SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-1S
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter **EMPIRE EAST LAND HOLDINGS, INC.**

3. **Metro Manila**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **AS094-006430**

5. BIR Tax Identification Code **003-942-108**

6. **21st Floor The World Centre**
   330 Sen. Gil J. Puyat Avenue
   Makati City, Philippines **1227**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 867-8351 to 59**

8 **13 June 2012 9:00 a.m. Grand Ballroom**
   Eastwood Richmonde Hotel
   17 Orchard Road, Eastwood City
   Bagumbayan, Quezon City, Philippines
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **22 May 2012**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**10,495,236,253**

11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

   Yes [X] **No [ ]**

   The shares of common stock of the Company are listed on the Philippine Stock Exchange.

Empire East

21st Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS
Empire East Land Holdings, Inc.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Empire East Land Holdings, Inc. will be held on 13 June 2012, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, with this agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Annual Meeting
4. Annual Report of Management
5. Increase in Authorized Capital Stock
6. Appointment of External Auditors
7. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
8. Election of Directors
9. Other Matters
10. Adjournment

Stockholders of record as of 30 April 2012 will be entitled to notice of, and to vote at, the Annual Meeting.

We are not soliciting your proxy. However, if you would like to appoint proxies to represent you in the Annual Meeting, you may submit your proxy instruments on or before 7 June 2012 to the office of the Corporate Secretary, 28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City. Validation of proxies will be held on 7 June 2012, 9:00 a.m. Sample proxy forms are enclosed for your convenience. For questions, please call Ms. Rhodora Victorino-Edangalino at Tel. No. +632 8678826 loc. 363.

Makati City, Philippines, May 15, 2012.

DENNIS E. EDAÑO
Corporate Secretary

PROXY
EMPIRE EAST LAND HOLDINGS, INC.
2012 STOCKHOLDERS' MEETING

I/WE hereby name and appoint, ____, or in his absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of EMPIRE EAST LAND HOLDINGS, INC. ("Empire East") to be held on 13 June 2012 at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of Empire East, which appointment shall not exceed five (5) years from date hereof.

In particular, I hereby direct my said proxy to vote all my shares on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

Items No.	**Subject**	**Action**		
		For	**Against**	**Abstain**
3	Approval of Minutes of the Previous Annual Meeting			
5	Increase in Authorized Capital Stock			
6	Appointment of External Auditors			
7	Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management			
8	Election of Directors			
	a. Andrew L. Tan			
	b. Katherine L. Tan			
	c. Anthony Charlemagne C. Yu			
	d. Enrique Santos L. Sy			
	e. Alejo L. Villanueva, Jr.			
	f. Gerardo C. Garcia			
	g. Evelyn G. Cacho			
FULL DISCRETION				

________________________________ ________________________________
PRINTED NAME OF STOCKHOLDER AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 7 JUNE 2012.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

THIS PROXY DOES NOT NEED TO BE NOTARIZED.

(Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories)

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual meeting of stockholders of the Company will be held on 13 June 2012, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines.

The Company's complete mailing address is at 21/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, Philippines.

Copies of this information statement will be sent on or before 22 May 2012 to all stockholders on record as of 30 April 2012.

The Company is not soliciting proxies. We are not asking you for a proxy. Neither are you required to send us a proxy.

Dissenters' Right of Appraisal

There is no proposed corporate action or matter that will grant appraisal rights pursuant to the Corporation Code of the Philippines to dissenting stockholders.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case the corporation decides to invest its funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and 4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.** Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined, within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company, or any nominee for election as a director of the Company, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the annual meeting of stockholders.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of Shares Outstanding

As of 30 April 2012, the Company had 10,495,236,253 outstanding shares of common stock. Each common share shall be entitled to one (1) vote.

Record Date of Meeting

All owners on record of the Company's common shares as of 30 April 2012 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

Cumulative Voting Rights

Each common share entitles the person in whose name it is registered in the books of the Company to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. Each holder of common stock shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of April 30, 2012

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation[1] 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	Megaworld Corporation Megaworld Corporation is a client of a participant of PCD Nominee Corporation (Filipino)	Filipino	5,022,770,249 1,393,241,484 6,416,011,733	47.8576% 13.2750% 61.1326%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Filipino	3,759,071,240[2]	35.8169%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	Aurora Securities, Inc.[3] (ASI)	Filipino	1,456,256,218	13.8754%

[1]. The Board of Directors of Megaworld Corporation has authorized its Chairman of the Board and President or in his absence the Chairman of the Meeting, to vote Megaworld Corporation's common shares in the Company.
[2] This includes 1,456,256,218 shares held by ASI.
[3] ASI is a participant of the PCD.

Common	First Centro, Inc.[1] 20/F IBM Plaza Bldg., Eastwood City, E. Rodriguez, Jr. Ave. Bagumbayan, Quezon City	First Centro, Inc. (FCI)	Filipino	1,088,494,500	10.3713%

Security Ownership of Management as of April 30, 2012

Title of Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.23132187%
		1[2] (indirect)	Filipino	0.00000001%
		6,416,011,733[3] (indirect)	Filipino	48.37676948%
		138,133,820[4] (indirect)	Filipino	1.31615731%
Common	Gerardo C. Garcia	636,277 (direct)	Filipino	0.00606253%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.00000001%
Common	Katherine L. Tan	1 (direct) 24,277,777[5] (indirect)	Filipino Filipino	0.00000001% 0.23132187%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00011331%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.00033577%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Five Most Highly Compensated Officers				
Common	Anthony Charlemagne C. Yu	Same as above		
Common	Ricky S. Libago	0	Filipino	n/a
Common	Antonio E. Llantada, Jr.	92,532 (direct)	Filipino	0.00088166%
Common	Evelyn G. Cacho	Same as above		
Common	Ricardo B. Gregorio	0	Filipino	n/a
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
Other Executive Officers				
Common	Robert Edwin C. Lim	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Celeste Z. Sioson	0	Filipino	n/a
Common	All directors and executive officers as a group	25,053,721 (direct)	Filipino	0.23871516%

[1] The power to vote FCI's holdings in the Company and to issue proxies has been delegated by its Board of Directors to its Vice President for Finance, Cherryll L. Yu.
[2]The share is beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.
[3] The shares are held by Megaworld Corporation which has authorized Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.
[4] The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.
[5] The shares are beneficially owned by Andrew L.Tan, spouse of Katherine L. Tan.

Voting Trust Holders of 5% or More

The Company has no knowledge of any person holding more than five percent (5%) of the Company's shares of common stock under a voting trust or similar agreement.

Changes in Control

No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the annual meeting of stockholders held on 14 June 2011 and will hold office for one (1) year and/or until their successors are elected and qualified.

Information concerning the background of the directors and executive officers of the Company is provided in pages 6 to 10 of the Company's Annual Report to Stockholders.

Procedure for Nomination and Election of Independent Directors

Pursuant to Article II, Section 2 of the Company's By-Laws, the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.

2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.

3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.

4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.

6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.

7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Nomination Committee composed of Enrique Santos L. Sy as Chairman, Gerardo C. Garcia and Evelyn G. Cacho as members, accept nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

1. Andrew L. Tan
2. Katherine L. Tan
3. Anthony Charlemagne C. Yu
4. Enrique Santos L. Sy
5. Evelyn G. Cacho
6. Gerardo C. Garcia-Independent Director
7. Alejo L. Villanueva, Jr.– Independent Director

Independent Directors

This year's nominees for directors include two persons who qualify as independent directors. Mr. Carmelo Jose J. Canto III nominated incumbent independent director, Mr. Gerardo C. Garcia, for another term, while Ms. Maria Rosario Justo nominated incumbent independent director, Mr. Alejo J. Villanueva, for another term. Ms. Justo and Messrs. Canto, Garcia and Villanueva are not related by consanguinity or affinity up to the fourth civil degree.

Significant Employees

The business of the Company is not highly dependent on the services of personnel outside of senior management.

Family Relationships

Mr. Andrew L. Tan and Ms. Katherine L. Tan, both directors of the Company, are spouses.

