152	73,856	8.52	80,152	73,856	8.52
Membership Fees	34,285	11,693	193.21	34,285	11,693	193.21
Data Feed Income	15,803	15,890	(0.55)	15,803	15,890	(0.55)
TOTAL OPERATING EXPENSES	203,730	157,836	29.08	194,954	153,467	27.03
Income (Loss) from Operations	(66,148)	(46,124)	43.41	(59,456)	(43,279)	37.38
Non-Operating Income-net	102,072	62,887	62.31	95,725	60,465	55.74
NET INCOME AFTER TAX	19,763	10,746	83.92	19,763	10,746	83.91
YEAR-END FINANCIAL CONDITIONS:						
TOTAL ASSETS	1,800,058	1,294,124	39.09	1,515,332	1,037,664	46.03
Cash and Short-Term Investments	467,171	109,716	325.80	452,742	102,872	340.10
Long-Term Investments	546,032	412,794	32.28	546,032	412,794	32.28
Property and Equipment	325,481	341,699	(4.75)	323,539	341,654	(5.30)
TOTAL LIABILITIES	335,867	309,969	8.36	51,141	53,953	(5.21)
Due to SEC	11,796	10,538	11.94	11,796	10,538	11.94
Clearing and Trade Guaranty Fund	260,756	240,330	8.50	-	-	-
STOCKHOLDERS' EQUITY	1,464,191	983,710	48.84	1,464,191	983,710	48.84

Statement of Management's Responsibility for Financial Statements



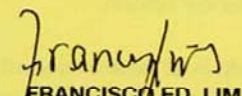
The management of The Philippine Stock Exchange, Inc. is responsible for all information and representations contained in the financial statements as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004. The financial statements have been prepared in conformity 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, have examined the financial statements of the Exchange in accordance with generally accepted auditing standards in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


ALICIA RITA M. ARROYO
Chairperson

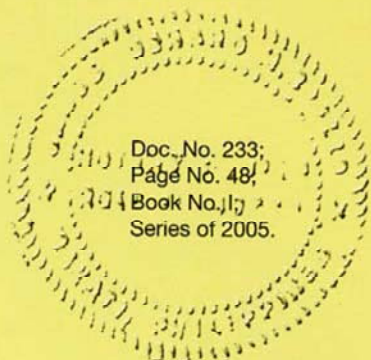

FRANCISCO ED. LIM
President & CEO

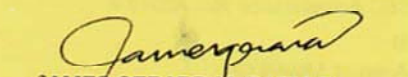

MARIETTA U. TAN
VP Finance & Investments Group

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)

SUBSCRIBED AND SWORN to before me this 14th day of February 2005 at Makati City affiant exhibiting before me their respective Community Tax Certificates:

Name	Community Tax Certificate	Place/Date of Issue
ALICIA RITA M. ARROYO	15169432	Makati City/January 4, 2004
FRANCISCO ED. LIM	15255069	Makati City/ February 27, 2004
MARIETTA U. TAN	23227282	Quezon City/March 9, 2004




JAMES GERARD M. BAELLO
Notary Public
Until December 31, 2005
PTR No. 9440508; 01-06-05; Makati City
IBP No. 635196; 01-10-05; Quezon City
ROLL OF ATTORNEYS NO. 49624
NOTARIAL COMMISSION NO. M-632
5F MONTEPINO BLDG., 138 AMORSOLO ST.,
LEGASPI VILLAGE, MAKATI CITY

Report of Independent Auditors

The Stockholders and the Board of Directors
The Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

We have audited the accompanying balance sheets of The Philippine Stock Exchange, Inc. and Subsidiary (the Group) and of The Philippine Stock Exchange, Inc. (the Parent Company) as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of the Group and of the Parent Company as of December 31, 2004 and 2003, and the results of their operations and 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.

SGV & Co.

Amelia B. Cabal

Partner

CPA Certificate No. 15534

SEC Accreditation No. 0068-A

Tax Identification No. 105-342-543

PTR No. 1195833, January 3, 2005, Makati City

SGV & Co. SEC Accreditation No. A0012-F

SGV Building

6760 Ayala Avenue, Makati City

February 9, 2005

Balance Sheets

	Group		Parent Company	
	December 31			
	2004	2003	2004	2003
ASSETS				
Current Assets				
Cash and cash equivalents (Note 3)	P56,002,372	P40,317,193	P41,573,872	P39,472,549
Short-term investments (Note 4)	411,168,618	69,399,059	411,168,618	63,399,059
Accounts receivable - net (Notes 5 and 21)	11,810,076	21,964,999	11,990,337	22,354,503
Other current assets - net (Note 6)	23,066,921	9,600,443	22,759,873	9,506,832
Total Current Assets	502,047,987	141,281,694	487,492,700	134,732,943
Equity Investments (Note 7)	67,050,657	67,050,657	105,792,687	67,513,649
Long-term Investments (Note 8)	546,032,018	412,793,676	546,032,018	412,793,676
Investments of:				
Clearing and Trade Guaranty Fund (Note 12)	260,756,137	240,330,013	-	-
Credit Ring Agreement Fund (Note 13)	10,000,000	10,000,000	-	-
Property and Equipment - net (Note 9)	325,481,197	341,699,093	323,538,867	341,654,322
Other Assets - net (Note 10)	88,689,736	80,968,987	52,475,339	80,968,987
	P1,800,057,732	P1,294,124,120	P1,515,331,611	P1,037,663,577
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Current Liabilities				
Accounts payable, accrued expenses and other current liabilities (Notes 11 and 21)	P61,688,288	P40,031,690	P47,718,304	P34,345,996
Dividends payable	2,506,220	18,400,016	2,506,220	18,400,016
Income tax payable	916,185	1,207,485	916,185	1,207,485
Total Current Liabilities	65,110,693	59,639,191	51,140,709	53,953,497
Due to:				
Clearing and Trade Guaranty Fund (Note 12)	260,756,137	240,330,013	-	-
Credit Ring Agreement Fund (Note 13)	10,000,000	10,000,000	-	-
	335,866,830	309,969,204	51,140,709	53,953,497
Minority Interest in a Subsidiary	-	444,836	-	-
Stockholders' Equity				
Capital stock (Note 1)	15,277,513	9,200,008	15,277,513	9,200,008
Additional paid-in capital (Note 1)	976,506,942	277,426,988	976,506,942	277,426,988
Donated capital (Note 14)	377,157,404	377,157,404	377,157,404	377,157,404
Treasury Stock	(2)	-	(2)	-
Retained earnings	95,249,045	319,925,680	95,249,045	319,925,680
	1,464,190,902	983,710,080	1,464,190,902	983,710,080
	P1,800,057,732	P1,294,124,120	P1,515,331,611	P1,037,663,577

See accompanying Notes to Financial Statements.

Statements of Income

	Group			Parent Company		
	Years Ended December 31					
	2004	2003	2002	2004	2003	2002
OPERATING INCOME						
Listing-related income:						
Listing fees	P79,821,920	P73,476,121	P122,309,702	P79,821,920	P73,476,121	P122,309,702
Processing fees	330,000	380,000	690,000	330,000	380,000	690,000
Data feed	15,803,469	15,890,122	14,869,736	15,803,469	15,890,122	14,869,736
Membership fees (Note 21):						
Transaction	18,231,942	-	-	18,231,942	-	-
Subscription	11,225,922	6,980,500	6,447,500	11,225,922	6,980,500	6,447,500
Processing	2,437,504	2,928,427	4,539,170	2,437,504	2,928,427	4,539,170
Assessment	1,659,924	1,654,186	1,606,980	1,659,924	1,654,186	1,606,980
Entrance	730,000	130,000	470,000	730,000	130,000	470,000
Service fees	2,038,971	1,209,416	1,262,791	-	-	-
Miscellaneous (Notes 12, 21 and 24)	5,302,532	9,062,742	7,295,534	5,257,532	8,748,533	7,244,226
	137,582,184	111,711,514	159,491,413	135,498,213	110,187,889	158,177,314
OPERATING EXPENSES						
Compensation and other related staff expenses (Note 15)	78,261,715	69,964,800	62,766,225	75,443,224	66,741,536	60,037,772
Occupancy costs (Note 17)	34,451,256	32,282,437	35,599,558	34,139,256	32,047,087	35,365,194
Depreciation (Note 9)	32,140,156	29,578,067	34,753,784	32,078,564	29,352,105	33,958,162
Professional fees	21,242,058	4,310,683	6,798,379	16,454,291	4,106,683	6,564,379
Trading technology, computer maintenance and other trading-related expenses	10,324,375	6,216,051	5,679,335	10,324,375	6,211,151	5,715,993
Taxes and licenses	8,058,452	3,659,509	3,581,136	8,041,760	3,638,600	3,547,659
Loss on trading error (Note 24)	3,748,800	-	-	3,748,800	-	-
Membership development	3,396,868	3,768,906	2,644,003	3,396,868	3,768,906	2,644,003
Office expenses	3,036,901	3,516,773	4,643,729	2,968,045	3,276,627	4,330,280
Travel and transportation	2,809,125	1,736,796	1,721,918	2,798,782	1,726,326	1,710,180
Market development	2,417,381	1,856,451	1,797,649	2,417,381	1,856,451	1,797,649
Insurance	618,989	331,060	974,749	618,989	331,060	974,749
Conferences, meetings and seminars	533,198	443,642	662,167	504,218	440,379	657,493
Entertainment, amusement and recreation (Note 19)	577,209	151,345	724,203	564,961	133,628	704,935
Provision for (recoveries from) probable losses (Note 5)	(13,389)	(1,659,555)	5,791,347	(13,389)	(1,659,555)	5,791,347
Miscellaneous	2,127,290	1,678,623	430,642	1,467,635	1,496,031	397,516
	203,730,384	157,835,588	168,568,824	194,953,760	153,467,015	164,197,311
LOSS FROM OPERATIONS	66,148,200	46,124,074	9,077,411	59,455,547	43,279,126	6,019,997
NON-OPERATING INCOME - Net						
(Note 18)	102,071,832	62,887,278	49,655,710	95,724,989	60,464,644	47,820,799
INCOME BEFORE INCOME TAX	35,923,632	16,763,204	40,578,299	36,269,442	17,185,518	41,800,802
PROVISION FOR INCOME TAX						
(Note 19)	16,605,039	7,668,192	10,382,948	16,506,013	6,440,016	10,417,968
INCOME BEFORE MINORITY INTEREST						
IN NET LOSS OF A SUBSIDIARY	19,318,593	9,095,012	30,195,351	19,763,429	10,745,502	31,382,834
MINORITY INTEREST IN NET LOSS OF A SUBSIDIARY	444,836	1,650,490	1,187,483	-	-	-
NET INCOME	P19,763,429	P10,745,502	P31,382,834	P19,763,429	P10,745,502	P31,382,834
Earnings Per Share (Note 20)	P1.34	P1.17	P3.41	P1.34	P1.17	P3.41

See accompanying Notes to Financial Statements.

Statements of Changes in Stockholders' Equity

	Years Ended December 31		
	2004	2003	2002
CAPITAL STOCK - P1 par value (Note 1)			
Authorized - 36,800,000 shares			
Issued - 15,277,513 shares in 2004, 9,200,008 in 2003 and 9,200,000 in 2002			
Balance at beginning of year	P 9,200,008	P 9,200,000	P 9,200,000
Issuance during the year	6,077,505	8	-
Balance at end of year	15,277,513	9,200,008	9,200,000
ADDITIONAL PAID-IN CAPITAL (Note 1)			
Balance at beginning of year	277,426,988	277,426,988	277,426,988
Additional paid-in capital on issuance of new shares	699,079,954	-	-
Balance at end of year	976,506,942	277,426,988	277,426,988
DONATED CAPITAL (Note 14)	377,157,404	377,157,404	377,157,404
TREASURY STOCK - at cost	(2)	-	-
RETAINED EARNINGS			
Balance at beginning of year	319,925,680	327,580,194	296,197,360
Net income	19,763,429	10,745,502	31,382,834
Cash dividend (Note 24)	(244,440,064)	(18,400,016)	-
Balance at end of year	95,249,045	319,925,680	327,580,194
	P 1,464,190,902	P 983,710,080	P 991,364,586

See accompanying Notes to Financial Statements.

