

ROXAS HOLDINGS, INC.



Setting
NEW DIRECTIONS

Table of Contents

Financial Highlights	1
Chairman's Message	2
New Beginning, New Directions	6
Management's Review of Operations	8
Board of Directors	18
Executive Officers	19
Statement of Management's Responsibility	20
Report of Independent Accountants	20
Consolidated Balance Sheets	21
Consolidated Statements of Income	22
Consolidated Statements of Changes in Stockholders Equity	23
Consolidated Statements of Cash Flows	24
Notes to Consolidated Financial Statements	25
Stockholder Information	IBC

Our Cover:

Our Company is born anew as Roxas Holdings, Inc. With the new beginning comes the opportunity to set new directions, chart new destinations.

Corporate Credo

We strive to be the best.
The way to be the best is to believe in people-our principal resource. We must harness their talents, provide for their total development, and empower them to contribute to the growth and progress of the organization. We believe that effective management enhances productivity, provides the best value and prompt service to our customers.

We believe in
continuous improvement;
in thinking strategically, beyond the here and now;
in attention to details;
in the value of alliances and networking and the nurturing of entrepreneurial spirit;
in maintaining open and clear lines of communication;
in active participation;
in management by example;
in dealing fairly with our suppliers and creditors;
in being responsive to the needs of our sugarcane growers who are important to our success. We value integrity and hold ourselves to the observance of ethical and professional standards.

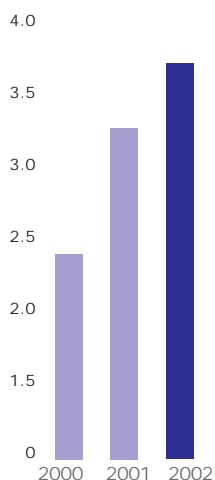
Amidst this, we want to have a family spirit with fairness, dignity and merit. We believe in social responsibility, in growing in harmony with the community and the environment. Through these beliefs, we aim to delight our customers, achieve continuous growth as a company, share the rewards with our employees, deliver attractive returns to our shareholders, and help meet the needs of society.

2002 Financial Highlights

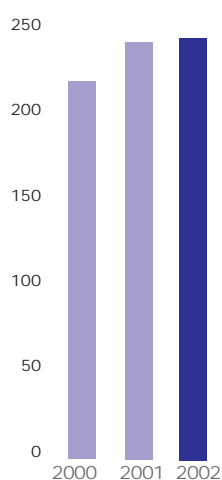
Roxas Holdings, Inc.

<i>(In million Pesos, except earnings per share and return data)</i>	2001	2002
Net Sales	B3,249	B3,673
Income from Operations	560	488
Earnings Before Interest, Taxes and Depreciation & Amortization (EBITDA)	776	741
Net Income	240	243
Total Assets	6,469	6,776
Stockholders' Equity	4,421	4,633
Earnings Per Share	0.25	0.25
EBITDA/Average Total Assets	13%	11%
EBITDA/Average Stockholders' Equity	20%	16%

Net Sales
in Billion Pesos



Net Income
in Million Pesos



HIGHLIGHTS

- Amid the extremely difficult environment, Roxas Holdings, Inc. earned B243 million
- The RHI Group remained the country's largest producer of raw sugar in 2001-2002
- The Reorganization Program proceeded in full gear
- Negros operation has been reinforced with new capital modernization program

Chairman's Message

Roxas Holdings, Inc.

Your Company is undergoing a transformation. After 75 years of existence, CADP has now become Roxas Holdings, Inc.

The development is not a mere change in name; it involves defining new horizons and setting new directions for the Company. We are on the threshold of a new era.

Last year, we embarked on a strategic initiative to effect the consolidation of our Batangas and Negros sugar operations under the Central Azucarera de La Carlota (CAC) and the transformation of our Company — Roxas Holdings, Inc. (RHI) — into an investment and management company.

The major preparatory activities to fulfill this transformation, as well as the integration of our sugar businesses have been completed, and the process is on the final stage toward realization.

New Horizons

Your Company is in a state of transition. We are re-inventing ourselves in a time of rapid change. Yet, we remain the same – a company constant in its pursuit of excellence and steadfast in its goal of enhancing the wealth of its shareholders.

In line with the Reorganization Program, the Company has been officially renamed Roxas Holdings, Inc. and its corporate purpose has been changed to become an investment and management corporation through an amendment in the Articles of Incorporation that you had ratified during our last general meeting. The Securities & Exchange Commission approved the amendment last December 2001.

When the final structure is put in place, RHI will be a company with strong industry presence in sugar and one with the flexibility to invest in and manage other businesses where shareholder value can be created and maximized. The change in our corporate focus, as well as the restructuring of our sugar business, is of far-reaching impact. As RHI, we are now in position to be a corporation to build a diversified business portfolio that we can hedge against the fast-paced technological advancements, turbulence and volatility of a globalized economy.

As we scan the environment for business opportunities, we shall be capitalizing on our existing resources and competencies – our land assets, the strategic management competency of our senior management team, our financial engineering expertise and our commitment to excellence and ethical corporate governance. These are the intangibles that define a corporation.

The business terrain is rapidly shifting, moving unpredictably with the winds of change. The sectors, once gloriously touted as the New Economy – Internet, Information Technology, telecommunications – are in disarray. The high-flying companies that used to hold sway in the financial markets have fallen by the wayside. Thus, your Management is taking care to cautiously scan the business environment and study the opportunities in the market as we move towards expanding into other areas. Prudence shall remain a hallmark of our governance and corporate administration.