Material Pending Legal Proceedings

The Company is not aware of the occurrence during the past five (5) years up to the date hereof of any of the following events that are material to an evaluation of the ability or integrity of any director, nominee for election as director, or executive officer:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body,

or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Related Transactions

The Company paid a management/leasing fee of P1.5 million to an affiliate for the management/leasing of parking slots and some commercial units. In 2011, total commissions earned by a subsidiary from the sale of its parent company's real estate properties amounted to P150 million.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 19 of the Notes to the Audited Consolidated Financial Statements of the Company and its Subsidiaries attached as Exhibit 1 hereof and incorporated herein by reference.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into other related party transactions.

Resignation/Disagreement

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Compensation of Directors and Executive Officers

Compensation of Certain Officers

The total annual compensation paid to the President and five most highly compensated executive officers of the Company amounted to Php9,291,542 in 2010 and Php9,695,194 in 2011. The projected total annual compensation of the named executive officers for the current year is Php10,334,363.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2011, the Company paid a total of Php500,000 for directors' per diem. For 2012, the Company has allocated approximately Php 700,000 for directors' per diem.

Apart from directors' per diem, there are no other arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

Summary of Compensation Table

The following table identifies the President and the five most highly compensated officers of the Company and summarizes their aggregate compensation in 2010 and 2011 and estimated aggregate compensation for 2012:

Name and Principal Position	Year	Salary	Bonus	Others	Total Annual Compensation
Anthony Charlemagne C. Yu, President					
Ricky S. Libago SVP for Property Development					
Antonio E. Llantada, Jr., VP for Audit and Management Services					
Evelyn G. Cacho, VP for Finance					
Ricardo B. Gregorio, VP for HR, General & Admin Services					
Jhoanna Lyndelou T. Llaga, VP for Marketing					
President and 5 Most Highly Compensated Officers	2010	7,470,480	641,890	1,179,172	9,291,542
	2011	7,731,527	731,480	1,232,187	9,695,194
	2012	8,030,841	869,649	1,433,873	10,334,363
All Other Officers and Directors as a Group	2010	3,894,007	338,390	861,076	5,093,473
	2011	4,072,967	352,872	806,993	5,232,832
	2012	4,358,075	377,573	1,031,694	5,767,342

Employment Contracts and Termination of
Employment and Change-in-Control Arrangements

Executive officers are appointed by the Board of Directors to their respective offices. Certain executive officers are employees of the Company and are entitled to standard employee benefits extended by the Company to its employees.

There is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are no outstanding warrants or options in respect of the Company's shares that are held by the Company's CEO, or any director or executive officer of the Company.

Independent Public Accountants

The Board of Directors of the Company, in consultation with the Audit Committee composed of Gerardo C. Garcia as Chairman and Alejo L. Villanueva, Jr. and Evelyn G. Cacho as Members, will recommend to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for 2012.

The Company complied with SRC Rule 68(3)(b)(ix) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement and that a two-year cooling off period be observed in the re-engagement of the same signing partner. In this regard, Mr. Nelson Dinio, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the new signing partner for the audit of the Company's financial statements starting the year ending 31 December 2011. Ms. Mailene Sigue-Bisnar, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the years 2006 to 2010.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

Representatives of Punongbayan & Araullo are expected to be present at the annual meeting of stockholders. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Financial Information

Financial Statements of the Company and its subsidiaries as of 31 December 2011 and 2010, the Interim Financial Statements of the Company and its subsidiaries as of 31 March 2012, and the Management's Discussion and Analysis of Results of Operations and Financial Condition for the corresponding periods are contained in the Company's Annual Report to Stockholders and are incorporated herein by reference.

OTHER MATTERS

Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 14 June 2011 will be submitted to the Company's stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to the following matters:

1. Approval of Minutes of the Previous Annual Meeting
2. Appointment of External Auditors
3. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
4. Election of Directors

The approval or disapproval of said minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the minutes.

ISSUANCE AND EXCHANGE OF SECURITIES

Authorization or Issuance of Securities Other than for Exchange

Title and Amount of Shares to be Issued

The Company expects to issue up to 2,695,239,834 common shares (the "Shares") pursuant to a pre-emptive rights offer to holders of its common shares.

Description of Shares to be Issued

The Company's authorized capital stock consists of Php23,495,200,000.00, divided into 21,495,200,000 shares and 2,000,000,000 preferred shares, both with par value of One Peso (PhP1.00) per share. As of 30 April 2012, there were 10,495,236,253 outstanding common shares, 285,723,080 outstanding zero-coupon non-redeemable convertible preferred shares and 127,256,071 common shares in treasury.

The proposed issuance shall enjoy equal rank, preference and priority with the presently issued and outstanding common shares of the Company.

Each common share shall have complete voting rights. The holder of a common share shall be entitled to one vote in all matters submitted to stockholders for their approval and shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Each common share entitles the holder to full dividend rights. In the event of liquidation or dissolution of the Company, holders are entitled to receive their proportionate share of all assets available for distribution, after satisfaction of the Company's debts and liabilities.

Under the Corporation Code, shareholders enjoy preemptive rights to subscribe to all issues or dispositions of shares by the Company in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation. This right of preemption under Philippine law does not apply to the issuance of shares for purposes of ensuring compliance with laws requiring stock offerings or minimum stock ownership by the public, nor to issues of shares made in exchange for the acquisition of property needed for corporate purposes, nor for shares issued in payment of a debt previously contracted. The preemptive right of the shareholders of the Company has been denied under the Company's Articles of Incorporation.

The common shares to be issued shall be entitled to such other rights as may have been conferred upon issued and outstanding common shares of the Company under the Company's By-Laws and the Corporation Code.

There are no provisions in the articles of incorporation or by-laws of the Company that would cause a delay or deferment or in any manner prevent a change in control of the Company.

Description of Transaction in which the Shares are to be Issued

The shares will be issued pursuant to a pre-emptive rights offer to holders of its common shares at the proportion of one new share for every four (4) existing common shares. The record date for the pre-emptive rights offer shall be on the 15th trading day after approval by the Board of Directors of the Philippine Stock Exchange of the application for the listing of the shares. The exercise price shall be at the par value of One Peso (Php1.00) per share. 100% of the exercise price shall be payable upon submission of the application for subscription. The shares shall be issued out of an increase in authorized capital stock approved by the Board of Directors on 24 April 2012. The Company's authorized capital stock is sought to be increased by Php10 Billion consisting of 10 Billion common shares with a par value of One Peso (Php1.00) per share.

Since the Shares will be offered to all holders of common shares in proportion to their existing shareholdings in the Company, stockholders of the Company will be given equal opportunity to subscribe to common shares of the Company.

Amendment to the Articles of Incorporation

The Company will submit to its stockholders for approval a P10 billion increase in the Company's authorized capital stock from Php23,495,200,000.00, divided into 21,495,200,000 shares and 2,000,000,000 preferred shares, both with par value of One Peso (PhP1.00) per share, to Php33,495,200,000.00, divided into 31,495,200,000 shares and 2,000,000,000 preferred shares, both with par value of One Peso (PhP1.00) per share.

On April 24, 2012, the Board of Directors of the Company approved a pre-emptive rights offer to holders of its common shares at the proportion of one new share for every four (4) existing common shares, at the exercise price of One Peso (Php1.00) per share. The rights offer shares shall be issued out of the proposed Php10 Billion increase in the Company's authorized capital stock.

The Company intends to use the proceeds of the rights offer for land banking, project development and general corporate purposes.

Other Proposed Action

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Board Committees and Management adopted during the period covering 1 January 2011 through 31 December 2011.

These acts are covered by resolutions duly adopted by the Board of Directors and its Board Committees, such as:

1. Appointment of Contract Signatories;
2. Appointment of Representatives to Homeowners' Associations;
3. Application for Permits and Licenses for Projects;
4. Operation of Bank Accounts and other Bank Transactions;
5. Development and Operation of Projects;
6. Property Acquisitions, Dispositions, Leases and Joint Ventures;
7. Application for Telecommunication Subscriptions
8. Holding of 2011 Annual Meeting of Stockholders.