Statements of Cash Flows

	Group			Parent Company		
	Years Ended December 31					
	2004	2003	2002	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	P35,923,630	P16,763,204	P40,578,299	P36,269,440	P17,185,518	P41,800,802
Adjustments for:						
Interest income	(95,584,829)	(49,773,445)	(45,699,821)	(95,189,912)	(49,322,469)	(45,100,860)
Depreciation	32,140,156	29,578,067	34,753,784	32,078,564	29,352,105	33,958,162
Gain on disposal of:						
Short-term investments	(3,611,079)	(582,261)	-	(3,611,079)	(582,261)	-
Property and equipment	(235,000)	(420,899)	-	(235,000)	(420,899)	-
Provision for (reversal of)						
probable losses	(13,389)	(1,659,555)	5,791,347	(13,389)	(1,659,555)	5,791,347
Gain on dilution	-	(5,501,425)	-	-	(5,501,425)	-
Equity in net losses (income)	-	(3,068,878)	4,042,393	5,766,355	(1,351,019)	5,278,343
Provision for decline in value of club membership	-	300,000	2,428,000	-	300,000	2,428,000
Donation of property and equipment	-	28,103	-	-	28,103	-
Operating income (loss) before changes in working capital	(31,380,511)	(14,337,089)	41,894,002	(24,935,021)	(11,971,902)	44,155,794
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Accounts receivable	10,168,312	4,952,436	(19,042,174)	10,377,555	5,062,720	(15,749,900)
Other current assets	653,368	(23,705)	9,431,838	661,255	45,109	4,419,618
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	15,232,084	(252,282)	(12,886,489)	13,372,308	(1,095,624)	(12,528,029)
Net cash generated from (used in) operations	(5,326,747)	(9,660,640)	19,397,177	(523,903)	(7,959,697)	20,297,483
Interest received	81,464,983	46,723,881	49,499,129	81,275,616	46,228,465	48,713,496
Income taxes paid	(20,312,498)	(11,624,000)	(10,833,807)	(20,213,472)	(11,533,804)	(10,667,347)
Net cash provided by operating activities	55,825,738	25,439,241	58,062,499	60,538,241	26,734,964	58,343,632
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in:						
Short-term investments	(355,765,148)	67,229,517	245,163,733	(361,765,148)	65,229,517	243,861,276
Long-term investments	(183,417,424)	(79,383,458)	(323,410,218)	(183,417,424)	(79,383,458)	(323,410,218)
Other assets	2,119,924	24,001,017	23,914,573	31,909,807	24,001,017	25,093,023
Proceeds from sale of investments	67,785,750	-	-	67,785,750	-	-
Additional investment in SCCP	-	-	-	(44,045,393)	-	-
Acquisitions of property and equipment	(16,868,625)	(22,538,606)	(13,455,399)	(14,909,474)	(22,534,056)	(13,455,399)
Proceeds from disposal of property and equipment	1,181,365	420,899	-	1,181,365	420,899	-
Net cash used in investing activities	(484,964,158)	(10,270,631)	(67,787,311)	(503,260,517)	(12,266,081)	(67,911,318)

(Forward)

	Group			Parent Company		
	Years Ended December 31					
	2004	2003	2002	2004	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of capital stock	P705,157,459	P8	P-	P705,157,459	P8	P-
Dividend payment	(260,333,860)	-	-	(260,333,860)	-	-
	444,823,599	8	-	444,823,599	8	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,685,179	15,168,618	(9,724,812)	2,101,323	14,468,891	(9,567,686)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40,317,193	25,148,575	34,873,387	39,472,549	25,003,658	34,571,344
CASH AND CASH EQUIVALENTS AT END OF YEAR	P56,002,372	P40,317,193	P25,148,575	P41,573,872	P39,472,549	P25,003,658

See accompanying Notes to Financial Statements.

Notes to Financial Statements

1. Corporate Information

The Philippine Stock Exchange, Inc. (the Parent Company) was incorporated in the Philippines on July 14, 1992 as a non-stock corporation primarily to provide and maintain a convenient and suitable market for the exchange, purchase, and sale of all types of securities and other instruments.

Republic Act (RA) No. 8799 entitled "Securities Regulation Code" (SRC) prescribed the conversion of the Parent Company into a stock corporation (demutualization) on August 8, 2001, pursuant to a conversion plan approved by the Securities and Exchange Commission (SEC).

The salient features of the demutualization plan approved by the SEC on August 3, 2001 include, among others, the following:

- Conversion of the Parent Company into a stock corporation by amending its articles of incorporation (AI) and by-laws;
- Subscription of each member of 50,000 shares at P1 per share. The remaining balance of the Membership Contributions account of P277.4 million shall be treated as additional paid-in capital;
- Issuance of trading rights to brokers in recognition of the existing seat ownership by the brokers;
- Separation of ownership of shares and access to the trading facilities of the exchange. The trading rights shall be transferable without time limitation; and
- Imposition of a moratorium on the issuance of the new trading rights.

Pursuant to such demutualization plan, the Parent Company was converted from a non-stock corporation to a stock corporation with an authorized capital stock of P36.8 million divided into 36.8 million shares at a par value of P1 per share.

On December 15, 2003, the Parent Company's shares of stock were listed by way of introduction of its outstanding shares to comply with the requirements mandated by the SRC, particularly the conversion of the Parent Company into a stock corporation.

On January 28, 2004, the Parent Company offered 6,077,505 unissued shares to the private sector to comply with SRC's mandate regarding the ownership of an exchange. Gross proceeds from the private placement offering amounted to P726.3 million, inclusive of additional paid-in capital of P720.2 million representing premium over the par value of the common stock. Expenses related to the offering amounting to P21.1 million were recorded as a reduction of the additional paid-in capital.

Securities Clearing Corporation of the Philippines (SCCP), a wholly-owned subsidiary of the Parent Company, was given a temporary license to operate by the SEC and started its commercial operations on January 3, 2000. On January 15, 2002, the SEC approved SCCP's request for a permanent license as a clearing agency subject to its compliance with the requirements of Section 42 of the SRC entitled "Registration of Clearing Agency."

The registered office address of the Parent Company is Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. As of December 31, 2004 and 2003, the Parent Company and SCCP (the Group) had 141 and 149 employees, respectively.

The financial statements for the years ended December 31, 2004 and 2003 were authorized for issue by the Board of Directors (BOD) on February 9, 2005.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the Philippines (Philippine GAAP) using the historical cost basis. The preparation of the financial statements in accordance with Philippine GAAP requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which can cause the estimates used in arriving at the estimates to change. The effects of any changes in estimates will be recognized in the financial statements as they become reasonably determinable.

Changes in Accounting Policies

The Group adopted Statement of Financial Accounting Standards (SFAS) 12/ International Accounting Standard (IAS) 12, *Income Taxes* which became effective on January 1, 2004. SFAS 12/IAS 12 requires deferred income taxes to be determined using the balance sheet liability method. The adoption of this new standard did not result in the restatement of prior year financial statements and has no material impact on the Group's financial statements. However, additional disclosures required by the new standard were included in the financial statements, where applicable.

The adoption of SFAS 17/IAS 17, *Leases* and SFAS 26/IAS 26, *Retirement Benefit Plans* which also became effective on January 1, 2004, did not have an impact in the Group's financial statements.

In 2005, new accounting standards based on IAS and International Financial Reporting Standards (IFRS), referred to as Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS), respectively, will become effective. The Group will adopt the following new accounting standards that are relevant to the Group effective January 1, 2005:

- PAS 19, *Employee Benefits*, requires the use of the projected unit credit method in determining the retirement benefits of the employees. It requires the Group to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

Adoption of the standard will result in a change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. The Group currently recognizes past service cost and actuarial losses as expense systematically over the remaining working lives of employees. Upon adoption in 2005, the transition liability under the Group's deferred benefit plan will be adjusted retroactively and will decrease retained earnings and increase non-current liabilities (see Note 16).
- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, will result in the elimination of the capitalization of foreign exchange losses. The standard also addresses the accounting for transactions in foreign currency and translating the financial statements of foreign operations that are included in those of the reporting enterprise by consolidation, proportionate consolidation and equity method. The adoption of this standard will not materially impact the financial statements.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The adoption of such standard would mean more comprehensive disclosures about the Group's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the Group, types of risks associated with both recognized and unrecognized financial instruments (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 Group's financial risk management policies and objectives. The standard also requires financial instruments to be classified as liabilities or equity in accordance with its substance and not its legal form. Required disclosures will be included in the 2005 financial statements, where applicable.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for recognizing and measuring the Group'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, the Group should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are 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 measured at fair value.

PAS 39 also covers the accounting for derivative instruments. The standard has expanded the definition of derivative instruments to include derivatives (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 are not hedges are adjusted to fair value through income. If the derivative is designated and qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in equity until the hedged item is recognized in income. The Group must formally document, designate, and assess the effectiveness of derivative transactions that receive hedge accounting treatment.

Adoption of this standard will result in a change in the classification of the Group's financial assets from short-term investments and long-term investments to financial assets at fair value through profit and loss (FVPL), held-to-maturity (HTM) or available-for-sale (AFS) depending on the Group's intention. FVPL are recognized at fair value and any gain or loss is recognized in the statements of income. HTM are recognized at amortized cost less any loss on permanent impairment. Any gain or loss from amortization is recognized in the statements of income. AFS are recognized at fair value and any gain or loss is recognized directly in equity except for impairment loss and foreign exchange gains and losses. Quantitative impact will be adjusted once detailed procedures have been performed.

The Group will also adopt in 2005 the following revised standards:

- PAS 1 (revised 2003), *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 the statements of income; and specifies the disclosures about key sources of estimation uncertainty and judgments 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 balance sheets and statements of income.

The presentation and disclosures required by this standard shall be reflected in the Group's financial statements in 2005 where applicable. In addition, the adoption of this standard will eliminate the presentation of operating income and expenses separately from the non-operating income and expenses.

- PAS 8 (revised 2003), *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 error.
- PAS 10 (revised 2003), *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.
- PAS 16 (revised 2003), *Property, Plant and Equipment*, provides additional guidance and clarification on the 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 (revised 2003), *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 lessors.

The adoption of PAS 8, 10, 16 and 17 will not materially affect the Group's financial statements.

- PAS 24 (revised 2003), *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and the disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type.

The Company is currently reviewing the compensation and other benefits of its key management personnel to comply with the disclosures required by this standard.

- PAS 27 (revised 2003), *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. It also requires strict compliance with the 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 (revised 2003), *Investments in Associates*, reduces alternatives in accounting for associates in consolidated financial statements and in accounting for investments 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 the 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.

When PAS 27 and 28 (revised 2003) are adopted in 2005, the Company's investments will be restated at cost in the Parent Company's financial

statements. Accordingly, retained earnings and equity investment will increase due to the reversal of accumulated net losses as of December 31, 2004 amounting to P43.0 million.

Management believes that the provisions of PFRS 2, *Share-Based Payments*, PFRS 3, *Business Combination*, PFRS 4, *Insurance Contract* and PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are not relevant/applicable to the current operations of the Group.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly-owned subsidiary, SCCP, after eliminating significant intercompany balances and transactions.

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Cash Equivalents and Investments

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 are classified as cash equivalents, while those with maturities of more than three months to twelve months are classified separately as short-term investments. Investments with maturities of more than twelve months are classified as long-term investments. Investments in debt securities are carried at amortized cost less any provision for permanent impairment in value, if any. Realized gains and losses from the sale of investments are included in income. The cost of investments used for determining the gain or loss on sale of such investment is computed based on the specific identification method.

Accounts Receivable

Accounts receivable are stated at face value less allowance for doubtful accounts. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potential uncollectibility of the receivables. Management evaluates the level of this allowance based on the factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is made by the Group on a continuing basis.

Equity Investments

Investments in associates are accounted for under the equity method. An associate is an enterprise in which the Group or the Parent Company holds 20% to 50% of the voting power or over which it exercises significant influence and which is neither a subsidiary nor a joint venture of the Group or the Parent Company. Investments in associates are carried in the balance sheets at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. Post-acquisition changes in share of net assets of the associate include the share in the associate's income or losses.

Investments in shares of stock where percentage ownership is less than 20% are carried at cost less any provision for permanent impairment in value.

Investments of Clearing and Trade Guaranty Fund and Credit Ring Agreement Fund

Clearing and Trade Guaranty Fund (CTGF) and Credit Ring Agreement Fund (CRAF) represent contributions of the Parent Company and the brokers as discussed in Notes 12 and 13 to the financial statements. The funds are held in trust by SCCP for the account of the brokers. The fund assets of

CTGF and CRAF are shown as Investments of CTGF and CRAF with a contra to Due to CTGF and CRAF in the balance sheets.

The assets of the funds are invested in government securities, which are held for the purpose of investing in liquid funds. Investments in government securities are recorded at amortized cost less provision for permanent impairment, if any. Income and expenses related to the fund are credited to or charged against the fund balances. Realized gains and losses from the sale of investments are also credited to or charged against the fund balances. The cost of investments used for determining the gain or loss on sale of such investment is computed based on the specific identification method.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

	Years
Buildings	25
Trading system equipment	3
Building improvements	10
Computer hardware and peripherals	3 - 5
Office, furniture, fixtures and communication equipment	2 - 5
Transportation equipment	5
Utilities and others	2

The useful lives and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Cost of minor repairs and maintenance are charged as expense when incurred; significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statements of income.

Computer Software

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Expenditures which enhance or extend the performance of computer software programmes beyond their original specifications are recognized as capital improvements and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of 7 years. Where an indication of impairment exists, the carrying amount of computer software development costs is assessed and written down immediately to its recoverable amount.

Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of a long-term asset, 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 year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

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, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) where, 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent asset are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Revenue 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 reasonably measured. The following specific recognition criteria must also be met before revenue is recognized:

- a. Membership fees and interest income are recognized on a time proportion basis;
- b. Listing, processing, data feed and service fees are recognized when services are rendered; and
- c. Miscellaneous income is recognized on an accrual basis.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of transactions. Foreign exchange gains or losses arising from foreign currency transactions and revaluation adjustments of foreign currency assets and liabilities are credited to or charged against current operations. Monetary assets and liabilities denominated in foreign currencies are translated using the Philippine Dealing System weighted average rate prevailing at balance sheet dates.

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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 foreign 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 profit 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 tax rate applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Retirement Expense

The Parent Company has a funded, noncontributory retirement plan, administered by trustees, covering their permanent employees. The Group's retirement expense is actuarially determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The accrued actuarial liability is the present value of benefits payable in the future with respect to services rendered to date. Unfunded past service costs, experience adjustments and actuarial gains or losses are amortized over the remaining working lives of employees. Retirement cost includes current service cost, amortization of past service costs, experience adjustments and actuarial gains and losses, if any.

Earnings Per Share

Earnings per share is determined by dividing net income by the weighted average number of common shares issued and outstanding during the year after giving retroactive adjustment to any stock dividend or stock split made during the year.

Subsequent Events

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

3. Cash and Cash Equivalents

This account consists of:

	Group		Parent Company	
	2004	2003	2004	2003
Cash on hand and in banks	P40,201,404	P22,046,092	P30,792,020	P21,201,448
Cash equivalents	15,800,968	18,271,101	10,781,852	18,271,101
	P56,002,372	P40,317,193	P41,573,872	P39,472,549

4. Short-term Investments

Short-term investments consist of fixed rate treasury notes and treasury bills with maturity of more than three months but less than one year.

Short-term investments earned annual interest rates ranging from 8.23% to 13.88% in 2004 and from 5.25% to 13.63% in 2003.

As of December 31, 2004 and 2003, the market value of short-term investments amounted to P413.5 million and P63.4 million, respectively, for the Parent Company and P413.5 million and P69.4 million, respectively, for the Group.

5. Accounts Receivable

This account consists of receivables from:

	Group		Parent Company	
	2004	2003	2004	2003
Brokers	P12,833,966	P19,119,592	P12,619,355	P18,970,744
Data vendors	6,104,646	10,794,714	6,104,646	10,794,714
Listed companies	3,788,024	3,800,363	3,788,024	3,800,363
Others	2,812,814	2,218,092	3,207,686	2,756,444
	25,539,450	35,932,761	25,719,711	36,322,265
Less allowance for probable losses	13,729,374	13,967,762	13,729,374	13,967,762
	P11,810,076	P21,964,999	P11,990,337	P22,354,503

On September 25, 2002, the Parent Company's BOD approved the loan assistance program to brokers, subject to the availability of funds, via a term loan of P0.5 million per member for a period of six months at a rate equivalent to 182-day treasury bills prevailing at the time of the grant of the loan. Each loan is secured by a pledge of 10,000 shares of stock of the Parent Company owned by the broker-borrower. On April 23, 2003, the Parent Company's BOD approved the extension of the maturity of the loan for another six months. Subsequently, on October 8, 2003, the Parent Company's BOD approved the extension of the loans granted to brokers for another six months beginning October 23, 2003. As of December 31, 2003, outstanding loans to brokers included in Accounts receivables - brokers amounted to P8.5 million. Except for a loan amounting to P0.5 million granted to a broker which is maturing on January 28, 2005, all of the loans granted to brokers have been collected as of December 31, 2004.

Under the Parent Company's rule, all trading rights are pledged at its full value to secure the payment of debts due to the Parent Company and other brokers of the Parent Company arising out of or in connection with the present or future brokers' contracts. Based on the latest transaction in 2004, the transacted price of a trading right amounted to P3.5 million.

6. Other Current Assets

This account consists of:

	Group		Parent Company	
	2004	2003	2004	2003
Accrued interest receivable	P21,572,030	P7,452,184	P21,276,269	P7,361,973
Others (Note 25)	1,494,891	2,148,259	1,483,604	2,144,859
	P23,066,921	P9,600,443	P22,759,873	P9,506,832

Accrued interest receivable represents uncollected interest on short-term and long-term investments in government securities.

7. Equity Investments

This account consists of:

	Group		Parent Company	
	2004	2003	2004	2003
At equity:				
Acquisition cost:				
SCCP (100% owned in 2004 and 51% owned in 2003)	P-	P-	P69,545,393	P25,500,000
Philippine Depository and Trust Corporation (PDTC) (32% owned in 2003)	-	79,294,000	-	79,294,000
	-	79,294,000	69,545,393	104,794,000
Accumulated equity in net loss:				
Balance at beginning of year	(P12,243,343)	(P20,813,646)	(P37,280,351)	(P44,132,795)
Gain on dilution	-	5,501,425	-	5,501,425
Equity in net income (losses)	-	3,068,878	(5,766,355)	1,351,019
Reclassification of accumulated equity in net loss of PDTC included in the carrying value of Philippine Dealing System Holdings Corporation (PDS Holdings) reflected at cost				
	12,243,343	-	12,243,343	-
Balance at end of year	-	(12,243,343)	(30,803,363)	(37,280,351)
	-	67,050,657	38,742,030	67,513,649
At cost - PDS Holdings	67,050,657	-	67,050,657	-
	P 67,050,657	P67,050,657	P105,792,687	P67,513,649

In 2004, the Parent Company purchased the shares owned by the other stockholders of SCCP for P0.045 million. The purchase made SCCP a wholly owned subsidiary of the Parent Company. In addition, the Parent Company invested P44.0 million in SCCP for the purchase of a clearing and settlement system. As of December 31, 2004, the equivalent number of shares for such investment has not been issued.

On April 1, 2004, the Parent Company and PDS Holdings signed a deed of exchange of shares of PDTC owned by the Parent Company for 611,439 shares of PDS Holdings, representing 15.65% holdings, effective upon the compliance of regulatory requirements. Accordingly, the Group accounted for its investment in PDS Holdings at cost (fair value at the time of such exchange) and discontinued accruing its share in net loss of PDTC starting January 1, 2004.

8. Long-term Investments

This account consists of peso-denominated treasury bonds, retail treasury bonds and fixed rate treasury notes amounting to P435.0 million and P313.6 million as of December 31, 2004 and 2003, respectively, and US dollar-denominated bonds amounting to US\$2.0 million and US\$1.8 million as of December 31, 2004 and 2003, respectively.

As of December 31, 2004 and 2003, the market value of long-term investments amounted to P518.0 million and P412.6 million, respectively.

9. Property and Equipment

The movements in property and equipment for the year ended December 31, 2004 are as follow:

	Group								Total
	Buildings	Trading System Equipment	Building Improvements	Computer Hardware and Peripherals	Office, Furniture, Fixtures and Communication Equipment	Transportation Equipment	Utilities and Others	Donated shares in a Condominium Corporation	
Cost									
January 1, 2004	P224,895,034	P160,917,191	P119,917,280	P92,893,024	P53,114,732	P7,589,232	P1,552,387	P155,690,154	P816,569,034
Additions	-	7,268,573	110,687	6,034,649	312,413	3,126,364	15,939	-	16,868,625
Disposal/ Retirement	-	-	-	-	-	(2,753,726)	-	-	(2,753,726)
December 31, 2004	224,895,034	168,185,764	120,027,967	98,927,673	53,427,145	7,961,870	1,568,326	155,690,154	830,683,933
Accumulated depreciation									
January 1, 2004	81,011,046	156,306,314	104,100,668	78,378,555	48,980,951	4,919,219	1,173,188	-	474,869,941
Depreciation	8,995,802	3,109,847	11,456,505	6,659,410	1,003,066	912,987	2,539	-	32,140,156
Disposal/ Retirement	-	-	-	-	-	(1,807,361)	-	-	(1,807,361)
December 31, 2004	90,006,848	159,416,161	115,557,173	85,037,965	49,984,017	4,024,845	1,175,727	-	505,202,736
Net book value as of December 31, 2004	P134,888,186	P8,769,603	P4,470,794	P13,889,708	P3,443,128	P3,937,025	P392,599	P155,690,154	P325,481,197
Net book value as of December 31, 2003	P143,883,988	P4,610,877	P15,816,612	P14,514,469	P4,133,781	P2,670,013	P379,199	P155,690,154	P341,699,093

	Parent Company								Total
	Buildings	Trading System Equipment	Building Improvements	Computer Hardware and Peripherals	Office, Furniture, Fixtures and Communication Equipment	Transportation Equipment	Utilities and Others	Donated shares in a Condominium Corporation	
Cost									
January 1, 2004	P224,895,034	P160,917,191	P116,289,758	P85,101,298	P52,404,120	P6,654,232	P1,552,387	P155,690,154	P803,504,174
Additions	-	7,268,573	110,687	4,083,486	304,423	3,126,364	15,941	-	14,909,474
Disposal/ Retirement	-	-	-	-	-	(2,753,726)	-	-	(2,753,726)
December 31, 2004	224,895,034	168,185,764	116,400,445	89,184,784	52,708,543	7,026,870	1,568,328	155,690,154	815,659,922
Accumulated depreciation									
January 1, 2004	81,011,046	156,306,314	100,473,159	70,628,395	48,273,528	3,984,220	1,173,190	-	461,849,852
Depreciation	8,995,802	3,109,847	11,456,505	6,608,978	991,906	912,987	2,539	-	32,078,564
Disposal/ Retirement	-	-	-	-	-	(1,807,361)	-	-	(1,807,361)
December 31, 2004	90,006,848	159,416,161	111,929,664	77,237,373	49,265,434	3,089,846	1,175,729	-	492,121,055
Net book value as of December 31, 2004	P134,888,186	P8,769,603	P4,470,781	P11,947,411	P3,443,109	P3,937,024	P392,599	P155,690,154	P323,538,867
Net book value as of December 31, 2003	P143,883,988	P4,610,877	P15,816,599	P14,472,903	P4,130,592	P2,670,012	P379,197	P155,690,154	P341,654,322

Buildings represent properties donated by Philippine Realty and Holdings Corporation (PRHC) and Ayala Land, Inc. (ALI) and a condominium unit at the PSE Centre in Pasig City purchased at P5.2 million.

On September 29, 1993, PRHC donated the Parent Company's offices at the PSE Centre in Pasig City, which exclusively house the following: a) trading floors; b) board room; c) executive offices; d) training and education center; and e) research, administrative and accounting offices, library and central files. Such offices were formally turned over to the Parent Company on December 31, 1994 at a value of P139.5 million (see Note 14).

As provided in the Deed of Donation between PRHC and the Parent Company, the latter shall use the offices exclusively for its stock exchange and stock trading operations for a period of at least 10 years from the date of its occupancy of said offices. However, should the Parent Company fail to locate their trading floor at the donated property, this shall revert to PRHC without need of any further act or deed. However, if within the 10-year

period, the Parent Company's stock trading activities shall be conducted off-floor, the trading floor established in the condominium units or portions thereof may, at the Parent Company's option and sole cost, be converted into additional offices for its exclusive use.

On August 25, 1993, ALI donated to the Parent Company the sum of P80.0 million (P30.0 million of which was made through a transfer of rights by the Makati Stock Exchange) to cover the cost of construction of the unit at the Philippine Stock Exchange (PSE) Plaza in Ayala Avenue, Makati City and its appurtenant parking slots, and P155.7 million worth of condominium shares (see Note 14).

The Deed of Donation provides that the units at the PSE Plaza will house one of the trading floors of the Parent Company, the central clearing and depository, and a number of parking slots. In addition, the Parent Company shall use the units for a period of at least 10 years from the date of the Parent Company's occupancy of the said units.

ALI established a stock condominium corporation, the Tower One and Exchange Plaza Condominium Corporation, for the purpose of holding title to the parcel of land where the condominium is located and the common areas of the condominium. The donated condominium shares pertain to the Parent Company's share in the parcel of land where the condominium is located and the common areas of the condominium. As of December 31, 2004, the condominium certificate of title in the condominium units donated to the Parent Company is in the process of being issued.

On January 7, 2005, the representatives of the Parent Company and Fort Bonifacio Development Corporation entered into a Deed of Conditional Donation which provides for the transfer of 5,247,419 shares of stocks of Crescent West Development Corporation to the Parent Company in consideration for the relocation of the Parent Company to the Bonifacio Global City.

10. Other Assets

This account consists of:

	Group		Parent Company	
	2004	2003	2004	2003
Computer software	P36,214,397	P-	P-	P-
Deposit in bank	26,645,611	58,555,418	26,645,611	58,555,418
Deferred tax assets - net (Notes 19 and 25)	15,529,728	12,113,569	15,529,728	12,113,569
Advances to brokers related to Credit Ring Agreement Fund (Notes 13 and 21)	10,000,000	10,000,000	10,000,000	10,000,000
Club membership - net, of allowance for decline in value of P2,728,000	300,000	300,000	300,000	300,000
	P88,689,736	P80,968,987	P52,475,339	P80,968,987

Deposit in bank represents matured investments with a local bank, which declared a bank holiday and was subsequently placed under receivership. The Parent Company shall be repaid based on a repayment plan approved by the Parent Company's BOD on August 8, 2001. The payments received by the Parent Company were in accordance with the foregoing plan.