Even as we are inexorably re-inventing ourselves, we maintain our focus on our core sugar manufacturing business. Sugar, contrary to public perceptions, is not a sunset industry.

The Philippines is a large consumer market, and sugar is a principal component of many food products demanded by our young population. We have re-invested our profits to make sure that our people, production facilities and processes are at par with the rest of the world.

And this foresight and commitment have paid off in consistent profitability at a period when other companies are hard up in trying to survive. Our vigorous success in a difficult and uncertain economic environment is testimony to the level of competitiveness we have attained as a corporation.



PEDRO E. ROXAS
Chairman & CEO

The Economy

The world economy underwent tumultuous developments in 2001-2002. In the wake of the September 11 terrorist attack in the United States, the US slipped into recession that sent the global economy into a tailspin, with international trade, investments, financial markets and business confidence taking a fall after nearly a decade of steady growth.

On the domestic front, the Philippines reeled from the global shockwaves and from the fragile consensus arising from the ascension of the new leadership into power. Political uncertainties lingered up to 2002, triggered by the Mindanao conflict and peace and order problems which weighed down the economy. In 2001, the export sector was adversely affected by the sharp decline in the global electronics industry.

In spite of the unfavorable environment, the Philippines on the whole demonstrated resilience and posted modest growth in contrast to other ASEAN countries. Determined efforts by the new government in better economic management led to stable inflation, interest and foreign exchange rates during the period in review.

In the first semester of 2002, investor confidence started to return, highlighted by the positive inflow of foreign portfolio funds. The export sector has also turned around in 2002 with the semiconductor sector taking the lead in the recovery. Despite these positives, however, the high unemployment level, a weak consumer market and the large budget deficit continue to be a cause for concern for the country.

Financial Overview

In the midst of the mixed economic outlook on the one hand and ongoing reorganization efforts on the other, we maintained our focus to continue delivering satisfactory results during the year in review.

Consolidated net sales improved 13% from B3.25 billion to B3.67 billion in 2001-02 on the back of higher sales volumes and better retail prices. However, because of significantly higher cost of sales, consolidated operating income declined 13% to B488 million from B560 million in 2000-01. The significant increase in cost of raw sugar negated the gains from the reduction of our operating expenses, which decreased from B499 million to B479 million.

In spite of the decline in operating income, consolidated net income increased 1% to B243 million due to lower accounting provisions for allowances and financing charges. On a per share basis, earnings amounted to B0.25 for the year.

In view of the turbulence in the financial markets since the 1997 Asian contagion, Management has made a firm commitment to strengthen our balance sheet through better

management of our working capital and our leverage position. We are gratified to report that we continued to make strides in this direction. Total assets stood at B6.776 billion at the end of June 2002, a 5% improvement over the previous year. Our cash position is positive as cash and cash equivalents grew 72% from B214 million to B369 million. Current assets amounted to B1.438 billion compared to the current liabilities of B1.025 billion.

We note with pride that our leverage position is highly favorable with debt-to-equity ratio of 0.37:1 as of the end of fiscal year 2002 compared to the 0.36:1:00 last year.

New Beginning

The old gives way to the new to usher a beginning.

During the year, we incorporated Central Azucarera Don Pedro, Inc. (CADP, Inc.) that shall be the corporate vehicle to which our Batangas sugar business shall be lodged. As the last stage, we are awaiting the approval of the Bureau of Internal Revenue for the tax-free exchange of the Batangas business to CADP, Inc. to enable us to complete the swap that will pave the way for the completion of the integration of our sugar business.

Under CADP, Inc., our Batangas business shall be spun off in turn to Central Azucarera De La Carlota (CAC) through an asset-for-share swap in exchange for additional CAC shares. In effect, CADP, Inc. shall become a wholly owned operating corporation of CAC. RHI will increase its equity stake from the present 73.% to 95% in CAC.

The CAC that will emerge from our consolidation exercise is no longer the same Negros-based corporation that is our subsidiary. In addition to the Negros operation, it shall own and encompass the Batangas operation as a wholly owned subsidiary, as well as CADP Consultancy Services, Inc., CADP Farms Services, Inc. and minor operating subsidiaries.

The next stage in the consolidation program is to spin off and devolve the Negros operation into a separate subsidiary to create a symmetrical organization that fosters focus and growth. The CAC Board approved a resolution to this effect, and the same will be submitted to its shareholders for approval during its coming regular meeting.

This organization adjustment is the last step in the formation of CAC as the Group's sugar holding corporation with the mandate to own and manage operating sugar companies. More importantly, we are providing it the strategic focus to look at and assess opportunities within sugar, as well as the capability to invest in other sugar ventures that will contribute to firming up our leadership in the industry.

The sugar business structure that shall emerge from this final plan defines and delineates the scope and risks associated with each business activity. Certainly, the structure will set the stage for greater business effectiveness and gear our core sugar business for future growth.

Our Future

We are confident about our future. As has been demonstrated in the last four years, the initiatives we have been pursuing are laying the foundation for our growth in the years ahead.

The Philippine economy is slowly but surely getting off the ground with quiet incremental gains in the manufacturing, exports and services sectors. The determined drive to respond to the Mindanao conflict has also begun to bear fruit over-all, although terrorist threats from within and without continue to cast a shadow in the peace and order prospects and confidence of the country.