Voting Procedures

<u>Vote Required</u>

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be at least two (2) independent directors in the Company's board of directors.

The vote of stockholders representing at least two-thirds of the outstanding capital stock of the Company will be required to approve the increase in the authorized capital stock.

For all other matters proposed to be acted upon, the vote of majority of the outstanding capital stock will be required for approval.

Method of Counting of Votes

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders. In the election of directors, each holder of common share may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including two (2) independent directors. In the event that the number of nominees to the board of directors should exceed the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors will not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Empire East Land Holdings, Inc., Attention: Mr. Dennis E. Edaño, Corporate Secretary, 28 Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 8, 2012.

EMPIRE EAST LAND HOLDINGS, INC.

By:

EVELYN G. CACHO
Vice President for Finance

ANNUAL REPORT TO STOCKHOLDERS

Business Development

Empire East Land Holdings, Inc. (the "Company") was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly, Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now the Company for the purpose of separating its high-end residential and office business from its lower and middle-income housing business. As of December 2011, Megaworld holds 61.32% of the Company.

As of December 31, 2011, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. ("VVPI"); Sherman Oak Holdings, Inc. ("SOHI") and Empire East Communities, Inc. ("EECI"); 73% in Laguna BelAir School, Inc. (LBAS); 33% in Suntrust Properties, Inc. ("SPI") (formerly "Empire East Properties, Inc."); 60% in Sonoma Premier Land, Inc. ("SPLI") (formerly, "Galleria Corsini Holdings, Inc."); and 52% in Gilmore Property Marketing Associates, Inc. ("GPMAI").

EPHI, which was incorporated on September 5, 1996, serves as the marketing arm of the Company and markets the projects of the Company and those of other related parties.

SPI, which was incorporated on November 14, 1997, is a company that is engaged in the development and construction of affordable projects. In 2008, SPI increased its authorized capital stock and the Company subscribed to 262.5 million common shares at P1.00 par value, paid by way of conversion of advances into equity, resulting in an increase in the Company's ownership in SPI from 40% to 80%. In 2011, the percentage ownership of the Company in SPI was reduced to 33% due to Megaworld's subscription to SPI's increase in capital stock.

VVPI was incorporated on October 13, 2006. In 2008, the Company acquired shares of VVPI from another stockholder increasing the Company's ownership in VVPI to 100%.

SPLI was incorporated on February 26, 2007 and started its commercial operations in 2008. In 2008, 200 million shares in SPLI were acquired by the Company, increasing its ownership to 60% from 20%.

EECI was incorporated on October 14, 2008 and is wholly owned by the Company. It started commercial operations on the same month of its incorporation and acts as a marketing arm of the Company.

SOHI was incorporated on February 2, 2007. In January 2008, the Company acquired 100% ownership in SOHI.

GPMAI was incorporated on September 5, 1996 to acquire, lease and construct or dispose of properties. In 2010, the Company acquired 52% ownership in GPMAI by subscribing to 27M shares by way of conversion of advances into equity.

LBAS is a company incorporated on February 13, 1996 and is presently operating a school for primary and secondary education. The Company owns 73% of LBAS.

Neither the Company nor its subsidiaries has been the subject of a bankruptcy, receivership or similar proceeding or has been involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business except as otherwise stated herein.

General Nature and Scope of Business

The Company is one of the major players in the Philippine real estate industry. Its core business is building, developing and selling residential projects ranging from mid-rise to high-rise condominiums located in key places in Metro Manila and single-detached homes in progressive suburban areas.

The Company has introduced various breakthrough concepts and trends in the industry. Its pioneering township and mixed-use developments have provided residents the convenience of easy access to vital urban establishments in the city-- central business districts, shopping malls, schools and universities, and medical centers. Retail arcades places of worship, learning hubs and entertainment spots are also readily available in most of the Company's projects.

The Company has unveiled its Transit-Oriented Developments or TODs, another trend-setting concept, where the condominium communities are directly linked to mass-transit systems for faster and more efficient mobility in the metro.

The Company leads in marketing strategies that set standards for its competitors to follow. Its trademark of affordable and flexible payment terms provide home buyers the opportunity to avail of residential units at no down payment and zero interest schemes with low monthly amortizations. The Company also extends a proactive after-sales support, efficient property management and long-term client relations to ensure excellent customer satisfaction.

Update on Projects

Pioneer Woodlands is the Company's first TOD project. This multi-tower development sits at the corner of EDSA and Pioneer Street in Mandaluyong City. It is physically connected to the Boni Avenue Station of MRT 3. The first tower is expected to be completed by the end of 2012.

Little Baguio Terraces is a four-tower project strategically located between two major roads, and sits right on the boundary of two cities, San Juan and Quezon City. It is also set between J. Ruiz and Gilmore stations of the LRT Line 2. The first tower is expected to be completed by the end of 2012.

San Lorenzo Place is marketed as an upscale residential condominium project. It is a four-tower project strategically located at the corner of EDSA and Chino Roces Avenue. The project's residential towers sit on a podium linked directly to the Magallanes Station of the MRT Line 3. The construction of Tower 4 is expected to be finished by 2014.

Laguna BelAir is the Company’s flagship township project outside Metro Manila. This 156-hectare development, located in Sta, Rosa City in Laguna, is composed of several residential phases. The project is approximately 45 minutes away from the Makati central business district and 10 minutes away from an industrial zone.

Buyers have options of availing house-and-lot packages or lots-only packages where they can build their American style homes. The implementation of a centralized and effective system of property management accounts for high occupancy rates in this project.

The Cambridge Village is a multi-cluster, large-scale residential development located at the boundary of the Pasig-Cainta area. Some clusters have been completed while construction is still on-going for the remaining clusters.

The Sonoma is the second township project of the Company outside Metro Manila. Inside this 50-hectare development in Sta. Rosa City in Laguna are four residential phases: The Enclave, The Pavilion, The Country Club and The Esplanade, featuring lot packages as well as Asian-inspired house-and-lot packages. In the middle of the development is a 2.5 hectare recreational zone for residents.

The Rochester is an Asian-inspired exclusive community in Pasig City that features mid-rise and high-rise residential buildings. The project is in close proximity to the business districts of Bonifacio Global City, Ayala and Ortigas, which makes it a favorable address for working professionals.

The Rochester currently features the six-story Garden Villas 1 and 2 which are expected to be completed by 2013. The 14-story Breeze Tower and the Parklane are slated for the completion by 2015 and 2016 respectively.

Kasara Urban Resort Residences is the first resort-inspired community that will soon rise near C5 Road in Pasig City. Launched in August 2011, this six-tower enclave that sits on a 1.9-hectare property in between Eagle Avenue and P. Antonio Street in Barangay Ugong, Pasig City, features a number of water amenities such as man-made lake, turtle ponds, pools and artificial waterfalls for a unique urban living experience. Aside from its resort-inspired facilities, the development also beams with lush greenery as 65% of the development will be dedicated to open, garden parks.

Market Price of and Dividends on Common Equity

The Company's common shares are traded on the Philippine Stock Exchange ("PSE"). The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010 High	.43	.46	.66	.61
Low	.35	.38	.43	.51
2011 High	.84	.80	.90	.68
Low	.53	.68	.54	.54
2012 High	.67			
Low	.60			
5/04/12 Close	.82			

Holders

As of 30 April 2012, there were 13,358 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 30 April 2012.

Rank	**Name of Holder**	**Number of Shares**	**Percentage of** Ownership
1.	Megaworld Corporation	6,416,011,733	61.1326%
2.	PCD Nominee Corporation (Filipino)	3,759,071,240[1]	35.8169%
3.	First Centro, Inc.	1,088,494,500	10.3713%
4.	PCD Nominee Corporation (Non-Filipino	164,530,959	1.5677%
5.	The Andresons Group, Inc.	138,133,820	1.3162%
6.	Andrew L. Tan	24,277,777	0.2313%
7.	Simon Lee Sui Hee	16,685,206	0.1590%
8.	Ramon Uy Ong	14,950,000	0.1424%
9.	Lucio W. Yan	10,350,000	0.0986%
10.	Samuel Chua Ng &/or Jocelyn Ngo Ng ITF-Steven Samuel Ngo Ng	7,015,000	0.0668%
11.	Union Properties, Inc.	6,157,808	0.0587%
12.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0423%

[1] This includes 1,393,241,484 shares beneficially owned by Megaworld Corporation.