11. Accounts Payable, Accrued Expenses and Other Current Liabilities

This account consists of:

	Group		Parent Company	
	2004	2003	2004	2003
Accrued expenses	P20,785,235	P13,903,718	P15,435,914	P8,800,454
Due to SEC	11,796,047	10,537,818	11,796,047	10,537,818
Accounts payable	3,545,103	7,037,107	3,545,103	7,037,107
Others	25,561,903	8,553,047	16,941,240	7,970,617
	P61,688,288	P40,031,690	P47,718,304	P34,345,996

The amount due to SEC represents license fees to operate an exchange imposed under Section 35 of the SRC entitled "Additional Fees of Exchanges."

12. Clearing and Trade Guaranty Fund

This account consists of:

	2004	2003
Principal contributions from:		
Brokers		
Balance at beginning of year	P94,341,661	P92,877,003
Contributions during the year	1,464,658	1,464,658
Balance at end of year	95,806,319	94,341,661
Parent Company	60,000,000	60,000,000
	175,806,319	174,341,661
Accumulated interest income		
Balance at beginning of year	65,988,352	49,042,123
Interest income, net of management fee of P230,546 in 2004 and P237,862 in 2003	18,961,466	16,946,229
Balance at end of year	84,949,818	65,988,352
	P260,756,137	P240,330,013

The Clearing and Trade Guaranty Fund (CTGF) is a credit management tool designed to protect the market against settlement risks of clearing brokers. Each broker-member's contribution is equivalent to 1/1,000 of 1% of his total turnover value.

In order for SCCP to effectively implement its Fails Management and Buy-in/Sell-out functions, the CTGF must be adequate to cover any unsettled trades of any broker on any settlement day. On December 7, 1999, the SEC directed the Parent Company to allocate a portion of its income as a trade guarantee expense to hasten the build up of the CTGF. Guarantee expense charged to operations in 2000 and 1999 amounted to P50.0 million and P30.0 million, respectively. Since the Parent Company has been incurring losses from operations since 2001, no contribution has been made to CTGF from 2001 to 2004.

As of December 31, 2004 and 2003, the assets of the CTGF (included under Investments of Clearing and Trade Guaranty Fund account in the consolidated balance sheets) consist of:

	2004	2003
Investments in government securities	P254,767,083	P235,437,254
Accrued interest receivable	5,755,182	4,752,374
Accounts receivable	233,872	140,385
	P260,756,137	P240,330,013

As of December 31, 2004 and 2003, the market value of investments in government securities amounted to P259.4 million and P241.7 million, respectively.

The CTGF is invested as follows:

- Securities issued or guaranteed by the Republic of the Philippines; and
- Such other investments as the SCCP's BOD may approve taking into consideration the liquidity requirements of the clearing fund.

Any proceeds from the CTGF shall not be used for any purpose other than for:

- Payment of the net money obligations of a defaulting buying member in order to settle a failed trade;

- b. Buy-in of relevant securities due from a defaulting selling member in order to settle a failed trade;
- c. The satisfaction of losses, liabilities and expenses of SCCP incidental to the operation of its clearing and settlement functions and the management of the CTGF;
- d. Payment of premium on any insurance policy taken for the CTGF; and
- e. The return of contributions as may be determined by the BOD of SCCP.

On January 28, 2003, the BOD of SCCP approved the amendment of its rules on CTGF providing for the non-recourse of all CTGF contributions to brokers.

On June 19, 2003, the BOD of SCCP approved the assessment of a management fee at 0.1% of the CTGF fund level as of the close of the year for the management and administration of CTGF.

13. Credit Ring Agreement Fund

On January 29, 2001, the SEC approved SCCP's request that all clearing brokers whose net negative exposure amounting to P1.0 million or below shall be exempted from the daily collateral collection being required by SCCP. The said request was made to improve the efficiency of SCCP's mark-to-market collateral deposit system. The said approval is subject to the following conditions:

- a. SCCP, via a one-time contribution by the Credit Ring Agreement (CRA) participating clearing brokers or by the Parent Company on behalf of its members who are also the CRA participating clearing brokers, shall set aside the amount of P10.0 million for the sole purpose of covering the aggregate net negative exposures of all clearing brokers participating in the CRA whose computed individual exposure amounts to P1.0 million and below;
- b. A CRA, to be participated in and signed by all participating clearing brokers, shall be organized. A credit ring agreement is a scheme wherein the participating brokers agree to pay up, pro rata, the deficit between the total net negative exposures of failing brokers and the amount of P10.0 million special fund;
- c. The size of the fund shall be reviewed quarterly by SCCP for resizing; and
- d. SCCP shall promptly make the necessary amendments to existing rules and operating procedures to reflect the necessary changes.

In connection with the above conditions, the Parent Company advanced, on behalf of its brokers, P10.0 million to a special fund set up by SCCP relative to the credit ring agreement described above. The said fund was invested by SCCP in short-term money market placements. The interest income from said money market placements is recognized as income of the Parent Company.

As of December 31, 2004 and 2003, 129 and 64 active brokers, respectively, signed the credit ring agreement.

As of December 31, 2004 and 2003, the funds of credit ring agreement are invested in government securities.

14. Donated Capital

This account consists of donations from:

ALI (Note 9)	P235,690,154
PRHC (Note 9)	139,542,000
USAID	1,925,250
	P377,157,404

15. Compensation and Other Related Staff Expenses

This account consists of:

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Salaries and wages	P57,124,155	P53,586,598	P48,429,860	P55,055,304	P51,661,291	P46,513,722
Retirement expense (Note 16)	3,811,200	449,002	901,938	3,811,200	-	418,149
Other employee benefits	17,326,360	15,929,200	13,434,427	16,576,720	15,080,245	13,105,901
	P78,261,715	P69,964,800	P62,766,225	P75,443,224	P66,741,536	P60,037,772

16. Retirement Plan

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all its regular employees. The benefits are consolidated based on years of service and compensation per year of credited service. The Parent Company's annual contribution to the retirement plan consists of a payment covering the current service cost plus a payment toward funding the actuarial accrued liability.

Actuarial valuation is made at least every three years. In the latest actuarial valuation report dated May 2004, the actuarial present value of retirement benefits amounted to P24.1 million while, the fair value of the plan assets amounted to P18.6 million.

The Parent Company's retirement fund is being managed by a local bank.

17. Occupancy Costs

This account consists of:

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Utilities	P15,263,054	P14,203,182	P15,613,875	P14,951,054	P13,967,832	P15,379,511
Condominium dues	9,386,983	8,642,941	8,963,840	9,386,983	8,642,941	8,963,840
Security and janitorial services	6,289,582	6,310,761	7,297,672	6,289,582	6,310,761	7,297,672
Repairs and maintenance	3,511,637	3,125,553	3,724,171	3,511,637	3,125,553	3,724,171
	P34,451,256	P32,282,437	P35,599,558	P34,139,256	P32,047,087	P35,365,194

18. Non-Operating Income

The components of non-operating income are summarized below:

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Interest income (Note 21)	P95,584,829	P49,773,445	P45,699,821	P95,189,912	P49,322,469	P45,100,860
Gain on disposal of investments	3,611,079	582,261	-	3,611,079	582,261	-
Foreign exchange gain - net	1,561,003	3,176,383	4,060,984	1,561,003	3,176,383	4,060,984
Gain on disposal of property and equipment (Note 9)	235,000	420,899	-	235,000	420,899	-
Gain on dilution (Note 7)	-	5,501,425	-	-	5,501,425	-
Equity in net income (losses) (Note 7)	-	3,068,878	(4,042,393)	(5,766,355)	1,351,019	(5,278,343)
Provision for decline in value of club membership (Note 10)	-	(300,000)	(2,428,000)	-	(300,000)	(2,428,000)
Others	1,079,921	663,987	6,365,298	894,350	410,188	6,365,298
	P102,071,832	P62,887,278	P49,655,710	P95,724,989	P60,464,644	P47,820,799

19. Income Taxes

The provision for income tax consists of:

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Final	P18,286,051	P8,857,265	P9,089,200	P18,207,068	P8,767,069	P8,969,408
Deferred	(3,416,159)	(2,587,016)	(1,338,542)	(3,416,159)	(3,724,996)	(1,183,730)
Current	1,735,147	1,397,943	2,632,290	1,715,104	1,397,943	2,632,290
	P16,605,039	P7,668,192	P10,382,948	P16,506,013	P6,440,016	P10,417,968

The components of the net deferred tax assets (included under the Other Assets account in the balance sheets) are as follows:

	Group		Parent Company	
	2004	2003	2004	2003
Deferred tax asset on:				
NOLCO	P11,565,454	P9,934,102	P11,565,454	P9,934,102
Allowance for probable losses	4,393,400	4,469,684	4,393,400	4,469,684
Unfunded retirement costs	773,552	133,808	773,552	133,808
Unamortized past service costs	384,682	659,227	384,682	659,227
	17,117,088	15,196,821	17,117,088	15,196,821
Deferred tax liability on unrealized foreign exchange gain - net	(1,587,360)	(3,083,252)	(1,587,360)	(3,083,252)
	P15,529,728	P12,113,569	P15,529,728	P12,113,569

The Group's temporary differences amounting to P97.3 million and MCIT of P4.8 million were not provided with the corresponding deferred tax assets, since management believes that it will be more likely than not that these deferred tax assets will not be realized in the future.

The components of the gross temporary differences where deferred tax asset was not recognized follows:

	Group		Parent Company	
	2004	2003	2004	2003
NOLCO	P92,800,734	P46,281,519	P61,572,570	P15,988,747
Unfunded retirement costs	4,063,432	4,005,194	-	-
Unamortized past service costs	428,975	428,975	428,975	428,975
Preoperating expenses	-	6,702,981	-	-
	P97,293,141	P57,418,669	P62,001,545	P16,417,722

Details of NOLCO of the Parent Company and SCCP follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
Parent Company				
2003	P47,461,790	P-	P47,461,790	2006
2004	50,252,824	-	50,252,824	2007
	97,714,614	-	97,714,614	
SCCP				
2001	12,171,039	12,171,039	-	2004
2002	9,276,606	-	9,276,606	2005
2003	8,845,129	-	8,845,129	2006
2004	13,106,431	-	13,106,431	2007
	43,399,205	12,171,039	31,228,166	
	P141,113,819	P12,171,039	P128,942,780	

Details of MCIT of the Parent Company and SCCP follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
Parent Company				
2001	P1,696,393	P1,696,393	P-	2004
2002	1,681,026	-	1,681,026	2005
2003	1,397,943	-	1,397,943	2006
2004	1,715,104	-	1,715,104	2007
	6,490,466	1,696,393	4,794,073	
SCCP				
2004	20,043	-	20,043	2007
	P6,510,509	P1,696,393	P4,814,116	

Revenue Regulations No. 10-2002 defines expenses to be classified as entertainment, amusement and recreation (EAR) expenses and sets a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 1% of net revenue for sellers of services.

EAR expenses incurred by the Parent Company amounted to P0.6 million and P0.1 million in 2004 and 2003, respectively. EAR expenses for the period September to December 2002 amounted to P0.2 million.

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

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Statutory income tax rate	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%
Tax affects of:						
Interest income subjected to final tax	(33.79)	(40.85)	(13.23)	(33.34)	(39.54)	(12.98)
Write-down of deferred tax assets	51.23	71.56	2.03	44.95	58.36	-
Gain on dilution	-	(10.50)	-	-	(10.24)	-
Equity in net income (loss)	-	(5.85)	3.19	5.09	(2.52)	4.04
Others	3.22	(0.62)	1.60	(3.19)	(0.59)	1.86
Effective income tax rate	46.22%	45.74%	25.59%	45.51%	37.47%	24.92%

20. Earnings Per Share

	2004	2003	2002
a. Net Income	P19,763,429	P10,745,502	P31,382,834
b. Weighted average number of outstanding common shares	14,771,054	9,200,005	9,200,000
c. Earnings per share (a/b)	P1.34	P1.17	P3.41

21. Related Party Transactions

The Parent Company, in its normal course of business, has transactions with related parties.