Expectations of an El Niño in the fourth quarter are high due to the slightly warmer and less-than-normal rainfall in the traditional wet season of 2002. For the 2002-2003 sugar cane crop, indications anticipate growth harvest. This augurs well for the incoming milling season, although a prolonged drought is likely to affect planting for the succeeding crop year.

Overseas, fears of a full-scale conflict in the Middle East has resulted in a negative outlook on the oil supply and price situation. It has started to cause pressures on our foreign exchange rate and on foreign investments into the country. Let us hope and pray for a resolution to this impending crisis.

On the whole, your Management is gratified with our corporate performance over the last four years and with its resolute pursuit of corporate plans and strategies. We have kept our focus on the basics of our business. While we have given a keen eye on certain business expansion possibilities, we chose to be purposive and to be deliberate in our strategic approach and decisions, concentrating on our core business and key strengths and on implementing continuous improvement programs in existing operations.

Your company has not made any dramatic entry into any of the new economy businesses or undertaken any major investments or joint ventures that stray outside of our core business of our competencies.

In retrospect, your Management has been conservative and prudent. But we are convinced that we have made the right decisions because we have focused on the underlying principles and goals on which our Company has been founded.

Our sterling performance would not have been possible without the guidance and wisdom of our Board of Directors, the patronage of our customers, the trust of our shareholders, the dedication and contribution of our employees and the support of our business partners, planters and our other stakeholders.

RHI stands before new horizons, re-defining the sure paths we have set course and ready to begin new journeys into new roads and destinations. Indeed, our future is beginning today.



PEDRO E. ROXAS

New Beginning New Directions

Roxas Holdings, Inc.

Y

Your Company embarked on a strategic initiative to consolidate its sugar operations under a single company and to transform itself into a diversified holding and investment corporation.

The underlying goal of the Reorganization Program is to enhance shareholder value by creating the optimal structure for our Company to pursue growth for our sugar business and to broaden our business portfolio in the face of the rapidly changing and shifting environment.

The Reorganization Program ushers in a new era, a new direction that will poise us to take advantage of opportunities in the market, wherever those may be. The RHI that will emerge from this exercise is a company that will have a fresh start to explore other areas to build a diversified business base to drive our growth.

And yet, at the same time we shall derive strength from our consolidated sugar business under Central Azucarera de La Carlota. Under a single corporate structure with its distinct board and management, it shall be in position to maximize economies of scale from the combined operations of our Batangas and Negros operations, while gaining the strategic flexibility and focus to expand and venture into other sugar businesses.

THE SUGAR CONSOLIDATION PLAN

The Sugar Consolidation Program is on the last stages of completion. We have pursued the major activities in the three-step process toward putting in place the structure that will give us a new beginning and chart new directions.

▶ Creation of wholly owned subsidiary.

The new subsidiary incorporated earlier as Phoenix Sugar Corporation has been renamed as Central Azucarera Don Pedro, Inc. (CADP, Inc.). Its authorized capital has been increased to B501 million with Securities & Exchange Commission approval in April 2002. The capital increase will enable it to absorb the Batangas assets.

▶ Transfer of the Batangas sugar business to CADP, Inc.

The second component calls for the transfer of the Batangas sugar business currently owned by RHI (except the land) to CADP, Inc. in exchange for new shares.

Based on the net asset value of the Batangas business, the total assets of CADP, Inc. shall increase to B2.228 billion to be distributed as the authorized capital at P501 million and B1.728 billion to be booked as Additional Paid-In Capital.



The final implementation of the property-for-share swap will be completed upon the issuance by the Bureau of Internal Revenue (BIR) of the tax-free exchange ruling and is expected before the end of 2002.

Swap of CADP Inc. for CAC shares

The third component consists of RHI swapping CADP Inc. for new shares of CAC. This in effect implements the end-state structure which calls for CADP Inc. becoming a 100%-owned subsidiary of CAC.

Following the respective Board and shareholder approvals of RHI and CAC, the following corporate actions have been completed:

1. The increase in CAC's authorized capital from B400 million to B2.0 billion.
2. The issuance to RHI of 1,302,782,472 shares from the 1.6 billion new CAC shares.

As a result of the swap, RHI will increase its shareholding in CAC from 73.17% to 95.78%. Since CAC is a public corporation, the new CAC shares will be listed at the Philippine Stock Exchange. Upon approval by the BIR of the tax-free exchange ruling, the asset-for-share swap will be closed.

CAC will, apart from owning the manufacturing operations

in La Carlota, Negros, likewise own 100% of the Batangas sugar business under CADP, Inc., as well as CADP Farms Services, Inc., CADP Consultancy Services, Inc. and other minor operating subsidiaries.

INTEGRATION PURSUED

The consolidation of our sugar business is currently being pursued in earnest.

The senior management team is on the way to completing the organizational structure both for RHI and CAC as the sugar holding corporation of the Group.

In addition, manufacturing operations are being integrated, marked by the migration of the systems and procedures of our Negros operation to the world-class standards of our RHI Batangas operation. The business processes are being automated with the adoption of end-to-end enterprise resource systems, even as we continue to construct and upgrade the IT infrastructure that will connect the corporate offices with Batangas and Negros operations.