13.	Evangeline R. Abdullah	4,324,000	0.0412%
14	Valentin T. Khoe	4,207,434	0.0401%
15.	George T. Yang	3,675,400	0.0350%
16.	Zheng Chang Chua	3,220,000	0.0307%
17.	Tiong C. Rosario	3,138,791	0.0299%
18.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0296%
19.	Trans-Asia Securities, Inc.	3,000,000	0.0286%
20.	Luisa Co Li	2,902,908	0.0277%

The information provided above is not being presented in connection with securities to be issued pursuant to an acquisition, business combination or other reorganization initiated by or involving the Company.

Dividends

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company, with its capital unimpaired, that are not appropriated for any other purpose.

The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

No cash dividends were declared on the Company’s common shares for 2007 to 2011. The Company declared a 15% stock dividend on March 15, 2006, which was paid on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred per cent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Recent Sales of Unregistered or Exempt Securities

On 21 January 2008, the Company issued 2,623,809,063 new common shares to stockholders pursuant to a 1:3 pre-emptive stock rights offer. The rights shares were issued at Php1.00 per share.

Relative to the Company’s pre-emptive rights offer, the Company filed with the Philippine Securities and Exchange Commission a notice of exemption from the registration requirements of The Securities Regulation Code (SRC) on SEC Form 10-1 pursuant to Section 10 (e) of the SRC, which provides that the requirement of registration under Section 8.1 of the SRC shall not apply to the sale of any security in connection with the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director [SRC Rule 38]. All directors were elected during the annual meeting of stockholders held on 14 June 2011 for a term of one year and until their successors are elected and qualified.

Information concerning the background of the directors/nominees for directors and executive officers of the Company indicating their principal occupation or employment and their business experience for the past five (5) years is provided below.

The table sets forth each member of the Company's Board of Directors and the Company's executive officers as of 30 April 2012.

Name	Present Position
Andrew L. Tan……………………	Chairman of the Board
Gerardo C. Garcia………………	Vice Chairman/Independent Director
Katherine L. Tan…………………	Director
Anthony Charlemagne C. Yu…..	Director/President
Alejo L. Villanueva, Jr………….	Independent Director
Evelyn G. Cacho…………………	Director/Vice President for Finance
Enrique Santos L. Sy……………	Director
Ricky S. Libago………………….	Senior Vice President for Property Development
Antonio E. Llantada, Jr…………	Vice President for Audit and Management Services
Robert Edwin C. Lim……………	Vice President for Corporate Planning and Landbanking
Ricardo B. Gregorio……………	Vice President for Human Resources General and Administration Services
Jhoanna Lyndelou T. Llaga……	Vice President for Marketing
Giovanni C. Ng………………….	Treasurer
Dennis E. Edaño………………	Corporate Secretary
Celeste Z. Sioson………………	Assistant Corporate Secretary

Following is a brief profile of the incumbent directors and executive officers of the Company, indicating their respective business experience for the past five (5) years.

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 62 years old, Filipino, has served as Chairman of the Company's Board of Directors since its incorporation in July 1994. He was also Treasurer of the Company from July 1994 to May 1998. He pioneered the live-work-play-learn model in real estate development through the Megaworld Group's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He has recently embarked on the development of integrated tourism estates through Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board and President of Megaworld Corporation, Suntrust Properties, Inc. Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is Chairman of Megaworld Foundation, the Megaworld's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc., Consolidated Distillers of the Far East, Inc. and Golden Arches Development Corporation.

Gerardo C. Garcia
Vice Chairman/Independent Director

Mr. Garcia, 70 years old, Filipino, is an independent director of the Company. He has been a member of the Company's Board of Directors since October 1994 and has served as Vice Chairman of the Board since December 1997. He also served as President of the Company from October 1994 until December 1997. He concurrently serves in the boards of Megaworld Corporation, Suntrust Properties, Inc. and Megaworld Land, Inc. as independent director. He is a director of Philippine Tech. & Development Ventures, Inc. Prior to joining the Company, Mr. Garcia was Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration, both from the University of the Philippines.

Katherine L. Tan
Director

Ms. Tan, 60 years old, Filipino, was elected to the Board on 9 June 2009. She previously served as director of the Company from 1994 to 1996. She is concurrently a Director of Megaworld Corporation, Director and Treasurer of Alliance Global Group, Inc., Alliance Global Brands, Inc. and Emperador Distillers, Inc. She has extensive experience in the food and beverage industry and is currently Director of The Bar Beverage, Inc. and Choice Gourmet Banquet, Inc. She is Director and President of Consolidated Distillers of the Far East, Inc. and Raffles & Company, Inc.

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 49 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President of the Company for the same period. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Masters Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at the Ponce Enrile Cayetano Reyes & Manalastas Law Offices and was Special Legal Counsel to the Secretary of Health, Juan Flavier. He was a member of the College Faculty of the Ateneo de Manila University for eight (8) years, from 1985 to 1993 and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Atty. Yu has also served as a Law Professor in the College of Law. He likewise served as Consultant at the Philippine Senate. He was Philippine Delegate to the Philippines-China Business Council held in Beijing, China in 1996 and the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu is a member of the United Nations Development Program's Regional Network of Legal Experts on Marine Pollution and the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir School, Inc. and sits as a Member of Board of Trustees of the El Nido Foundation as well as the ERDA Tech Foundation, Inc. Mr. Yu is also the Chairman and President of Empire East Communities, Inc. and the President and Director of Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Megaworld Central Properties, Inc. and Valle Verde Properties, Inc., He also sits as a Director of Megaworld Newport Property Holdings, Inc.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 71 years old, Filipino, is an independent director of the Company since June 2007. He is concurrently an independent director of Alliance Global Group, Inc. and a Director of First Capital Condominium Corporation, a non-stock, non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Evelyn G. Cacho
Director/Vice President for Finance

Ms. Cacho, 50 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho has served as Vice President for Finance of the Company since February 2001. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company's subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She concurrently serves as Director in PSE-listed Suntrust Home Developers, Inc. She also holds the position of Treasurer of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. She is the Assistant Corporate Secretary of Gilmore Property Marketing Associates, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor's degree in Business Administration major in Accounting.

Enrique Santos L. Sy
Director

Mr. Sy, 63 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company from July 1994 until 31 March 2011. Mr. Sy concurrently serves in the boards of Megaworld Corporation and First Oceanic Property Management, Inc. He is Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and is Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Ricky S. Libago
Senior Vice President for Property Development

Mr. Libago, 47 years old, Filipino, has served as Senior Vice President for Project Development since he joined the Company in July 2008. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Development (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

Antonio E. Llantada, Jr.
Vice President for Audit and Management Services

Mr. Llantada, 56 years old, Filipino, has served as Vice President for Audit and Management Services since December 1997. Before joining the Company, Mr. Llantada served in the Church of Jesus Christ of Latter-Day Saints for eleven years, holding various positions such as Area Materials Management Manager, Area Finance Manager, Purchasing Manager and Distribution Manager. He also worked with MB Finance, Inc. (formerly, Jardine Manila Finance, Inc.) as Internal Audit Manager and with SGV & Co. as Senior Auditor. Mr. Llantada is a member of the Philippine Institute of Certified Public Accountants. Mr. Llantada graduated from the De La Salle University in 1977 with the degree of Bachelor of Arts major in Behavioral Sciences, and in 1978 with the degree of Bachelor of Science in Commerce major in Accounting. In 1991, he obtained his Masters Degree in Business Administration from the Ateneo de Manila University.