The year-end balances in respect of related parties included in the balance sheets are as follow:

	2004	2003
Accounts receivable:		
Brokers - net of allowance for probable losses of P4,665,019 in 2004 and P4,500,217 in 2003	P8,130,325	P14,470,527
Advances to brokers related to Credit Ring Agreement Fund	10,000,000	10,000,000
Accounts payable to brokers	9,000,000	3,594,920

The income in respect of related parties included in the statements of income follows:

	2004	2003	2002
Membership fees	P34,285,292	P11,693,113	P13,063,650
Interest income	504,771	691,791	119,400
Miscellaneous income	16,000	237,862	-

22. Segment Reporting

SFAS 31, Segment Reporting, requires that a public business enterprise report financial and descriptive information about its reportable segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. The Group has one reportable business segment which is the equity securities market. The equity securities market provides trading, clearing, depository and information services for the equity market. The Group also has one geographical segment and derives all its revenues from domestic operations. The financial information about the sole business segment is presented in the financial statements.

23. Contingencies

The Parent Company is contingently liable for lawsuits or claims filed by third parties, which decisions are either pending in the courts or under negotiation, the ultimate outcomes of which are not presently determinable. Significant lawsuits or claims filed against the Group include labor cases and tax assessments on income and local taxes. 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.

24. Other Matters

- On May 31, 2004, due to the confusion as to the opening price of shares of stock of Music Semiconductors Corporation (MUSX) as a result of the quasi-reorganization undertaken by said company, the Parent Company was constrained to cancel the transactions of MUSX shares that were matched as of the time the Parent Company declared a trading halt. The Parent Company's BOD subsequently constituted an Ad Hoc Committee to investigate the matter and to recommend a proper course of action. After exhaustive proceedings, the Committee concluded that in order to maintain an orderly market the Parent Company should negotiate a settlement agreement with the affected buyers, without admission of liability on the part of the Parent Company. The BOD adopted this recommendation, and the Parent Company's management implemented the resulting BOD resolution. The amount paid to affected buyers as a result of the foregoing amounted to P3.7 million.

- Operating income - Miscellaneous

This account mainly consists of trading and listing related fines and penalties such as late payment, late submission of requirements, non-compliance and non-disclosure of listed companies.

- Details of the Parent Company's dividend distribution follow:

Date of Declaration	Dividend		Record Date	Payment Date
	Per Share	Total Amount		
December 15, 2003	P2.00	P18,400,016	January 7, 2004	January 8, 2004
February 18, 2004	16.00	244,440,064	March 4, 2004	March 9, 2004

25. Reclassification of Accounts

The following accounts in 2003 were reclassified to conform to the 2004 reclassification.

- Long-term investments with maturity of less than one year as of December 31, 2003 amounting to P14.0 million were reclassified to short-term investments account.
- Deferred tax asset classified as other current assets amounting to P4.5 million as of December 31, 2003 was reclassified to other assets.

Committees and Key Functions

COMMITTEES

KEY FUNCTIONS

AUDIT

- Supervise internal audit of all PSE transactions through examining of its books, papers and records;
- Review the financial reporting process, the system of internal control and management of risks, the audit process and the company's process for monitoring compliance with laws and regulations;
- Render appropriate reports to the Board as required;
- Provide oversight function to PSE's internal and external auditors;
- Pass for review and comment all reports from internal and external auditors for PSE as well as those from regulatory bodies (e.g. SEC); Based on the review, a summary report of the Committee is submitted to the Board.

FLOOR TRADING ARBITRATION

- Recommend appropriate new rules or changes in the rules on trading for the approval of the Board of Directors;
- Enforce and administer, through management, the dissemination and strict implementation of the approved trading rules and regulations of the Exchange;
- Order an investigation into the affairs of any Trading Participant and any of its traders who are suspected of having violated any of the provisions of the trading rules and regulations;
- Recommend to the Board of Directors, reprimand, fine, suspension, or expulsion of any Trading Participant or his authorized trader or clerk as a result of a violation or action not specifically sanctioned by an approved rule;
- Recommend suspension of trading activities on the Exchange to the Chairman and/or the President in the event of any emergency identified to be detrimental to the whole operation; and/or recommend remedial actions as the Committee shall consider fit or necessary under the circumstances;
- Ensure good order and behavior of the people on the trading floor of the Exchange and for its purpose refuse entry, or remove any person in the trading floor found to have violated the following:
 - proper trading attire and decorum,
 - personnel conduct on the trading floor

HOUSE COMMITTEE

- Recommend maintenance and upkeep of the PSE Brokers' Lounge; and
- Determine concessionaire services of the PSE Brokers' Lounge.

INVESTMENTS COMMITTEE

- Share information and analysis in view of best options for investments of PSE. Paramount objective is to maximize interest income and minimize risk.

INVESTOR EDUCATION COMMITTEE

- Increase public awareness of the benefits of investing in the stock market;
- Upgrade level of competence of participants in the market; and
- Increase investor base.

LEGISLATIVE COMMITTEE

- Review Congress bills that affect PSE and the capital market, and recommend specific courses of action; and
- Initiate studies in specific areas to improve the capital market and recommend the passage of bills to address them

COMMITTEES

KEY FUNCTIONS

LISTING COMMITTEE

- Recommend for approval of the Board of Directors (BOD) listing applications which were approved at the Listing Committee level;
- Recommend for approval of the BOD rules (fees, fines/penalties/sanctions) and policies concerning the listing of securities and disclosure of information which were approved at the Listing Committee level;
- Submit for notation by the BOD approved stock dividend applications; and to submit for notation by the BOD approved fines/penalties/sanctions imposed on non-complying listed companies.

MARKET INTEGRITY BOARD

- Oversee the operations of PSE's audit, compliance and surveillance group, restructured and renamed as Market Regulatory Office (MRO);
- Undertake studies to enhance the applicable rules relating to audit, compliance and surveillance, adoption for local conditions of best practices on governance among stockbrokers
- Adopt measures necessary to strengthen the SRO functions of the Exchange,
- Impose disciplinary sanctions on the brokers where appropriate.

REMUNERATION COMMITTEE

- Review, study and recommend on the following:
 - Compensation arrangements for the Chief Executive and other senior executives (including incentive plans, share options and other benefits)
 - Service contracts
 - Remuneration policies and practices for PSE in general
 - Recruitment and termination policies and practices
 - Any company share schemes or other incentive schemes
 - Remuneration arrangements for members of the board
- Recommend quantum and structure of remuneration package of the President and top level officers; and,
- Consider and ratify principles which will govern the setting of the remuneration of executives and other employees, and to review proposals for changes in terms and conditions of employment of executives.

SETTLEMENT COMMITTEE

- Assist the SCCP Board and Management in strategic thinking about future technology, business requirements and risk management;
- Recommend measures to enhance efficiency of the clearing and settlement system.

STRATEGIC ADVISORY TASK FORCE

- Develop with management a strategic business plan to enhance governance and operational efficiency of PSE.

SPORTS COMMITTEE

- Foster camaraderie among PSE employees, trading participants and shareholders through sports activities.

Official List of Companies and Issues

(as of end December 2004)

NAME OF STOCK	STOCK SYMBOL	PAR VALUE	NAME OF STOCK	STOCK SYMBOL	PAR VALUE
EQUITIES - PESO DENOMINATED TRADING					
BANKS AND FINANCIAL SERVICES					
BANKS					
ASIATRUST DEVELOPMENT BANK, INC.	ASIA	10.00	GLOBE TELECOM, INC.	GLO	50.00
BANCO DE ORO UNIVERSAL BANK	BDO	10.00	IPEOPLE, INC.	IPO	1.00
BANCO FILIPINO SAVINGS AND MORTGAGE BANK *	BF	100.00	ISLAND INFORMATION & TECHNOLOGY, INC.	IS	0.01
BANK OF THE PHILIPPINE ISLANDS	BPI	10.00	ISM COMMUNICATIONS CORPORATION	ISM	0.01
CHINA BANKING CORPORATION	CHIB	100.00	IVANTAGE CORPORATION	V	1.00
CHINATRUST (PHILS.) COMMERCIAL BANK CORPORATION	CHTR	10.00	LIBERTY TELECOMS HOLDINGS, INC.	LIB	1.00
CITYSTATE SAVINGS BANK, INC.	CSB	10.00	MANILA BROADCASTING COMPANY	MBC	1.00
EQUITABLE PCI BANK, INC.	EBC	10.00	MANILA BULLETIN PUBLISHING CORPORATION	MB	1.00
EXPORT AND INDUSTRY BANK, INC.	EIB	1.00	PHILIPPINE LONG DISTANCE TELEPHONE COMPANY *Common*	TEL	5.00
INTERNATIONAL EXCHANGE BANK	IBNK	10.00	PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION *	PTT	1.00
METROPOLITAN BANK & TRUST COMPANY	MBT	20.00	PHILWEB CORPORATION	WEB	0.01
PHILIPPINE BANK OF COMMUNICATIONS	PBC	100.00	PILIPINO TELEPHONE CORPORATION	PLTL	1.00
PHILIPPINE NATIONAL BANK	PNB	40.00	TRANSPACIFIC BROADCAST GROUP INTERNATIONAL, INC.	TBGI	1.00
PHILIPPINE SAVINGS BANK	PSB	10.00	POWER AND ENERGY		
PHILIPPINE TRUST COMPANY	PTC	10.00	MANILA ELECTRIC COMPANY "A"	MER	10.00
PRUDENTIAL BANK	PB	100.00	MANILA ELECTRIC COMPANY "B"	MERB	10.00
RIZAL COMMERCIAL BANKING CORPORATION	RCB	10.00	PETRON CORPORATION	PCOR	1.00
SECURITY BANK CORPORATION	SECB	10.00	SALCON POWER CORPORATION	SPC	1.00
UNION BANK OF THE PHILIPPINES, INC.	UBP	10.00	TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION	TA	1.00
FINANCIAL SERVICES			TRANSPORTATION SERVICES		
ATR KIM ENG FINANCIAL CORPORATION	ATRK	1.00	ABOITIZ TRANSPORT SYSTEM (ATSC) CORPORATION	ATS	1.00
BANKARD, INC.	BKD	1.00	ASIAN TERMINALS, INC.	ATI	1.00
FILIPINO FUND, INC.	FFI	1.00	INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.	ICT	1.00
FIRST ABACUS FINANCIAL HOLDINGS CORPORATION	FAF	1.00	KEPPEL PHILIPPINES MARINE, INC.	KPM	1.00
FIRST METRO INVESTMENT CORPORATION	FMIC	100.00	LORENZO SHIPPING CORPORATION	LSC	1.00
MANULIFE FINANCIAL CORPORATION	MFC	-	CONSTRUCTION & OTHER RELATED PRODUCTS		
PCI LEASING AND FINANCE, INC.	PCIL	1.00	AGP INDUSTRIAL CORPORATION "A" *	AGP	6.00
SUN LIFE FINANCIAL, INC.	SLF	-	AGP INDUSTRIAL CORPORATION "B" *	AGPB	6.00
THE PHILIPPINE STOCK EXCHANGE, INC.	PSE	1.00	CONCRETE AGGREGATES CORPORATION "A"	CA	10.00
COMMERCIAL - INDUSTRIAL			CONCRETE AGGREGATES CORPORATION "B"	CAB	10.00
COMMUNICATION			EEL CORPORATION	EEL	1.00
ABS-CBN BROADCASTING CORPORATION	ABS	1.00	FORTUNE CEMENT CORPORATION	FCC	1.00
DIGITAL TELECOMMUNICATIONS PHILS., INC.	DGTL	1.00	MARIWASA MANUFACTURING, INC.	MMI	1.00
DIVERSIFIED FINANCIAL NETWORK, INC.	DFNN	1.00	PHILIPPINE NATIONAL CONSTRUCTION CORPORATION	PNC	10.00
EASYCALL COMMUNICATIONS PHILIPPINES, INC.	ECF	1.00	REPUBLIC CEMENT CORPORATION	RCM	1.00
			REPUBLIC GLASS HOLDINGS CORPORATION	REG	1.00