The most important aspect is emerging: the Roxas sugar group is now beginning to be a single, seamless operation, with a singular purpose and focus, that will begin to be more effective and efficient as it sets out to the future and pursues growth in the years to come.

The Reorganization

Program Team



Senior Vice President Asuncion S. Aguilar (second from left), Vice President for Legal Atty. Florencio Mamauag, Jr. (right), CAC Treasury Officer Cielito Yabut and Accounting Manager Cecilia Agnes Javier provide the financial and legal expertise necessary for the Reorganization Program to get off the ground.



Vice President for Human Resources Atty. Rafael Francisco and his HR team composed of Jaime Umandal, Joselito Moreno, Anielyn Afable and Dr. Domingo Brual are laying out the organizational blueprint for the Group's sugar business.



Management's Review of Operations

Roxas Holdings, Inc.

Your Company continued to focus on the fundamentals of its sugar business. In pursuit of its broad strategies, it likewise proceeded with the integration of its sugar business in line with the mandate given by our shareholders and appropriate regulatory bodies.

The consolidation of our Batangas and Negros operations is a key initiative to tap and maximize the synergies in manufacturing operations, cane sourcing, marketing and trading, engineering and maintenance and human resource development and management.

Under a single corporate structure, our operations management has been equipped with the clear-cut focus and authority to align and adopt uniform manufacturing systems and procedures and quality management processes with the best practices we have developed in the Company through the years. We are also putting in place human resources systems, training and development programs, Information Technology programs and supply chain management systems to create a more effective and efficient organization at all levels.

RHI as the prime mover of this initiative has taken the lead in these efforts. We are gearing our operations to the rapidly changing and shifting environment toward mindset of global competition and

excellence across our consolidated organization.

Industry Overview

Sugar cane production posted growth for the second year in a row, although at a much slower pace, in crop year 2001-2002. The industry benefited from the increase in aggregate area planted to cane, the expansion of the crop to new areas and the favorable selling prices of sugar.

Consequently, canes milled for the crop year ended August 2002 totaled 21.04 million metric tons, up slightly from the 21.00 million metric tons in 2000-01. Comparatively, the previous year saw a bumper harvest following several years of decline.

The long warm and dry period has been a blessing and a boon. The cane crop had a higher sugar concentration that manifested itself in improved milling extraction. However, farm productivity as measured by tons cane per hectare went down during the year, which negated the improvement in sugar milling recoveries.

CONSOLIDATED OPERATING REVIEW

Raw Sugar Production

The CADP Group posted consolidated raw sugar output of 5.234 million 50-kg. bags in 2001-2002, down slightly from the 5.411 million bags registered in the previous year. Total CADP Group sugar production represented approximately 14% of over-all

Philippine production during the period in review.

The decline in raw sugar production was accounted for by the decrease in cane tonnage of our Batangas and Negros milling operations. During the period in review, a total of 2.835 million MT of sugar cane were crushed, representing a 6% decrease from the 3.029 million MT milled the year before.

Raw sugar output in Batangas posted a slight increase from the previous 2.733 million bags to 2.765 million 50 - kg. bags despite a 5% drop in canes processed from 1.480 million tons to 1.412 million tons. The increase in output was due to the improvement in milling efficiencies and recoveries, which translated to a higher cane rendement of 1.98 bags per ton cane [LKg./TC] from the previous year's 1.85 LKg./TC.

In contrast, Negros operations suffered from lower raw sugar output due to lower farm output and more intense cane sourcing competition in the province. Raw sugar production went down 8% from 2.678 million bags to 2.469 million bags due to the 8% drop in cane milled during the period in review. Our Negros mill crushed a total of 1,423 million tons, lower than the 1,549 million tons in 2000-2001.

Refined Sugar Output

The Company ranked second largest refined sugar manufacturer for Crop Year 2001-2002. Production increased to 4.865 million 50 - kg. bags from the previous year's 4.152 million



MIGUEL A. GASPAR
President &
Chief Operating Officer

bags or a growth of 17%. The refinery took advantage of the increased supply of raw sugar sourced from local sugar mills and imported sugar.

Field Operations

Cane tonnage at our Batangas operation dropped slightly to 1.412 million tons despite a slight increase in the overall cane production of Luzon. Despite the drop, the Batangas Raw Sugar Factory still accounted the largest share [42%] of the cane milled in the whole Luzon.

The season started with a positive mode as from the first day of milling, cane supply matched the requirements of the raw sugar factory. There were no stoppages due to lack of cane during the first weeks of milling, a positive situation unlike what was experienced in the previous years. The continuous cane supply resulted to a balanced milling operation with subsequent benefits on increased market share, reduced power & bunker consumption.

The drop in tonnage could be traced to the poor quality of the delivered canes brought about by the exceptionally high incidence of cane burning and the boiler difficulties encountered during the first quarter. The hot and dry weather was very conducive to accidental cane burning resulting to rapid cane deterioration, which affected our Boiling House operations. The combination of these operational difficulties disrupted our harvesting program forcing some of planters with large



ONE GROUP, ONE FOCUS

The integration of the Company's sugar business is developing a single-minded drive towards building a seamless and globally competitive manufacturing operation.

The Company continued the expansion and modernization of our Negros operation with a B160 million capital program in 2001-2002 which led to the construction of new facilities in the process house and the mill house. This is exemplified by the Continuous Vertical Crystallizer (shown in the photo above) which will further improve sugar recoveries that will contribute to making operation more efficient and attractive to sugar planters.