Robert Edwin C. Lim
Vice President for Corporate Planning and Landbanking

Mr. Lim, 55 years old, Filipino, has served as Vice President for Corporate Planning and Landbanking since 1994. Prior to joining the Company, he worked with Woodland Real Estate Development, Inc. as Head of Project Planning, Supervision and Control. He also worked as Staff Consultant of PSR Consulting, Inc. He worked as Contracts Administrator and Structural Engineer at the DCCD Engineering Corporation. Mr. Lim obtained his bachelor's degree in Civil Engineering and Masters Degree in Business Administration from the University of the Philippines.

Ricardo B. Gregorio
Vice President for Human Resources General and Administration Services

Mr. Gregorio, 49 years old, Filipino, has served as Vice President for Human Resources General and Administration Services since June 18, 2003. Prior to his appointment, Mr. Gregorio was Assistant Vice President for HRAD, Purchasing and Warehouse Department. He joined the Company in August 1997 as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Masters Degree in Business Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

Jhoanna Lyndelou T. Llaga
Vice President for Marketing

Ms. Llaga, 40 years old, Filipino has served as Vice President for Marketing since March 2011. She currently serves as director of Empire East Communities, Inc, the Company's subsidiary and as an SVP of Megaworld Central Properties, Inc., an affiliate. She joined the company in April 1995 and held various positions. She was appointed as Marketing Head in June 2003 and was promoted to Assistant Vice President for Marketing in July 2009. Ms. Llaga graduated from the University of the Philippines in March 1994 with the degree of Bachelor of Arts in English Language Studies.

Giovanni C. Ng
Treasurer

Mr. Ng, 38 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Finance Director of Megaworld Corporation. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Dennis E. Edaño
Corporate Secretary

Mr. Edaño, 35 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department of the Company. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was employed with the Yats International Ltd. as Legal Manager. Mr. Edaño obtained his bachelor's degree in Law in 1999 from the University of the Philippines and his bachelor's degree in Liberal Arts major in Philosophy from the same institution in 1995.

Celeste Z. Sioson
Assistant Corporate Secretary

Ms. Sioson, 35 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Assistant Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor's degree in Law from the University of the Philippines in 2002 and her bachelor's degree in Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal, administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

Corporate Governance

<u>Measures Undertaken Towards Full Compliance</u>

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the principles of good corporate governance in the entire organization. Pursuant to the Company's Manual on Corporate Governance, the Company's Board of Directors created each of the following committees and appointed board members thereto.

Audit Committee

The Audit Committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations, provides oversight over financial management functions and over internal and external auditors and the financial statements of the Company. The Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on remuneration of the directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Compensation and Remuneration Committee consists of three members, including at least one independent director.

Nomination Committee

The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Nomination Committee has three members, including at least one independent director.

In 2005, the Company engaged the services of the Institute of Corporate Directors (ICD) to facilitate a Corporate Governance Training/Seminar for its Board of Directors and executives. The Training/Seminar included a discussion on the Main Principles of Corporate Governance contained in the Organization for Economic Cooperation and Development (OECD), the Pacific Economic Cooperation Council (PECC) and the Philippine SEC Corporate Governance Code, Responsible Citizenship and Corporate Social Responsibility, Finance in the Corporate Governance Setting and Best Practices of Corporate Governance. In 2004 and 2006, the Company, while retaining the services of Punongbayan & Araullo as external auditor, designated new engagement partners for the audit of the financial statements of the Company beginning the year ending December 31, 2004 and December 31, 2006, in compliance with its Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier. Also in 2004, the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee, in accordance with SEC Memorandum Circular No. 6.

<u>Evaluation System</u>

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation systems patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

<u>Deviations from Manual and Sanctions Imposed</u>

In 2011, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions.

No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance.

<u>Plan to Improve Corporate Governance</u>

Pursuant to SEC Memorandum Circular No. 6, Series of 2009, the Company has revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance.

Financial Information

Financial Statements of the Company and its subsidiaries (the "Group") as of 31 December 2011 and 2010 and Interim Financial Statements as of 31 March 2012 are attached hereto and incorporated herein by reference.

Management's Discussion of Financial Condition and Results of Operations

Top Five (5) Key Performance Indicators

For 2011, the following are the top key performance indicators:

Increase in Revenue

The Company registered a significant growth in revenues. Sales and marketing efforts have been intensified .The aggressive selling activities in prior years resulted to increase in sales.

Ability to repay loan obligations

All loans obligations were promptly settled. The Group maintains good credit standing with creditor banks and has considerable standby credit facilities which can be utilized for urgent capital requirements.

Increase in reservation sales

The Group's product concepts, project location, flexible payment scheme and aggressive selling have contributed to the increase in reservation sales. The Marketing team constantly evaluates the needs of the market to determine the suitability of projects being offered to buyers. Most of the Group's ongoing projects are connected to mass transit system while others are conveniently located in prime areas of Metro Manila and suburbs.

Continuous development of projects

The Group continuously undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable. The Group's Project Development team works closely with outside contractors particularly in monitoring and supervising the progress of construction.

Landbanking

The Group aims to acquire properties with strong growth and market potential. It has been continuously acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for development within the next 5 to 10 years.

RESULTS OF OPERATION

Review of 2011 versus 2010

During the twelve-month period, the consolidated net income amounted to P186.12 million, 26% lower than the previous year's net income of P250.26 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues which posted a decrease of 13% from P2.25 billion to P1.95 billion.

<u>Real Estate Sales</u>

The Group registered Real Estate Sales of P.98 billion for twelve months ended December 31, 2011 compared with P1.07 million in 2010. The booked sales were derived from various projects namely, California Garden Square, Little Baguio Terraces, Pioneer Woodlands, The Cambridge Village, San Lorenzo Place, Kasara Urban Resort Residences, Laguna Bel Air Projects and The Sonoma.

The Cost of Sales amounting to P746.1 million in 2011 and P743.2 million in 2010, as a percentage of Real Estate Sales, was 76% and 70%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P237.39 million during the twelve months of 2011 and P325.24 million in 2010, or 24% and 30% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 25% and 26% amounting to P243.14 million and P279.45 million in 2011 and 2010, respectively.

Other Revenues

In 2011, the finance income amounting to P381.4 million was derived mostly from buyers' in-house financing while in 2010, the P641.4 million came from both in-house financing and the sale of certain financial assets of a subsidiary. This accounts for 20% and 28% of total revenues. On the other hand, the commission and other income totaling P588.4 million in 2011 and P542.7 million in 2010, represents 30% and 24% of total revenues, respectively. The other income includes rentals of investment property and residential/commercial spaces in various projects, and those obtained from other sources.

Operating Expenses

Operating Expenses posted a decrease from P1 billion in 2010 to P0.78 billion in 2011. Other charges/expenses include Finance Cost of P51.6 million and P75.1 million in 2011 and 2010, respectively.

FINANCIAL CONDITION

Review of December 30, 2011 versus December 31, 2010

Total resources of the Group as of December 31, 2011 and December 31, 2010 amounted to P25.7 billion and P27.8 billion respectively. Cash and Cash Equivalents decreased from P1.5 billion to P0.83 billion. The Group remained liquid with Total Current Assets of P17.1 billion in 2011 and P17.2 billion in 2010, which accounted for 66% and 62% of the Total Assets in 2011 and 2010, while its Total Current Liabilities amounted to P4.2 billion in December 31, 2011 as compared with P4.9 billion in December 31, 2010.

The decrease in Equity from P18.4 billion in the previous year to P18.2 billion as of December 31, 2011 was basically due to revaluation reserves applicable to equity investments.

In 2011, the Group sourced its major cash requirements from internally generated funds and partly from collection of certain advances. While in 2010, cash was sourced mostly from internal funds and partly from the discounting of its installment contract receivable.

The Group utilized its funds for construction and development of projects, land acquisition, loan payments and settlement of various payables/operating expenses.