NAME OF STOCK	STOCK SYMBOL	PAR VALUE	NAME OF STOCK	STOCK SYMBOL	PAR VALUE
SANITARY WARES MANUFACTURING CORPORATION *	SWM	1.00	CADP GROUP CORPORATION	CAC	1.00
SUPERCITY REALTY DEVELOPMENT CORPORATION	SRDC	1.00	CROWN EQUITIES, INC.	CEI	1.00
UNION CEMENT CORPORATION	UCC	1.00	DMCI HOLDINGS, INC.	DMC	1.00
			EAST ASIA POWER RESOURCES CORPORATION	PWR	1.00
FOOD, BEVERAGE & TOBACCO			EVER-GOTESCO RESOURCES AND HOLDINGS, INC.	EVER	1.00
ALASKA MILK CORPORATION	AMC	1.00	F & J PRINCE HOLDINGS CORPORATION "A"	FJP	1.00
COSMOS BOTTLING CORPORATION	CBC	1.00	F & J PRINCE HOLDINGS CORPORATION "B"	FJPB	1.00
GINEBRA SAN MIGUEL, INC.	GSMI	1.00	FIL-ESTATE CORPORATION	FC	1.00
JOLLIBEE FOODS CORPORATION	JFC	1.00	FIL-HISPANO HOLDINGS CORPORATION	FH	1.00
LIBERTY FLOUR MILLS, INC.	LFM	10.00	FILINVEST DEVELOPMENT CORPORATION	FDC	1.00
PANCAKE HOUSE, INC.	PCKH	1.00	FIRST PHILIPPINE HOLDINGS CORPORATION	FPH	10.00
PHILIPPINE TOBACCO FLUE-CURING AND REDRYING CORPORATION	TFC	1.00	FORUM PACIFIC, INC.	FPI	1.00
RFM CORPORATION	RFM	2.00	GLOBAL BUSINESS HOLDINGS, INC.	GBH	50.00
SAN MIGUEL CORPORATION "A"	SMC	5.00	GLOBAL EQUITIES, INCORPORATED	GEI	1.00
SAN MIGUEL CORPORATION "B"	SMCB	5.00	HOUSE OF INVESTMENTS, INC.	HI	1.50
SAN MIGUEL PURE FOODS COMPANY, INC. "A"	PF	10.00	IONICS, INC.	ION	1.00
SAN MIGUEL PURE FOODS COMPANY, INC. "B"	PFB	10.00	IPVG CORP.	IPVG	1.00
SWIFT FOODS, INC.	SFI	1.00	JG SUMMIT HOLDINGS, INC.	JGS	1.00
UNIVERSAL ROBINA CORPORATION	URC	1.00	JOLLIVILLE HOLDINGS CORPORATION	JOH	1.00
VITARICH CORPORATION	VITA	1.00	KEPPEL PHILIPPINES HOLDINGS, INC. "A"	KPH	1.00
			KEPPEL PHILIPPINES HOLDINGS, INC. "B"	KPHB	1.00
			LODESTAR INVESTMENT HOLDINGS CORPORATION "A" *	LIHC	1.00
HOLDING FIRMS			LODESTAR INVESTMENT HOLDINGS CORPORATION "B" *	LIHCB	1.00
A. BROWN COMPANY, INC.	BRN	1.00	MABUHAY HOLDINGS CORPORATION	MHC	1.00
A. SORIANO CORPORATION	ANS	1.00	MACROASIA CORPORATION	MAC	1.00
ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC. "A"	ABA	0.01	MAGNUM HOLDINGS, INC.	MHI	1.00
ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC. "B"	ABAB	0.01	MARSTEEL CONSOLIDATED, INC. "A"	MC	0.01
ABOITIZ EQUITY VENTURES, INC.	AEV	1.00	MARSTEEL CONSOLIDATED, INC. "B"	MCB	0.01
AJO.NET HOLDINGS, INC.	AJO	0.10	MEDCO HOLDINGS, INC.	MED	1.00
ALCORN GOLD RESOURCES CORPORATION	APM	0.01	MEGAWORLD CORPORATION	MEG	1.00
ALLIANCE GLOBAL GROUP, INC.	AGI	1.00	METRO PACIFIC CORPORATION	MPC	1.00
ALSONS CONSOLIDATED RESOURCES, INC.	ACR	1.00	MIC HOLDINGS CORPORATION	MET	100.00
ANGLO PHILIPPINE HOLDINGS CORPORATION	APO	1.00	MULTITECH INVESTMENTS CORP.	MIC	1.00
APC GROUP, INC.	APC	1.00	NEXTSTAGE, INC.	NXT	1.00
ARIES PRIME RESOURCES, INC.	APR	1.00	PHILCOMSAT HOLDINGS CORPORATION	PHC	1.00
ASIA AMALGAMATED HOLDINGS CORPORATION *	AAA	1.00	POLAR PROPERTY HOLDINGS CORPORATION	PO	1.00
ATN HOLDINGS, INC. "A"	ATN	1.00	PRIME MEDIA HOLDINGS, INC.	PRIM	1.00
ATN HOLDINGS, INC. "B"	ATNB	1.00	PRIME ORION PHILIPPINES, INC.	POPI	1.00
ATOK-BIG WEDGE CO., INC. "A"	AB	1.00	ROXAS HOLDINGS, INC.	ROX	1.00
ATOK-BIG WEDGE CO., INC. "B"	ABB	1.00	SEAFRONT RESOURCES CORPORATION	SPM	1.00
AYALA CORPORATION	AC	1.00	SOLID GROUP, INC.	SGI	1.00
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	BCI	10.00	SOUTH CHINA RESOURCES, INC.	SOC	1.00
BAGUIO GOLD HOLDINGS CORPORATION	B	1.00	SOUTHEAST ASIA CEMENT HOLDINGS, INC.	CMT	1.00
BALABAC RESOURCES AND HOLDINGS CO., INC.	BAL	1.00	TANDUAY HOLDINGS, INC.	TDY	1.00
BASIC CONSOLIDATED, INC.	BSC	1.00	UNIOIL RESOURCES & HOLDINGS COMPANY, INC. *	UNI	1.00
BENPRES HOLDINGS CORPORATION	BPC	1.00	UNIWIDE HOLDINGS, INC.	UW	1.00
BHI HOLDINGS, INC.	BH	100.00	VIVANT CORPORATION	VVT	1.00
BOULEVARD HOLDINGS, INC.	BHI	1.00	WATERFRONT PHILIPPINES, INCORPORATED	WPI	1.00

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
EASYCALL COMMUNICATIONS PHILIPPINES, INC. - Warrants 2005	ECPW	-
F & J PRINCE HOLDINGS CORP. - First Tranche "A" Warrants 2007	FJPAW1	-
F & J PRINCE HOLDINGS CORP. - First Tranche "B" Warrants 2007	FJPBW1	-
F & J PRINCE HOLDINGS CORP. - Second Tranche "A" Warrants 2008	FJPAW2	-
F & J PRINCE HOLDINGS CORP. - Second Tranche "B" Warrants 2008	FJPBW2	-
MACROASIA CORPORATION - Warrants 2005	MACW	-
PHILIPPINE NATIONAL BANK - Warrants 2005	PNBW2	-

PROPERTY

ARANETA PROPERTIES, INC.	ARA	1.00
AYALA LAND, INC.	ALI	1.00
C & P HOMES, INC.	CMP	1.00
CEBU HOLDINGS, INC.	CHI	1.00
CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION "A"	CPV	1.00
CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION "B"	CPVB	1.00
CITY AND LAND DEVELOPERS, INCORPORATED	LAND	1.00
CITYLAND DEVELOPMENT CORPORATION	CDC	1.00
CYBER BAY CORPORATION	CYBR	1.00
EDSA PROPERTIES HOLDINGS, INC.	EPHI	1.00
EIB REALTY DEVELOPERS, INC.	EIBR	1.00
EMPIRE EAST LAND HOLDINGS, INC.	ELI	1.00
FIL-ESTATE LAND, INC.	LND	1.00
FILINVEST LAND, INC.	FLI	1.00
GOTESCO LAND, INC. "A"	GO	1.00
GOTESCO LAND, INC. "B"	GOB	1.00
HIGHLANDS PRIME, INC.	HP	1.00
KEPPEL PHILIPPINES PROPERTIES, INC.	KEP	1.00
KUOK PHILIPPINE PROPERTIES, INC.	KPP	1.00
MRC ALLIED INDUSTRIES, INC.	MRC	1.00
PHILIPPINE ESTATES CORPORATION	PHES	1.00
PHILIPPINE REALTY AND HOLDINGS CORPORATION	RLT	1.00
PRIMETOWN PROPERTY GROUP, INC. *	PMT	1.00
PRIMEX CORPORATION	PRMX	1.00
ROBINSONS LAND CORPORATION	RLC	1.00
SAN MIGUEL PROPERTIES, INC.	SMP	10.00
SM DEVELOPMENT CORPORATION	SMDC	1.00
SM PRIME HOLDINGS, INC.	SMPH	1.00
UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC. *	UP	1.00
ZIPPORAH REALTY HOLDINGS, INC.	ZIP	1.00

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
MINING		
ABRA MINING AND INDUSTRIAL CORPORATION	AR	0.01
APEX MINING CO., INC. "A"	APX	1.00
APEX MINING CO., INC. "B"	APXB	1.00
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION	AT	10.00
BENGUET CORPORATION "A"	BC	3.00
BENGUET CORPORATION "B"	BCB	3.00
CITY RESOURCES (PHIL.) CORPORATION *	CRC	1.00
DIZON COPPER-SILVER MINES, INC.	DIZ	1.00
LEPANTO CONSOLIDATED MINING COMPANY "A"	LC	0.10
LEPANTO CONSOLIDATED MINING COMPANY "B"	LCB	0.10
MANILA MINING CORPORATION "A"	MA	0.01
MANILA MINING CORPORATION "B"	MAB	0.01
OMICO CORPORATION	OM	0.01
PHILEX MINING CORPORATION "A"	PX	1.00
PHILEX MINING CORPORATION "B"	PXB	1.00
SEMIRARA MINING CORPORATION "Common"	SCC	1.00
UEM DEVELOPMENT PHILS., INC. *	MK	1.00
UNITED PARAGON MINING CORPORATION	UPM	1.00

OIL

IMPERIAL RESOURCES, INCORPORATED "A"	IMP	0.01
IMPERIAL RESOURCES, INCORPORATED "B"	IMPB	0.01
INTERPORT RESOURCES CORPORATION "A"	IRC	0.01
INTERPORT RESOURCES CORPORATION "B"	IRCB	0.01
ORIENTAL PETROLEUM AND MINERALS CORPORATION "A"	OPM	0.01
ORIENTAL PETROLEUM AND MINERALS CORPORATION "B"	OPMB	0.01
PACIFICA, INC. "A"	PA	0.005
PACIFICA, INC. "B"	PAB	0.005
PETROENERGY RESOURCES CORPORATION	PERC	1.00
PNOC EXPLORATION CORPORATION "A"	PEC	1.00
PNOC EXPLORATION CORPORATION "B"	PECB	1.00
SINOPHIL CORPORATION	SINO	1.00
THE PHILODRILL CORPORATION "A"	OV	1.00
THE PHILODRILL CORPORATION "B"	OVB	1.00
VULCAN INDUSTRIAL & MINING CORPORATION	VUL	1.00

SMALL AND MEDIUM ENTERPRISES

CASHROUNDS, INC.	CASH	1.00
MAKATI FINANCE CORPORATION	MFIN	1.00
SQL*WIZARD, INC.	WIZ	1.00

EQUITIES - DOLLAR DENOMINATED TRADING

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY - USD DTEL	-	-
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Note: * - Trading Suspended/Halted

Official List of Active Trading Participants

(as of February 8, 2005)

A & A SECURITIES, INC.

1906 Ayala Avenue Condominium
6776 Ayala Avenue, Makati City
Office : 891-1008 to 10
Exchange : 891-1008 to 10

A. T. DE CASTRO SECURITIES CORP.

7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas, Makati City
Office : 848-7160 to 63
Exchange : 848-7160 to 63

AAA SOUTHEAST EQUITIES, INC.

G/F Fortune Life Building
162 Legaspi Street, Legaspi Village,
Makati City
Office : 816-2918
892-9841 to 49 loc. 103
Exchange : 891-9570 to 72

AB CAPITAL SECURITIES, INC.

8th Floors, Phinma Plaza
39 Plaza Drive, Rockwell Center, Makati City
Office : 898-7555
Exchange : 891-9135

ABACUS SECURITIES CORPORATION

29/F, East Tower – PSE Centre
Exchange Road, Ortigas Center, Pasig City
Office : 634-5104
Exchange : 634-6993; 634-6842

ABN AMRO ASIA SECURITIES (PHILIPPINES), INC.

19/F, The LKG Tower
6801 Ayala Avenue, Makati City
Office : 867-7800; 884-1000
Exchange : 848-7177 to 78

ACCORD CAPITAL EQUITIES CORPORATION

G/F, Unit EC-05B,
PSE Centre-East Tower, Exchange Rd., Ortigas
Center, Pasig City
Office : 687-3224; 687-3733;
687-5071 to 74
Exchange : 687-0911; 687-0936

ALAKOR SECURITIES CORPORATION

5/F, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City
Office : 631-8173; 637-4496
Exchange : 634-6928 to 29

ALPHA SECURITIES CORPORATION

23/F, Orient Square Building
Emerald Avenue, Ortigas Center, Pasig City
Office : 638-2388 to 93; 638-3764
Exchange : 638-6692 to 93;
638-6689

ANGPING & ASSOCIATES SECURITIES, INC.

Suite 2003-2004, The Peak
107 L. P. Leviste Street,
Salcedo Village, Makati City
Office : 848-2915
Exchange : 891-9115

ANSALDO, GODINEZ & COMPANY, INC.

340 Nueva Street, Binondo, Manila
Office : 242-5124 to 25;
242-5127 to 31
Exchange : 634-5160 & 63;
634-6232 to 34; 634-6521 to 22

APEX PHILS. EQUITIES CORPORATION

2/F, Mary Bachrach Building
Port Area, Manila
Office : 527-8888 loc. 219;
527-5291
Exchange : 891-8586

ARMSTRONG SECURITIES, INC.