The consolidation aims to enhance the economies and synergies from the combined operations of Batangas and Negros, made possible under a single corporate and management structure.



SENIOR PLANT MANAGEMENT TEAM.

SVP
Ramon Picornell
and VPs
Ruben Samonte,
Rafael Francisco
and Rolando
Piamonte provide
over-all direction
to the
Group's
manufacturing
operations.

volumes of burnt canes to divert their canes to other sugar mills that were willing to accept these poor quality canes.

Farm productivity dropped slightly from the previous year's 48 tons per hectare to 47 tons per hectare this season. The relatively large infestation of "White Grubs" also affected farm productivity of some areas in Balayan, Calaca and Tuy. The Mill District Development Foundation, Inc. in cooperation with PHILSURIN and SRA is currently addressing this problem.

Raw Sugar Factory:

The performance of our Batangas Raw Sugar Factory improved based on the higher extraction efficiencies and recoveries despite the operational difficulties induced by the poor cane quality and boiler problems.

In Crop Year 2001-2002, Batangas produced 2.765 million 50-kg. bags and 70,014 tons of molasses from the 1.412 million tons of canes milled. Sugar recovery improved by 6.16% from

the previous 1.846 bags per ton cane to the present 1.960 bags per ton cane.

The operational gains were enhanced by the continued adherence to the approved operating processes necessary to alleviate the ill-effects of deteriorated canes and strict compliance to the company's Quality Management System based on the ISO 9002: 1994 Standard. This has given our staff and workers the impetus *"to do right, the first time, everytime"*.

The concept of continuous improvement was widely practiced in the factory resulting to the following benefits: production of better grade bagasse for the boilers, thus increasing the volume of excess bagasse for use by the refinery during the off-milling operations; innovative techniques in reclaiming stored bagasse resulting to savings of approximately E 20 million in bunker fuel; and reduced reliance on the Power Grid Provider resulting to additional savings of E 4 million.

Refinery Operations

Our Batangas refinery increased its output to 4.865 million 50 - kg bags from the previous year's 4.152 million bags. This 17% production increase is traced to the sustained output from the raw sugar factory and by the continuous raw sugar purchases and transfers from Central Azucarera de la Carlota - our Negros operation. Our ability to secure raw sugar from Negros clearly demonstrates the synergy between our two operations resulting to the maximization of our refining capability.

The processing of poor quality raw sugar coming from equipment breakdowns contributed to the slight reduction of the daily refining rate of 15,300 bags per day from the previous year's 16,030 bags daily. The extended operations, which has contributed to the optimum use of our refinery, has also brought to light the need for more heavy-duty and oversized equipment to better accept the rigors of year-round operations. Management is currently reviewing the status of the major equipment in the refinery and the possible options that could be adopted to reduce equipment stoppage on the long-term.

To improve the quality of our refined sugar, the phased automation of our evaporators and vacuum pans was implemented during the year in review. This involved the installation of computerized process control equipment and automatic valves.

Negros Operations (CAC)

Our Central Azucarera de La Carlota operation in Negros Occidental was affected by lower cane supply due to the drop in the cane output and the poor sugar quality of the cane crop in the whole island of Negros during the year. Tons cane milled during the 2001-02 crop year decreased to 11.31 million metric tons, a decrease of nearly 6% from the cane tonnage the previous year.

CAC produced a total of 2.469 million bags during the current period compared to the 2.678 million bags output in fiscal year 2000-01. Canes processed dropped from 1.549 million metric tons to 1.423 million metric tons in 2001-02.

In spite of the lower production, our Negros operation actually registered improvement in sugar extraction recoveries during the year in review. Sugar yield increased to 1.735 bags per ton cane processed, a gain from the 1.729 bags per ton cane the year before. The over-all manufacturing recovery rate is also the highest in the last ten years. The efficiency gains were achieved because of the continuous upgrading of the plant's various equipment, process improvements and improved compliance to quality systems.

During the year, the Company made a major investment of nearly B160 million, which involves construction and installation of a new shredder and Continuous Vacuum Pan system

Contributing to PHILIPPINE SUGAR



The Company is cognizant of the critical role of sugar cane production in making Philippine sugar more competitive. For many years, our Batangas complex and CAC Negros operations have been active in extending technical and direct assistance to sugar planters in their respective areas.

In a landmark program, the Sugar Regulatory Administration (SRA) and the Philippine Sugar Research Institute (PHILSURIN) has recently named the Company as its first partner in the Department of Agriculture's Agricultural Competitiveness Enhancement Fund (ACEF) program for the modernization of the sugar sector in Luzon.

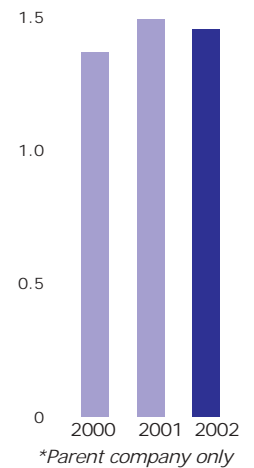
The SRA and PHILSURIN selected the CADP Mill District Development Foundation - with RHI Batangas as the lead organization - to oversee the B42 million ACEF program in its mill district. RHI and the CMDDF have been involved in the deployment of high-yielding cane varieties to planters and in support programs to upgrade cultivation methods.