Material Changes in the 2011 Interim Financial Statements
(increase/decrease of 5% or more in the 2011 Financial Statements)

Balance Sheets

- 45% decrease in Cash and Cash Equivalents
  Mainly due to payments to contractors, suppliers and settlement of loans

- 23% decrease in Trade and Other Receivables
  Mainly due to deconsolidation of a subsidiary

- 31% increase in Residential and Condominium Units for Sale
  Mainly due to costs attributed to the construction of ongoing projects

- 48% decrease in Property Development Costs
  Due to reclassification of account and deconsolidation of a subsidiary

- 201% increase in Advances to Related Parties
  Mainly due to deconsolidation of a subsidiary

- 100% increase in Financial Assets at Fair Value through Profit or Loss
  Mainly due to increase in fair value of investment in securities held by a subsidiary

- 11% increase in Other Current Assets
  Mainly due to input vat on increasing purchases and construction-related payments

- 43% decrease in Advances to Landowners and Joint Venture
  Mainly due to cancelled purchase transaction and deconsolidation of a subsidiary

- 20% decrease in Available for Sale Financial Assets
  Due to changes in market value of financial assets held by subsidiaries

- 18% decrease in Land for Future Development
  Due to reclassification of cost of the land to Residential and Condominium Units for Sale when the project starts its development

- 7% decrease in Investment Property
  Mainly due to depreciation charges

- 56% decrease in Other Non-Current Assets
  Mainly due to deconsolidation of a subsidiary

- 56% decrease in Interest-bearing Loans and Borrowings
  Due to payment of loans and deconsolidation of a subsidiary

- 29% decrease in Trade and Other Payables
  Mainly due to deconsolidation of a subsidiary

- 15% decrease in Customers' Deposits
  Net effect of increase in reservation sales and decrease due to booked sales and deconsolidation of a subsidiary

- 30% decrease in Deferred Gross Profit on Real Estate Sales
  Mainly due to deconsolidation of a subsidiary

- 22% decrease in Reserve for Property Development
  Due to continuous construction and development of projects

- 21% increase in Advances to Related Parties
  Mainly due to advances for construction related activities

- 8% decrease in Other Current Liabilities
  Mainly due to deconsolidation of a subsidiary

- 43% decrease in Revaluation Reserves
  Due to changes in market value of financial assets held by subsidiaries

Income Statements

- 8% decrease in Real Estate Sales
  Due to net effect of increase in sales and deconsolidation of a subsidiary

- 41% decrease in Finance Income
  Due to deconsolidation of a subsidiary and decrease in sale of marketable equity securities held by a subsidiary

- 36% increase in Commission Income
  Mainly due to additional efforts of a subsidiary in marketing the properties of related parties

- 48% increase in Realized Gross Profit on Prior Years' Sales
  Mainly due to increase in construction accomplishment of various projects

- 100% increase in Equity in Net Earnings of as Associate
  Due to deconsolidation of a subsidiary

- 15% decrease in Other Income
  Primarily due to deconsolidation of a subsidiary

- 15% decrease in Deferred Gross Profit on Current Year's Sales
  Due to increase in construction and development activities

- 31% decrease in Finance Cost
  Mainly due to payment of loans

- 100% increase in Loss from Dilution of a Subsidiary
  Mainly due to deconsolidation of a subsidiary

- 23% decrease in Operating Expenses
  Primarily due to deconsolidation of a subsidiary

- 100% decrease in Preacquisition Income
  Due to no additional acquisition of subsidiary during the year

- 33% increase in Tax Expense
  Due to increase in taxable income

For the year 2012, the projected capital expenditures (construction/development) of roughly P3.0 billion is expected to be funded by collections, borrowings and equity financing.

Fluctuations in foreign exchange rate had no significant effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statement of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by statement of financial position.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

Top Five (5) Key Performance Indicators

For 2010, the following are the top key performance indicators of the Group:

Increase in Revenue

The increase in sales and the income derived from in-house financing significantly contributed to higher revenue.

Ability to repay loan obligations

All loan obligations were promptly settled. The Group maintains a good credit standing with creditor banks and has considerable standby credit facilities which can be utilized for urgent capital requirements.

Increase in reservation sales

This is due to aggressive efforts in selling new projects. The Group adopts new marketing strategies to remain competitive.

Continuous development of projects

The Group continuously undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable.

Landbanking

The Group has been acquiring land through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for development within the next 5 to 7 years.

RESULTS OF OPERATION

Review of 2010 versus 2009

During the twelve-month period, the consolidated net income amounted to P250.26 million, 61% higher than the previous year's net income of P155.03 million. Consolidated revenues, composed of real estate sales, finance income, commissions and other revenues posted an increase of 4% from P2.17 billion to P2.25 billion.

<u>Real Estate Sales</u>

The Group registered Real Estate Sales of P1.07 billion for twelve months ended December 31, 2010 compared with P998.62 million in 2009. The sales generated were derived from various projects namely, California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, The Cambridge Village, San Lorenzo Place and Laguna Bel Air Projects; and projects of subsidiary namely, Cybergreen, Governor's Hills, Sta. Rosa Heights , Suntrust Parkview, Suntrust Adriatico Gardens, Cyberville and Mandara.

The Cost of Sales amounting to P743.2 million in 2010 and P752.9 million in 2009, as a percentage of Real Estate Sales, was 70% and 75%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P325.24 million during the twelve months of 2010 and P245.72 million in 2009, or 30% and 25% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 26% and 22% amounting to P279.45 million and P223.96 million in 2010 and 2009, respectively.

Other Revenues

In 2010, the other major revenue contributor was other income amounting to P305.4 million as compared to P388.9 million in 2009, which accounts for 14% and 18% of the total revenues. The finance income amounting to P649.96 million and P522.53 million in 2010 and 2009, respectively, were derived mostly from accounts under in-house financing and the sale of certain financial assets and this accounts for 29% and 24% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals from office-warehouse units in Central Business Park complex and commercial spaces in various projects, and those obtained from other sources.

Operating Expenses

Operating expenses increased from P975.71 million in 2009 to P1.0 billion in 2010. Corporate overhead increased due to the additional expenses in promoting sales, additional manpower employed to support the operations, general increase in prices of commodities and expenses of subsidiaries.

Financial Condition

Review of December 31, 2010 versus December 31, 2009

Total resources of the Group as of December 31, 2010 and December 31, 2009 amounted to P27.8 billion and P25.4 billion respectively. Cash and Cash Equivalents increased from P1.37 billion to P1.49 billion due increase in revenue and collections. The Group remained liquid with Total Current Assets of P7.9 billion in 2010 and P7.2 billion in 2009, which accounted for 28% of the Total Assets both for years 2010 and 2009, while its Total Current Liabilities amounted to P4.87 billion in December 31, 2010 as compared with P4.11 billion in December 31, 2009.

Equity increased to P19.5 billion in 2010 from P17.9 billion of previous year due to the Group's net income for the twelve-month period and revaluation of equity investments held by subsidiaries.

Both in 2009 and 2010, the Group sourced its major cash requirements mostly from internally generated funds and partly from the discounting of its installment contract receivable.

The Group utilized its funds for loan repayments, property acquisition, construction and development of projects, and settlement of various payables and other operating expenses.