20/F, Equitable PCI Tower I
Makati Avenue cor.
H. V. dela Costa Street, Makati City
Office : 878-4043
Exchange : 891-8534; 891-8542;
891-8563

ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.

24/F, Galleria Corporate Center
EDSA cor. Ortigas Avenue, Quezon City
Office : 634-5621
Exchange : 891-9550 to 59;
891-8571

ASIASEC EQUITIES, INC.

8/F, Chatham House
116 Valero cor. Herrera Streets,
Salcedo Village, Makati City
Office : 845-3421 to 26
Exchange : 891-9370 to 75

ASTRA SECURITIES CORPORATION

12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-6421 to 27
Exchange : 891-9126 to 27

ATC SECURITIES, INC.

29/F Jollibee Plaza, Emerald Ave., Ortigas
Center, Pasig City
Office : 683-0204; 687-1768
687-2866; 683-0201
Exchange : 891-9337 to 38

ATR-KIM ENG SECURITIES, INC.

17/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas, Makati City
Office : 848-5298; 849-8888
Exchange : 891-9120;
891-9124 to 25

AURORA SECURITIES, INC.

24/F, West Tower – PSE Centre,
Exchange Road, Ortigas Center, Pasig City
Office : 634-8321 to 24
Exchange : 634-8321 to 24

B. H. CHUA SECURITIES CORPORATION

872 G. Araneta Avenue, Quezon City
Office : 742-5850; 742-6032;
412-3444
Exchange : 891-9771 to 73

BA SECURITIES, INC.

Room 401-403, CLMC Building
259-267 EDSA, Mandaluyong City
Office : 727-5374; 722-0132
Exchange : 891-9672 to 75

BDO SECURITIES CORPORATION

27/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas, Makati City
Office : 848-5847
Exchange : 848-5836; 848-7015

BELSON SECURITIES, INC.

4/F, Belson House
271 EDSA, Mandaluyong City
Office : 724-7586 to 90; 724-7580
Exchange : 891-9860 to 68

BENJAMIN CO CA & COMPANY, INC.

Rm. 301-305, Downtown Center Bldg.
516 Q. Paredes St., Binondo, Manila
Office : 241-1261; 241-1345
Exchange : 634-5186 to 90

BERNAD SECURITIES, INC.

3/F, 1033 M. H. del Pilar Street,
Ermita, Manila
Office : 524-5326; 524-5186; 524-5267
Exchange : 635-6756 to 60; 635-5665

BPI SECURITIES CORPORATION

8/F, BPI Head Office
Ayala Avenue cor. Paseo de Roxas, Makati City
Office : 891-9262; 891-9264
Exchange : 891-9930; 845-5541;
848-5543; 845-5545

CAMPOS, LANUZA & COMPANY, INC.

20/F, East Tower – PSE Centre
Exchange Road, Ortigas Center, Pasig City
Office : 634-6881 to 87; 634-6888;
636-3134; 638-3510; 636-3135;
636-3138
Exchange : 636-3001 to 05

CENTURY SECURITIES CORPORATION

Rm. 1105 Galleria Corporate Center
EDSA cor. Ortigas Avenue, Quezon City
Office : 633-7044 to 46
Exchange : 891-9880 to 81

CITISECURITIES, INC.

27/F, East Tower – PSE Centre
Exchange Road, Ortigas Center, Pasig City
Office : 635-5735 to 40
Exchange : 634-6976 to 80

CLSA PHILIPPINES, INC.

18/F Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City
Office : 886-5637 to 46
886-5647 to 50
Exchange : 891-9945; 759-4073

COHERCO SECURITIES, INC.

240 Banawe cor. Panalturan Streets,
Manresa, Quezon City
Office : 363-7602
Exchange : 848-7301

CUALOPING SECURITIES CORPORATION

Suite 1801 Tytana Centre
Plaza Lorenzo Ruiz, Binondo, Manila
Office : 241-0262; 309-4258
Exchange : 634-5745 to 46;
634-5180; 634-5755

DA MARKET SECURITIES, INC.

24/F, West Tower – PSE Centre
Exchange Road, Ortigas Center, Pasig City
Office : 637-3624; 637-4242
Exchange : 891-9143 to 44

DAVID GO SECURITIES CORPORATION

Rm. 309 Federation Center Building
Muelle de Binondo, Binondo, Manila
Office : 242-2375 & 79; 242-2467
Exchange : 634-5048 to 49;
634-5178

DBP-DAIWA SECURITIES SMBC PHILIPPINES, INC.

18/F, Citibank Tower
8741 Paseo de Roxas, Makati City
Office : 813-7344; 813-7454
Exchange : 891-9109; 891-9119

DEUTSCHE REGIS PARTNERS, INC.

23/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 894-6600
Exchange : 891-9090

DIVERSIFIED SECURITIES, INC.

5/F, PDCP Bank Centre
Herrera cor. Alfaro Streets,
Salcedo Village, Makati City
Office : 892-2890; 892-4330;
753-5250 to 53
Exchange : 636-0814; 634-6630 to 31

E. CHUA CHIACO SECURITIES, INC.

113 Rentas Street, Binondo, Manila
Office : 242-5145; 241-9293
Exchange : 891-9246 to 48

EAGLE EQUITIES, INC.

779 Harvard Street, Mandaluyong City
Office : 724-1584; 725-2777
Exchange : 634-6684; 634-6283

EASTERN SECURITIES DEV'T. CORP.*Makati Sales Office:*

7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City

Binondo Head Office:

17/F, Tytana Building,
Binondo, Manila
Office : Makati 848-5491 to 95
Binondo 242-4006 to 09
Exchange : 891-9340 to 44

EASTWEST CAPITAL CORPORATION

1331 Angono Street, Makati City
Office : 897-6807
Exchange : 891-9801; 891-9803

EIB SECURITIES, INC.

11/F, ExportBank Plaza
Chino Roces Avenue
cor. Sen. Gil Puyat Avenue, Makati City
Office : 878-0775; 878-0790;
886-1801 to 04
Exchange : 848-5386; 848-5396

EQUITIWORLD SECURITIES, INC.

8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5401; 848-5403 to 06
Exchange : 891-9755 to 58

**EVERGREEN STOCK
BROKERAGE & SECURITIES, INC.**

6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 891-9451 to 58
Exchange : 891-9451 to 58

F. YAP SECURITIES, INC.

23/F, East Tower – PSE Centre
Exchange Road, Ortigas Center, Pasig City
Office : 635-4125 to 30; 635-4141
Exchange : 634-5171; 634-6917;
634-5390 to 91; 634-6217 to 18

FIDELITY SECURITIES, INC.

2/F, JTKC Centre
2155 Pasong Tamo, Makati City
Office : 818-6774; 812-6267
Exchange : 634-7110; 633-9707;
633-9710; 633-9711

**FIRST INTEGRATED CAPITAL
SECURITIES, INC.**

12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 759-4320 to 23;
891-9418 to 19
Exchange : 759-4320 to 23;
891-9418 to 19

**FIRST METRO SECURITIES
BROKERAGE CORPORATION**

15/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 759-4133 to 34
Exchange : 891-9514 to 17

FIRST ORIENT SECURITIES, INC.

12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 891-9240; 891-9243 to 44
Exchange : 891-9240 to 45

FRANCISCO ORTIGAS SECURITIES, INC.

Room 815, Ortigas Building,
Ortigas Avenue, Pasig City
Office : 631-2674; 631-2733
Exchange : 634-5149 to 53

G. D. TAN & COMPANY, INC.

22/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office : 634-6255; 637-5686
Exchange : 634-6255; 634-5408;
634-6256

GLOBALINKS SECURITIES & STOCKS, INC.

7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-6341 to 42;
759-4136 to 37
Exchange : 891-9920 to 22

**GOLDEN TOWER SECURITIES
& HOLDINGS, INC.**

4/F, Vernida I Condominium
120 Amorsolo Street,
Legaspi Village, Makati City
Office : 813-2839; 892-1316
Exchange : 891-9680 to 82

GOLDSTAR SECURITIES, INC.

22/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office : 636-0197; 633-7485 to 86
Exchange : 634-6765 & 69;
634-6983 & 87

GUILD SECURITIES, INC.

12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 891-9230; 891-9234 to 35
Exchange : 891-9232 to 37;
891-9230

H. E. BENNETT SECURITIES, INC.

Room 207, CNC Investment Bldg.
231 Juan Luna Street, Binondo, Manila
Office : 242-5733
241-6284; 241-6458
Exchange : 634-5030; 634-6235

HDI SECURITIES, INC.

20th Floor, Orient Square Building,
Emerald Ave., Ortigas Center, Pasig City
Office : 687-7955 to 57; 910-6188
Exchange : 891-9512; 891-9619
848-0998; 848-7118

HIGHLAND SECURITIES PHILS., INC.

16/F, East Tower – PSE Centre
 Exchange Road, Ortigas Center, Pasig City
 Office : 634-7401 to 05
 Exchange : 891-9106; 891-9010

HK SECURITIES, INC.

Suite 102, Columbia Tower
 Ortigas Avenue, Mandaluyong City
 Office : 725-6356 to 57; 724-6336;
 724-9967 & 69; 724-6325
 Exchange : 891-9522 to 25

I. ACKERMAN & COMPANY, INC.

7/F, Tower One & Exchange Plaza
 Ayala Avenue cor. Paseo de Roxas,
 Makati City
 Office : 891-9070 to 72
 Exchange : 891-9070 to 72

I. B. GIMENEZ SECURITIES, INC.

No. 42 3/F New Rosario Ortigas Arcade,
 Rosario Ortigas Extn., Pasig
 Office : 642-1773; 641-9656;
 643-3714; 642-7299
 Exchange : 634-6260 to 61;
 634-6263 to 65; 634-5168

IGC SECURITIES, INC.

10/F, Tower One & Exchange Plaza
 Ayala Avenue cor. Paseo de Roxas,
 Makati City
 Office : 891-9190 to 93
 Exchange : 891-9190 to 93

**IMPERIAL, DE GUZMAN,
ABALOS & CO., INC.**

Greenfield Building I
 750 Shaw Boulevard, Mandaluyong City
 Office : 633-2686; 634-5717;
 631-8651 loc. 145
 Exchange : 634-5161 & 66;
 634-5739; 634-5710

INTRA-INVEST SECURITIES, INC.

11/F, ACT Tower
 135 Sen. Gil Puyat Avenue,
 Salcedo Village, Makati City
 Office : 813-8293 to 94
 Exchange : 891-9206; 891-9208

INVESTORS SECURITIES, INC.

6/F, Tower One & Exchange Plaza
 Ayala Avenue cor. Paseo de Roxas,
 Makati City
 Office : 848-7032 to 33;
 891-9441 to 42
 Exchange : 891-9441 to 46

J. M. BARCELON & COMPANY, INC.

3/F, Pako Building, Pedro Gil Street
 cor. A. Linao & Gen. Luna Streets,
 Paco, Manila
 Office : 523-6808; 721-2708;
 725-1004
 Exchange : 635-0236

JAKA SECURITIES CORPORATION

8/F, Tower One & Exchange Plaza
 Ayala Avenue cor. Paseo de Roxas,
 Makati City
 Office : 848-7122 to 24
 Exchange : 848-6413 to 15

JSG SECURITIES, INC.

4/F, A & T Building,
 244 Escolta Street, Binondo, Manila
 Office : 241-0594; 242-9380; 242-9385
 Exchange : 637-3159 to 61

KEPPEL SECURITIES PHILIPPINES, INC.

Unit 3-B, Country Space I Building,
 Sen. Gil Puyat Avenue, Makati City
 Office : 892-1816
 Exchange : 841-0703

KING'S POWER SECURITIES, INC.

Room 704, Federal Tower
 Dasmariñas Street, Binondo, Manila
 Office : 242-3048 to 49
 Exchange : 848-5605 to 07

LARRGO SECURITIES COMPANY, INC.

2/F, Rufino Tower Building
 6784 Ayala Avenue, Makati City
 Office : 810-1183; 810-1353 to 54
 810-1440 & 46
 Exchange : 891-9530 to 33

LITONJUA SECURITIES, INC.

Room 205 DITZ Building
 444 T. M. Kalaw Street, Manila
 Office : 521-1951 to 57
 Exchange : 634-7178; 634-5713

**LOPEZ, LOCSIN, LEDESMA
& COMPANY, INC.**

Roofdeck, Urban Building
 405 Sen. Gil Puyat Avenue (nr. MRT)
 EDSA, Makati City
 Office : 896-0835; 848-6651
 Exchange : 891-9640 to 41

LUCKY SECURITIES, INC.

19/F, West Tower – PSE Centre
 Exchange Road, Ortigas Center, Pasig City
 Office : 634-6826; 634-6786;
 634-6747 & 60
 Exchange : 634-5382 to 83; 634-5411;
 634-5707

LUY'S SECURITIES COMPANY, INC.