The ACEF program involves the mechanization of the sugar planting operations and the improvement of the farm road networks to increase harvesting and distribution efficiencies of mature canes to the mills. The Department of Agriculture and SRA turned over this on October 2002 to the CADP MDDF 16 John Deere farm tractors with ancillary implements for land preparation and planting for the use of sugar planters covering an aggregate area of more than 30,000 hectares in Western Batangas.

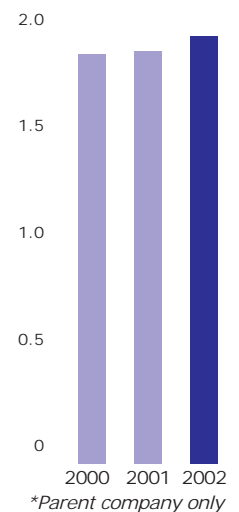
In the photo, RHI Vice President for Field Operations Ruben Samonte, together with Engr. Margarito Botones, Transport and Farm Services Department Head, and Nemesio de Ocampo, Farm Services Supervisor, shows the farm tractors that will be made available for the 2002-2003 milling season.

The equipment will be mobilized for land preparation during the planting season that comes on the heels of harvesting. The second part of the program entails the acquisition and utilization of construction equipment that will be mobilized for the construction and maintenance of farm roads to improve harvesting operations, particularly during the rainy season.

Cane Milled*
Million Metric Tons



Sugar Yield*
50-kg Bags/Ton cane





NEGROS PLANT UPGRADING PURSUED

A new shredding system in the mill house was installed successfully to improve extraction efficiencies from the cane. Engineering Superintendent Alfredo de la Peña (lower photo - third from right) poses with his supervisory team, with the mills and automated elevator behind. Upper photo shows the new Continuous Vacuum Pan, with the boiling house managers headed by Acting Operations Superintendent Samuel Gabitoya, which will further improve the recoveries in the production of raw sugar.

and Continuous Vertical Crystallizers facility in the boiling house. Installation work have been completed and the various equipment are currently being tested and commissioned.

In line with the consolidation program, our Batangas operations

technical experts assisted CAC plant management in supervising the project and in commissioning the new facilities.

The Company likewise pursued continuous improvement programs. In particular, the computerization of core business processes (such as cane sourcing, quedan preparation, purchasing and logistics development) went into high gear in CAC as part of the corporate-wide program to develop uniform enterprise management solutions critical of a world-class corporation.

ENVIRONMENT MANAGEMENT:

The year in review showed the Company's commitment to comply with environmental laws, specially R.A. 8749 (*The Clean Air Act of 1999*) and R.A. 9003 (*The Ecological Solid Waste Management Act of 2000*). Major capital projects were implemented to build new pollution abatement facilities to fulfill our responsibility to our communities and to the environment.

The new Waste Water Treatment Plant (WTP) is now operational and effectively raised our capacity to treat the Batangas complex's wastewater from 2,000 cu.m./day to 7,000 cu.m./day.

With the expanded capacity of the WTP 7,000 cu. m./day and its complementary facilities, the Company is ready to comply with the upcoming new environmental laws such as the Clean Water Act.

In relation to the legislative action on environment, the Company has joined advocacy efforts under the Philippine Sugar Millers Association - Sugar



SYNERGY IN PROGRESS

RHI Batangas provided technical assistance and support to the design, construction and commissioning of Central Azucarera de La Carlota's new Continuous Vacuum Pan and Vertical Crystallizers. In the upper photo, CVP Technical Supervisor Arnel P. Mendoza (center) briefs CAC Boiling House Superintendent Rogelio Barrientos (right) and Process Engineer Nelson Delfin (left).

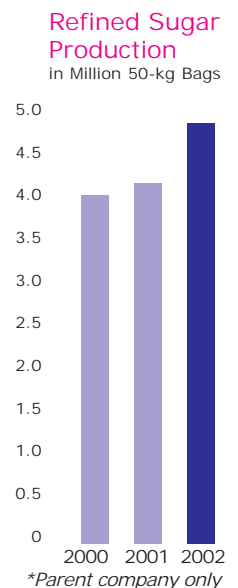
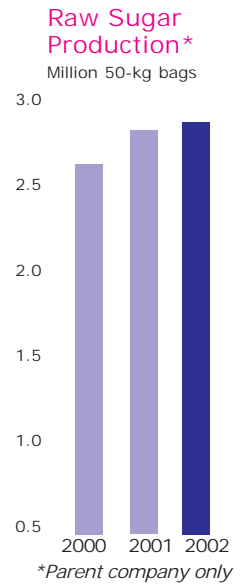
The lower photo shows RHI Instrumentation Section Head Dindo Nicolas providing tips to the CAC technicians on the use of process control monitoring systems for the new facility.

Industry Environment Committee (PSMA-SLEC) and other industry associations with the Committee on Environment of the Senate and the Committee on Ecology of the Lower House of Congress, respectively, to temper the impact of the new environmental laws to the sugar industry. PSMA-SIEC has made recommendations and apprised our legislators of the need to balance the interest of the sugar industry with environmental protection. The Company likewise, began to address our boiler stack emissions in line with emission standards set by the Clean Air Act.

Upgrading of the Ash Settling Pond was also undertaken to handle and treat the scrubbing water carrying particulate matter removed by the Wet Gas Scrubber. These efforts will complement over-all drive to improve quality of our Batangas boiler stacks emissions.