Material Changes in the 2010 Interim Financial Statements
(Increase/decrease of 5% or more in the 2010 Financial Statements)

Balance Sheets

- 9% increase in Cash and Cash Equivalents
  Mainly due to increase in collection from new projects

- 9% increase in Property Development Cost
  Due to continuous construction and development of current and new projects

- 40% decrease in Advances to Related Parties
  Mainly due to repayments of advances and consolidation of new subsidiary

- 13% increase in Prepayments
  Due to increase in prepaid taxes related to transfer of titles

- 78% increase in Other Current Assets
  Mainly due to increase in Input VAT from purchase of goods and services

- 20% decrease in Advances to Landowners and Joint Venture
  Mainly due to cancelled purchase transaction

- 262% increase in Available-for-sale Financial Assets
  Due to increase in market value of equity investments held by subsidiaries

- 17% increase in Land for Future Development
  Due to acquisition of additional properties

- 100% increase in Financial Assets at FVTPL
  Due to equity investment of new subsidiary

- 15% increase in Property and Equipment-Net
  Additional capital expenditures incurred for operations

- 5% increase in Other Non-Current Assets
  Primarily due to equity investment of new subsidiary

- 5% decrease in Trade and Other Payables
  Mainly due to settlement of payables

- 138% increase in Income Tax Payable
  Primarily due to lesser creditable tax applied during the year

- 14% increase Deferred Gross Profit on Real Estate Sales
  Mainly due to unearned revenue on sales of new projects

- 37% increase Customers' Deposit
  Due to increase in collection and reservation sales

- 19% increase in Advances from Related Parties
  Mainly due to construction related advances

- 21% increase in Other Current Liabilities
  Primarily due to increase in retention payable of various contractors

- 18% increase in Estimated Liability for Retirement Fund
  Due to accrual of retirement obligation for 2010

- 14% increase in Treasury Shares
  Due to Company's shares held by a subsidiary

- 376% decrease in Revaluation Reserves
  Due to increase in market value of equity investments held by subsidiaries

Income Statements

- 7% increase in Real Estate Sales
  Primarily due to sales of new projects

- 21% increase in Realized Gross Profit on Prior Year Sales
  Due to construction accomplishments of on-going projects

- 24% increase in Finance Income
  Due to interest income derived from in-house financing and from the sale of certain financial assets of new subsidiary

- 8% decrease in Commission Income
  Mainly due to decrease in commission realized by a subsidiary

- 44% decrease in Rental Income
  Mainly due to conveyance of certain investment property as settlement of loan

- 100% increase in Pre-acquisition Income of a Subsidiary
  Due to acquisition of new subsidiary

- 21% decrease in Other Income
  Decrease in income from other sources in

- 45% increase in Deferred Gross Profit on Current Year Sales
  Primarily due to pre-selling of new projects

- 50% decrease in Finance Cost
  Due to repayments of interest-bearing loans

- 53% decrease in Tax Expense
  Mainly due to lower taxable income

For the year 2011, the projected capital expenditures (construction/development) of roughly P2.3 billion is expected to be funded mainly mostly by collections.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statement of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statement of financial position.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

Top Five (5) Key Performance Indicators

For 2009, the following are the top key performance indicators of the Group:

Increase in Revenues

Revenues from sales, interest and other income posted an increase for the current year. Income generated from the lease of investment properties and the commission derived in marketing the projects of related parties contributed favorably in achieving better revenues.

Ability to Repay Loan Obligations

Loans were promptly settled. The Group maintains its loan obligations within manageable level. It has established good credit standing with creditor banks and has considerable standby credit facilities which can be utilized for urgent capital requirements.

Increase in Reservation Sales

The location of projects, affordable payment schemes and extensive marketing efforts have contributed to the increase in reservation sales. Most of the Group's condominium projects are connected to mass transit systems and are conveniently located in business districts of Metro Manila.

Continuous Development of Projects

The Group continuously undertakes construction and development activities in order to complete its projects within the committed timetable.

Landbanking

The Group has been acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for development in the next 5 to 10 years.

RESULTS OF OPERATION

Review of 2009 versus 2008

For the twelve-month period, the consolidated net income of the Group amounted to P155.03 million, 28% lower than the previous year's net income of P215.54 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues posted an increase of 10% from P1.98 billion to P2.17 billion.

Real Estate Sales

The Group registered Real Estate Sales of P998.62 million for twelve months ended December 31, 2009 compared with P915.46 million in 2008. The sales generated were derived from various projects namely, California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, San Lorenzo Place, Xavierhills, Greenhills Garden Square, The Cambridge Village, Laguna Bel Air 4, Sta. Rosa Heights, Sta. Rosa Hills, Sunrise Hills, and Governor's Hills.

Cost of Sales amounting to P752.9 million in 2009 and P755.2 million in 2008, as a percentage of Real Estate Sales, was 75% and 82%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P245.72 million during the twelve months of 2009 and P160.23 million in 2008, or 25% and 18% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 22% and 19% amounting to P223.96 million and P177.76 million in 2009 and 2008, respectively.

Other Revenues

In 2009, the other major revenue contributors were interest income and other income. The interest income amounting to P522.53 million and P442.47 million in 2009 and 2008 respectively was derived mostly from in-house financing and accounts for 24% and 22% of total revenues. Other income amounting to P388.9 million as compared with P286.5 million in 2008 accounts for 18% and 14% of the total revenues. Additional sources of revenue were commissions of a subsidiary, rentals from office-warehouse units in Central Business Park complex and commercial spaces in various projects, and those obtained from other sources.

Operating Expenses

Operating expenses increased from P941.49 million in 2008 to P975.71 million in 2009. Corporate overhead increased due to the additional expenses in promoting sales, additional manpower employed to support the operations, general increase in prices of commodities and expenses of subsidiaries.

FINANCIAL CONDITION

Review of December 31, 2009 versus December 31, 2008

Total resources of the Group as of December 31, 2009 and December 31, 2008 amounted to P25.4 billion and P26.02 billion respectively. Cash and Cash Equivalents decreased from P1.63 billion to P1.37 billion due to payment to various contractors and suppliers, acquisition of properties and payment of loans. The Group remained liquid with Total Current Assets of P7.2 billion in 2009 and P7.4 billion in 2008, which accounted for 28% of the Total Assets both for the years 2008 and 2007, while its Total Current Liabilities amounted to P4.11 billion in December 31, 2009 as compared with P4.83 billion in December 31, 2008.

Equity increased to P17.9 billion in 2009 from P17.5 billion of the previous year due to the Group's net income for the twelve-month period and revaluation of investment held by a subsidiary.

In 2009, the Group sourced its major cash requirements mostly from internally generated funds.

The Group utilized its funds for loan repayments, property acquisition, construction and development of projects, and settlement of various payables and other operating expenses.

Material Changes in the 2009 Financial Statements
(Increase/decrease of 5% or more in the 2009 Financial Statements)

Balance Sheets

- 16% decrease in Cash and Cash Equivalents
  Mainly due to payments related to construction and development, acquisition of properties and settlement of loans

- 32% increase in Prepayments and Other Current Assets
  Due to increase in prepaid taxes related to transfer of titles and Input Vat on various purchases

- 11% decrease in Advances to Landowners and Joint Venture
  Mainly due to reclassification of certain property to Land for Future Development account

- 139% increase in Available-for-sale Financial Asset
  Due to increase in fair market value of investment held by a subsidiary

- 7% increase in Land for Future Development
  Due to acquisition of certain properties and reclassification of some accounts

- 64% decrease in Investment Property-Net
  Primarily due to conveyance of certain property as settlement of loan

- 45% decrease in Interest-bearing Loans and Borrowings
  Mainly due to repayments/full settlement of loans

- 46% decrease in Trade and Other Payables
  Mainly due to settlement of payables

- 62% decrease in Income Tax Payable
  Primarily due to payment of previous year's tax liability

- 7% increase in Deferred Gross Profit on Real Estate Sales
  Primarily due to pre-selling of new projects

- 23% increase in Customers' Deposit
  Due to increase in collection and reservation sales

- 20% increase in Advances from Related Parties
  Mainly due to additional construction related advances

- 26% decrease in Other Current Liabilities
  Primarily due to settlement of some payables

- 16% increase in Reserve for Property Development
  Due to the booking of estimated cost to complete the development/construction of sold units

- 14% increase in Estimated Liability for Retirement Fund
  Primarily due to accrual of retirement obligation for 2009

Income Statements

- 9% increase in Real Estate Sales
  Due to recognition of sales from existing and new projects

- 14% decrease in Realized Gross Profit on Prior Year Sales
  Due to completion of some projects

- 18% increase in Interest Income
  Primarily due to increase in interest income from in house-financing

- 23% decrease in Commission Income
  Due to lower commission realized by a subsidiary in marketing the projects of related parties

- 13% decrease in Rental Income
  Mainly due to conveyance of certain investment property as settlement of loan

- 100% decrease in Foreign Currency Gains
  Mainly due to foreign exchange adjustments

- 100% decrease in Pre-acquisition Loss of a Subsidiary
  No additional acquisition for the current year

- 36% increase in Other Income
  Primarily due to increase in sales related transactions

- 57% increase in Deferred Gross Profit on Current Year Sales
  Primarily due to pre-selling of new projects

- 13% decrease in Finance Cost
  Due to repayment of loans

- 135% decrease in Tax Expense
  Mainly due to lower taxable income for the current year

For the year 2010, the projected capital expenditures (construction/development) of roughly P2.0 billion is expected to be funded mostly by collections.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statement of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statement of financial position.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,485,000 in 2011 and Php1,390,000 in 2010 exclusive of VAT, in professional fees for services rendered by it for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2011 and 2010 .