28/F, LKG Tower
 6801 Ayala Avenue, Makati City
 Office : 884-1271 to 85
 Exchange : 634-5175 to 76;
 634-6523 to 24; 634-6850 to 51

**MACQUARIE SECURITIES
(PHILIPPINES), INC.**

7/F, Tower One & Exchange Plaza
 Ayala Avenue cor. Paseo de Roxas,
 Makati City
 Office : 857-0888
 Exchange : 848-5213; 848-5228;
 840-8480; 840-8483

MANDARIN SECURITIES CORPORATION

28/F, LKG Tower
6801 Ayala Avenue, Makati City
Office : 884-1271 to 85
Exchange : 634-6517 to 20

MARIAN SECURITIES, INC.

Universal Family Center Building
2232 Pasong Tamo Extension, Makati City
Office : 819-1134; 750-2440
Exchange : 891-9309; 891-9316

MDR SECURITIES, INC.

18/F, Medical Plaza Ortigas Bldg.
San Miguel Avenue, Ortigas Center
Pasig City
Office : 910-3124 to 25; 638-3899
Exchange : 891-9226 to 28

MERCANTILE SECURITIES. CORP.

20/F, First e-Bank Tower
8737 Paseo de Roxas, Makati City
Office : 813-3131
Exchange : 891-9350 to 58

MERIDIAN SECURITIES, INC.

27/F, East Tower – PSE Centre
Exchange Road, Ortigas Center, Pasig City
Office : 635-6261 to 64
Exchange : 634-6931 to 36

MOUNT PEAK SECURITIES, INC.

748 C. K. Building, Juan Luna St.,
Binondo, Manila
Office : 241-7990 & 92; 241-8043
Exchange : 891-9601 to 05

NEW WORLD SECURITIES, INC.

Room 202 CNC Investment Bldg.
231 Juan Luna St., Binondo, Manila
Office : 242-1759; 242-1767
Exchange : 634-5711 to 12; 634-5721

NIEVES SANCHEZ, INC.

Room 400 CNC Investment Bldg.
231 Juan Luna Street, Binondo,
Manila
Office : 241-7142; 241-6890
Exchange : 891-9306 to 08

OPTIMUM SECURITIES CORPORATION

No. 11 E. O. Building
cor. United & 2nd Streets,
Bo. Kapitolyo, Pasig City
Office : 631-7831 to 36; 631-3989;
Exchange : 891-9581 to 85

PAN ASIA SECURITIES CORPORATION

9/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5153 to 54
Exchange : 891-9170 to 74

PAPA SECURITIES CORPORATION

6/F, S & L Building
De la Rosa cor. Esteban Streets,
Legaspi Village, Makati City
Office : 817-8433 & 79; 817-8454
Exchange : 891-9630 to 32

PCCI SECURITIES BROKERS CORP.

4/F, PCCI Corporate Center
118 L. P. Leviste Street,
Salcedo Village, Makati City
Office : 893-3920; 893-3923 to 24
Exchange : 891-9952 to 55;
848-6284 to 85; 840-2991

PCIB SECURITIES, INC.

20/F, Equitable PCI Tower I
Makati Ave. cor. H.V. dela Costa St., Makati City
Office : 878-4556; 878-4558;
878-4562 to 63
Exchange : 891-9008 to 09; 891-9045

PHILIPPINE EQUITY PARTNERS, INC.

Unit 19C, Citibank Tower
Citibank Plaza
8741 Paseo de Roxas, Makati City
Office : 814-5700
Exchange : 891-9162; 891-9222

PHIL-PROGRESS SECURITIES CORP.

G/F, PPL Building, U. N. Avenue
cor. San Marcelino Street, Manila
Office : 526-4207; 526-4208 & 10
Exchange : 891-8579 to 80

PLATINUM SECURITIES, INC.

8/F, Antel 2000 Corporate Center
121 Valero St., Salcedo Vill., Makati
Office : 887-1178 to 79
Exchange : 891-9301 to 03

PNB SECURITIES, INC.

3/F, PNB Financial Center
Roxas Boulevard, Pasay City
Office : 526-3510; 526-3678;
832-5461
Exchange : 891-9841; 891-9846

PREMIUM SECURITIES, INC.

14/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5915 to 17
Exchange : 891-9593 to 95

PUBLIC SECURITIES CORPORATION

12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-7373 to 74;
811-4706; 811-4526
Exchange : 891-9490 to 93

**QUALITY INVESTMENT
& SECURITIES CORP.**

Unit 1602 Tytana Plaza
Plaza Lorenzo Ruiz, Binondo, Manila
Office : 241-0072; 241-0486
Exchange : 891-9184 to 89

R & L INVESTMENTS, INC.

675 Lee Street, Mandaluyong City
Office : 724-5207
Exchange : 891-9201 to 05

R. COYIUTO SECURITIES, INC.

5/F, Corinthian Plaza,
Paseo de Roxas, Legaspi Village, Makati City
Office : 811-3064 to 67; 811-3201
Exchange : 634-6203 to 07;
634-5035; 634-6697 & 69

R. NUBLA SECURITIES, INC.

Room 300, CNC Investment Bldg.
231 Juan Luna Street, Binondo, Manila
Office : 242-1595 to 96; 242-1770
Exchange : 634-6525 to 29

R. S. LIM & COMPANY, INC.

1509 Galvani Street, Makati City
Office : 843-4313; 844-7235;
844-2245
Exchange : 891-9660 to 66

RCBC SECURITIES, INC.

7/F Yuchengco Tower,
RCBC Plaza, 6819 Ayala Avenue,
Makati City
Office : 848-5183 to 87
Exchange : 845-2641

REGINA CAPITAL DEVELOPMENT CORP.

8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5482 to 84
Exchange : 891-9413; 891-9415 to 17

RTG & COMPANY, INC.

6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 891-9480 to 84
Exchange : 891-9480 to 84

S. J. ROXAS & COMPANY, INC.

6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5065 to 69
Exchange : 891-9708 to 09;
891-9714 to 16; 891-9439

SARANGANI SECURITIES, INC.

5/F, APMC Building
136 Amorsolo cor. Gamboa Streets,
Legaspi Village, Makati City
Office : 817-5806; 840-4504;
817-5834
Exchange : 891-9176 to 79

SB EQUITIES, INC.

18/F, Security Bank Centre
6776 Ayala Avenue, Makati City
Office : 891-1243/57/58/78
Exchange : 891-9677; 891-9686 to 87

SECURITIES SPECIALISTS, INC.

Casa Blanca, 1447 M. Adriatico St., Ermita,
Manila
Office : 523-5595
Exchange : 891-9701 to 03

SINCERE SECURITIES CORPORATION

12/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office : 638-3549 to 50
Exchange : 634-6664; 634-6668

SOLAR SECURITIES, INC.

30/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office : 636-6302
Exchange : 636-6302; 634-6869; 634-6878

STANDARD SECURITIES CORPORATION

34 Jefferson Street,
West Greenhills, San Juan, M. Mla.
Office : 725-3905; 721-5887
Exchange : 891-9760 to 61;
891-9764 to 65

STRATEGIC EQUITIES CORPORATION

6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5159
Exchange : 891-9620 to 21

SUMMIT SECURITIES, INC.

21/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office : 631-1032 to 37
Exchange : 631-1032 to 37

SUPREME STOCKBROKER, INC.

15/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 891-9403 to 07
Exchange : 891-9401 to 02;
891-9404 to 05

TANSENGCO & COMPANY, INC.

Room 208 Padilla delos Reyes Bldg.
232 Juan Luna Street, Binondo,
Manila
Office : 241-6887
Exchange : 634-6675 & 85;
633-1310; 634-8230

**THE FIRST RESOURCES
MANAGEMENT & SECURITIES
CORPORATION**

8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-6311 to 18
Exchange : 848-6311 to 18

**THING ON SECURITIES LTD.
PHILIPPINES, INC.**

1136 Soler Street,
Binondo, Manila
Office : 245-3093 to 95
Exchange : 636-5793 to 97

TOWER SECURITIES, INC.

18/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office : 635-4448 to 49; 635-4144
Exchange : 6345-5146; 634-5148;
638-3847; 638-3850; 633-9411

TRANS-ASIA SECURITIES, INC.

Room 601-S State Centre Building
333 Juan Luna Street,
Binondo, Manila
Office : 242-2823; 242-3031
Exchange : 634-5725 to 27;
634-5752 to 54

TRI-STATE SECURITIES, INC.

10/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-5044 to 47
Exchange : 891-9361 to 64

TRITON SECURITIES CORPORATION

26/F, LKG Tower
6801 Ayala Avenue, Makati City
Office : 884-2081 to 83
Exchange : 635-5531 to 35

UBS SECURITIES PHILS., INC.

19/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 754-8888
Exchange : 891-8588; 891-8589

UCPB SECURITIES, INC.

5/F, UCPB Building
Makati Avenue, Makati City
Office : 811-9000
Exchange : 891-9735 to 37

UNICAPITAL SECURITIES, INC.

4/F, Majalco Building
Trasierra cor. Benavidez Streets,
Legaspi Village, Makati City
Office : 892-0991
Exchange : 891-9622; 891-9624

**UOB-KAY HIAN SECURITIES
(PHILIPPINES), INC.**

Unit 404 Locsin Building
Ayala cor. Makati Avenue, Makati City
Office : 887-7972
Exchange : 891-9526 to 27

UPCC SECURITIES CORPORATION

12/F Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 893-4712; 867-4384
Exchange : 891-8512; 891-8514;
891-8519

VENTURE SECURITIES, INC.

7th Floor, Phil. First Building
6764 Ayala Avenue, Makati City
Office : 848-6505; 887-8447
Exchange : 891-9420 to 22

**VICSAL SECURITIES & STOCK
BROKERAGE, INC.**

658 Carlos Palanca Street,
Quiapo, Manila
Office : 734-9771 to 75 loc. 114
Exchange : 891-9710 to 13

WEALTH SECURITIES, INC.

21/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office : 634-5038 to 42; 637-3048 to 50
Exchange : 634-6222; 634-6225 to 29

WESTLINK GLOBAL EQUITIES, INC.

6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office : 848-6231; 848-6246
Exchange : 891-9380 to 83

WONG SECURITIES CORPORATION

205 Captain Roja Street,
Addition Hills, San Juan, M. Mla.
Office : 723-8912
Exchange : 634-5735 to 37

YAO & ZIALCITA, INC.

5H Vernida I Condominium
120 Amorsolo Street,
Legaspi Village, Makati City
Office : 813-3496; 892-5936;
894-0553 to 55
Exchange : 634-6284; 634-6286

YU & COMPANY, INC.

16/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office : 634-6611 & 18; 634-7577
Exchange : 634-6248 to 50

Corporate Information

Annual Meeting

The annual meeting of shareholders will be held on Saturday, March 19, 2005, 9:00 a.m. at the PSE Trading Floor, PSE Centre Exchange Road, Ortigas Center, Pasig City

Corporate Office

Principal Office:

Philippine Stock Exchange Centre

Exchange Road, Ortigas Center, Pasig City
1605 Philippines
Tel. No. : (632) 688-7600
Fax No. : (632) 634-5113

Philippine Stock Exchange Plaza

Ayala Triangle, Ayala Avenue, Makati City
1226 Philippines
Tel. No. : (632) 819-4100
Fax No. : (632) 891-9004

Website: <http://www.pse.com.ph>

PSE Public Information and Assistance Center

Tel. No. : (632) 688-7601
E-mail : piac@pse.com.ph

External Counsels

Zamora Poblador Vasquez & Breña Law Offices

5th Floor, Montepino Building,
138 Amorsolo St., Legaspi Village, Makati City

Quasha, Ancheta Peña and Nolasco Law Offices

114 Amorsolo St., Legaspi Village, Makati City

Roco Kapunan Migallos Perez Luna Law Office

16th Floor Strata 2000 Building,
Emerald Avenue, Ortigas Center Pasig City

Tan and Venturanza Law Offices

2704 East Tower, Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City

Independent Public Accountant

SGV & Co.

6760 Ayala Avenue, Makati City

Laya Mananghaya and Co.

22nd Floor, Philamlife Tower,
8767 Paseo de Roxas, Makati City

Stock Transfer Agent

Rizal Commercial Banking Corp.

Trust and Investments Division
RCBC Head Office
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue
Makati City, Philippines

Foreign Affiliations

World Federation of Exchanges

22 Boulevard de Courcelles
Paris, France

East Asian And Oceanian Stock Exchanges Federation

c/o General Administration Department
Tokyo Stock Exchange, Inc.
2-1, Nihombashi-Kabuto-Cho
Chuo-Ku, Tokyo, Japan

Association of National Numbering Agencies

c/o Wertpapier- Mitteilungen
Dusseldorfer Str. 16
D-60329 Frankfurt am Main
Germany



THE PHILIPPINE STOCK EXCHANGE, INC. (PSE)

Principal Office

Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City 1605 PHILIPPINES
Trunkline : (632) 688.7600
Fax : (632) 634.5113

PSE Plaza

Tower One & Exchange Plaza
Ayala Avenue, Makati City 1226
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