Meanwhile, the first phase of the CADP Ecological Solid Waste Management Center is near completion. The Company financed the acquisition and installation of 37 units rotary composter drums for the rapid composting and conversion of factory solid wastes like mud press, biodegradable household wastes and those from the Nasugbu market to organic fertilizer.

An Environmental Compliance Certificate (ECC) for the Ecological Center has already been issued by the Environmental Management Bureau (EMB) Region IV - CALABARZON thus





ENVIRONMENTAL COMMITMENT IN ACTION

The new air pollution equipment called the wet scrubber has been retrofitted in the smokestack. Photo shows Boiler Superintendent Simon Turno III with his project team.

paving the way for its commercial run as soon as mud press becomes available when the milling season starts.

The Composting Project is unique because it is a partnership between the Company as the funding component, Lacto-Asia

Pacific Inc. as the technology provider and the community-based *Luntiang Nasugbu Multi-purpose Cooperative* which will be responsible for the operation and upkeep of the facility. The organic fertilizer will be sold to farmers and the revenues derived from the facility will benefit the community.

A Memorandum of Agreement between the three parties involved in this undertaking was signed last May 17, 2002.

Quality Management System

The Batangas operation has taken the lead in developing a culture of excellence and quality in our sugar business. Our Quality Management System, which was certified by SGS Phils. last 2000, underwent the required 2nd and 3rd Surveillance Audits. These audits were hurdled with flying colors with ZERO non-conformances.

We are continuously reviewing with our clients our sugar refining processes to ensure that these are in conformance with Good Manufacturing Practices and to identify Hazard Analysis of Critical Control Points (HACCP). The HACCP is a new system that is now becoming the norm for compliance for food, beverage and pharmaceutical manufacturers-our core industrial customers for refined and special granulated sugars.

The management approved shift to upgrade our Quality Management System to the ISO 9001: 2000 version is proceeding as scheduled with the full support of our consultant, Neville Clarke. The formulation of process maps for all core functions including the holding of competency and training workshops with all personnel of the RHI Batangas were already accomplished. The target date for the certification to the ISO 9001: 2000 Version is by January 2003.

Eventually, our Quality Management System will be integrated with the forthcoming Environmental Management System (ISO 14001) and the Occupational Health and Safety Assessment System (OHSAS 18000). Pending the actual workload of our process owners and the action teams, these additional systems will be ready for certification by early 2004.

Information Technology

The IT thrust involves the development and implementation of end-to-end solutions to automate and integrate operations particularly the logistics chain for raw sugar (e.g. cash advance monitoring, quedan preparation and payment, hauling subsidy monitoring, warehousing etc.). This leads to better coordination and management of the production resources. Support functions likewise received a boost with the putting on-line of applications software related to payroll preparation, computer inventory and service control and employee benefits administration.

To lay the groundwork for increased communication load between the corporate office with the Batangas complex and Negros operations, the plan is to upgrade the existing local area network with new hardware and fiber-optic connections.



PARTNERSHIP WITH CUSTOMERS

The Company considers its customers its prime partners. RHI has managed to tap and earn the trust of the country's leading companies for their varied refined sugar requirements. Among them are San Miguel Corporation -- the country's largest and most diversified consumer company -- and United Laboratories - - the Philippines' leading pharmaceutical firm and a player in Asia.

The partnership is highlighted by the show of unity with SMC officials (upper photo) led by VP Gerry Payumo and logistics key staff Cesar Gimeno, Jennifer Ang, Emer Elogada, and Noli Manalo (left to right). RHI VP Mel Layson and marketing staff Christy Nicolas and Cezar Narzo are also in the photo.

In the lower photo, CAC AVP for Product Management Layla S. Gabitoya (third from left) joined UNILAB officials headed by AVP Angel Gatchalian, (third from right) and John Eugenio (extreme right) and RHI marketing staff.



2002 MODEL EMPLOYEES

Reynaldo O. Francisco, Rodolfo C. Manalo, Fernando M. Veroya, Pedrito B. Anchores and Marcelo M. Barrion of the Batangas operations gave meaning to dedication and pursuit of excellence in RHI.

We are also exploring plans to join an eProcurement company to improve the sourcing and processing of supplies and materials.

Human Resources

The Company holds its people as its primary resource. Leadership does not only mean being the biggest or the most profitable in the industry. It also means having employees who are genuine assets, respected by their peers and looked upon as prime movers of the enterprise.

Hence, we continued to implement broad programs to enhance our employees' capability and expertise, to give them the best-of-the-industry salaries and benefits and to create a work environment conducive to excellence.

During the year, RHI Batangas concluded a new Collective Bargaining Agreement with its labor union for 2001–2006 under the spirit of mutual cooperation and respect. In less than two months, Management headed by the Senior Vice President for Operations Ramon A. Picornell, Jr. and Batangas Labor Union President Rupert Bragado representing the union signed the new 5-year CBA in October.

New employee-specific communications vehicles were launched during the year to improve the flow of information in the Company and supplement development programs.

The monthly *Point of View* newsletter — a 4-page circular in English — was introduced last December for professional-technical staff, managers, department heads and former employees to provide practical know-how on leadership, job coaching and self-development.

The *Tambuli*, the monthly Filipino employee bulletin, was revived because of the demand for more updated news and issues beginning January 2002.

Our employee and industrial relations programs were likewise strengthened. The *Workshop CLARO (Clarifying Labor Relations and Other Issues)* was launched to provide a venue for the discussion of labor relations issues for department and section heads with the senior plant management. *Workshop CLARO* is now regularly conducted after every Labor Management Committee meeting.

To further open lines of dialogue between Corporate Management and Plant Management with our monthly employees, the *Breakfast with the President* program commenced during the year. This program is run in parallel with the LMC for our daily employees and *Workshop CLARO* for Department Heads.

The year also saw the successful expansion of benefits for workers. The CADP Low Cost Subdivision (now called Victoriaville) has gotten off the ground during the year. All available lots have been assigned to qualified employees under the liberalized payment schemes.

The Company takes pride in the outstanding goodwill and relations between Management and its employees and workers. Through the years, we have garnered recognition for our innovative human resource management and development initiatives that redound to the benefit of employees.

During the year, we won another prestigious award — *Outstanding LMC for Industrial Peace* — from the National Conciliation and Mediation Board of the Department of Labor and Employment. The award is an affirmation of the unique partnership between the Company and its labor force through the Batangas Labor Union in pursuing industrial peace and improvement in quality and productivity in the workplace.

Social Responsibility

Our Batangas Complex has a full-time Community Development Office that plans and implements our various social projects aimed at uplifting the lives of communities around our plant.

During the period, we expanded our community organizing and development efforts to seven new communities within the Nasugbu, Lian and Tuy municipalities. The community organizations act as anchors for self-initiated group-based livelihood, health and welfare and other socio-economic projects.

We facilitated the organization and registration of the *Luntiang Nasugbu Multi-Purpose Cooperative* — our community partner in the solid waste composting project — and the *Bungahan Multi-Purpose Cooperative* during the year. Community livelihood projects availed of total loans amounting B1.293 million for various projects with a total of 218 individual and group members as beneficiaries. Support disbursed for the sugarcane farm assistance project

amounted to raw sugar equivalent to B1.005 million.

We derived more impetus for the expansion of our community development area coverage after we successfully sourced and channeled more funds from the Company, our partner institution Antonio and Eduardo Roxas Gargollo Foundation, Inc. and donor agencies such as the Australian Assistance for International Development, the Department of Labor & Employment and ERDA Foundation.

Batangas also commenced a Reading Literacy Program with the *Sa Aklat Sisikat Foundation* which benefited more than 2,000 students in 31 public schools within Nasugbu. Also included in this program were teacher effectiveness training and the distribution of books to the 31 participating schools.

In partnership with the Levi's Advise Fund to Philippine Business for Social Progress and the Technical Education Skills Development Authority, we continued to sponsor vocational skills training for out-of-school youth. This year, six (6) skills training were conducted which produced 120 graduates.

RHI Batangas also generated financial and employee support to the Western Batangas Habitat for Humanity. Its first housing site in Nasugbu was launched in Brgy. Lumbangan as part of the World Leaders Build and Summer Youth Build. Twenty four houses were built and awarded to home partners.



CARING FOR EMPLOYEES AND THEIR FAMILIES

Batangas employees can now avail of affordable housing for their families in *Victoriaville* subdivision.

Board of Directors



ANTONIO J. ROXAS
Chairman Emeritus
Member-Compensation Committee



PEDRO E. ROXAS
Chairman
and Chief Executive Officer



MIGUEL A. GASPAR
President
and Chief Operating Officer



DELFIN C. LAZARO
Director
Member-Audit Committee



CARLOS G. DOMINGUEZ
Director
Chairman-Compensation Committee
Member-Audit Committee



SANTIAGO R. ELIZALDE
Director



RAMON R. DEL ROSARIO
Director
Chairman-Audit Committee
Member-Compensation Committee



LORNA P. KAPUNAN
Corporate Secretary



FLORENCIO M. MAMAUAG, JR.
Assistant Corporate Secretary
VP for Legal and Compliance
Officer

Executive Officers



RAMON A. PICORNELL, JR.
*Senior Vice President -
Operations*



ASUNCION S. AGUILAR
*Senior Vice President - Finance
and Treasurer*



ROLANDO C. PIAMONTE
*Vice President
- Manufacturing*



RUBEN Z. SAMONTE
*Vice President -
Field Operations*



RAFAEL A. FRANCISCO
*Vice President - Human Resource
Management and Services*



MELCHOR A. LAYSON
*Vice-President -
Business Development
and Operations Services*



FERNANDO P. GINETE
*Vice President and
Resident Manager Central
Azucarera De La Carlota*



DEAN L. GUEVARRA
*Vice President -
Corporate Purchasing
and General Services*

Department Manager

Ma. Cecilia Agnes F. Javier

Department Heads

Gaudencio V. Andino
Estelita L. Barcelon
Mariepaz L. Barcelon
Ramon M. Barcelon
Florencio J. Bituin
Apolinario L. Blanco
Margarito V. Botones
Dr. Domingo V. Brual
Atty. Ricardo L. Bugarin
Leonardo S. Calmerin
Nelson T. Catalan
Manuel Y. Gonzales
Reynaldo S. Juarez
Rosauro R. Luntayao
Noreen I. Magsumbol
Richel D. Mendoza
Jeffrey G. Mijares
Rolando S. Peña
Jose G. Pimentel, Jr.
Arcadio T. Sta. Cruz
Antonio T. Tajonera
Simon P. Turno III
Jaime C. Umandal