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2011 and 2010.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Board of Directors in consultation with its Audit Committee and by the stockholders of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has complied with the pertinent SRC rules and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement and a two-year cooling off period be observed in the re-engagement of the same signing partner. In this regard, Mr. Nelson Dinio, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the new signing partner for the audit of the Company's financial statements starting the year ending 31 December 2011. Ms. Mailene Sigue-Bisnar, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the years 2006 to 2010.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Empire East Land Holdings, Inc., Attention: Mr. Dennis E. Edaño, Corporate Secretary, 28 Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.

AUDITED FINANCIAL STATEMENTS

OF EMPIRE EAST LAND HOLDINGS, INC.

AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

Empire East

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Empire East Land Holdings, Inc.** and subsidiaries (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011, 2010, and 2009, in accordance with Philippine Financial Reporting Standards, including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration
c. Schedule of PFRS Effective as of December 31, 2011
d. Schedule of Financial Indicators for December 31, 2011, 2010, and 2009
e. Map Showing the Relationship Between and Among the Company and its Related Entities

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, including the additional supplemental information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

EVELYN G. CACHO
Chief Financial Officer

APR 25 2012

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Empire East Land Holdings, Inc.

21/F The World Centre, 330 Sen. Gil Puyat Avenue Extension,
Makati City 1200, Philippines • Tels: (632) 867-8351 to 59

SUBSCRIBED AND SWORN to me before this _______ of 2012 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	03208917	January 09, 2012	Quezon City
Anthony Charlemagne C. Yu	07002696	January 16, 2012	Makati City
Evelyn G. Cacho	06987615	January 09, 2012	Makati City

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Book No. XVII
Series of 2012

CELESTE Z. SIOSON NOTARY PUBLIC ROLL No. 48369 MAKATI CITY, PHILIPPINES

Celeste Z. Sioson
Notary Public
Until 31 December 2012
PTR No. 3176430; 01.03.12; Makati City
IBP No. 877358; 01.03.12; Quezon City
Roll No. 48369; 03.24.03
MCLE Compliance No. III-0016644; 05.20
24/F The World Centre Building
330 Sen. Gil Puyat Ave., Makati City
Telephone No. 867-8016

Date APR 25 2012
RECEIVED
PRECIOSA C. JAVIER

Punongbayan & Araullo

Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
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The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building
330 Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Empire East Land Holdings, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Empire East Land Holdings, Inc. and subsidiaries as at December 31, 2011, 2010 and 2009, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3174906, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 1036-A (until Sept. 29, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

March 15, 2012

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes		2011		2010 (As Restated - see Note 2)		2009 (As Restated - see Note 2)
A S S E T S							
CURRENT ASSETS							
Cash and cash equivalents	5	**P**	**827,666,321**	P	1,491,611,105	P	1,371,012,930
Trade and other receivables - net	6		**2,226,231,335**		2,847,758,782		2,914,750,953
Financial assets at fair value through profit or loss			**5,803,260**		2,895,180		-
Advances to related parties	19		**1,631,182,339**		485,329,000		842,607,850
Residential and condominium units for sale	2		**9,456,554,184**		7,237,197,885		6,680,266,773
Property development costs	2, 12		**2,423,789,010**		4,652,732,749		4,213,984,276
Prepayments			**139,225,804**		135,021,578		119,109,063
Other current assets			**356,944,947**		321,226,850		180,287,013
Total Current Assets			**17,067,397,200**		17,173,773,129		16,322,018,858
NON-CURRENT ASSETS							
Trade and other receivables - net	6		**1,835,563,506**		2,414,987,942		2,538,063,264
Available-for-sale financial assets	9		**1,652,746,082**		2,065,221,390		571,040,000
Advances to related parties	19		**-**		57,126,228		55,095,386
Advances to landowners and joint ventures	7		**940,216,193**		1,648,988,065		2,066,760,928
Land for future development	2		**3,111,506,103**		3,786,631,109		3,224,861,712
Investment property - net	10		**233,621,784**		250,426,606		252,771,806
Property and equipment - net	11		**176,529,059**		175,594,183		152,547,910
Investment in an associate	8		**592,414,710**		-		-
Other non-current assets	1		**100,897,875**		230,207,784		218,589,975
Total Non-current Assets			**8,643,495,312**		10,629,183,307		9,079,730,981
TOTAL ASSETS		**P**	**25,710,892,512**	P	27,802,956,436	P	25,401,749,839

	Notes	2011	2010 (As Restated - see Note 2)	2009 (As Restated - see Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	12	**P 221,870,556**	P 345,973,925	P 518,882,043
Trade and other payables	13	**321,219,814**	350,230,056	343,406,495
Income tax payable		**7,020,264**	7,227,569	3,030,691
Customers' deposits	14	**2,345,829,862**	2,772,641,297	2,029,106,481
Advances from related parties	19	**901,155,124**	745,452,428	615,196,734
Deferred gross profit on real estate sales	2	**47,369,747**	153,924,041	118,024,176
Reserve for property development	2	**200,022,819**	329,303,348	349,460,846
Other current liabilities	15	**148,623,630**	162,248,834	134,396,027
Total Current Liabilities		**4,193,111,816**	4,867,001,498	4,111,503,493
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	12	**417,377,123**	1,120,372,375	1,016,154,484
Trade and other payables	13	**-**	103,416,355	132,994,732
Advances from related parties - net	19	**-**	-	13,523,648
Retirement benefit obligation	17	**91,390,515**	92,248,452	78,053,821
Reserve for property development	2	**654,934,198**	772,079,920	761,076,943
Deferred tax liabilities - net	18	**1,094,339,686**	1,109,593,080	1,148,314,315
Deferred gross profit on real estate sales	2	**204,313,730**	207,758,007	197,873,211
Total Non-current Liabilities		**2,462,355,252**	3,405,468,189	3,347,991,154
Total Liabilities		**6,655,467,068**	8,272,469,687	7,459,494,647
EQUITY				
Capital stock	20	**10,908,215,404**	10,908,215,404	10,908,215,404
Additional paid-in capital		**4,281,564,705**	4,281,564,705	4,281,564,705
Treasury shares	20	**(116,233,808)**	(116,233,808)	(102,106,658)
Revaluation reserves	9	**473,951,067**	826,334,027	(299,410,000)
Retained earnings	20	**2,654,315,360**	2,474,931,832	2,294,989,630
Equity attributable to parent company's shareholders		**18,201,812,728**	18,374,812,160	17,083,253,081
Non-controlling interest		**853,612,716**	1,155,674,589	859,002,111
Total Equity		**19,055,425,444**	19,530,486,749	17,942,255,192
TOTAL LIABILITIES AND EQUITY		**P 25,710,892,512**	P 27,802,956,436	P 25,401,749,839

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
REVENUES				
Real estate sales	2	**P 983,531,150**	P 1,068,430,517	P 998,618,017
Finance income	5, 6	**381,454,712**	641,424,576	522,529,865
Commissions	19	**149,817,650**	109,997,534	118,925,507
Realized gross profit on prior years' sales - net	2	**106,695,654**	72,287,691	59,857,938
Rental income	10	**47,590,819**	46,413,659	82,421,687
Equity share in net earnings of an associate	8	**16,509,892**	-	-
Other income	16	**267,776,821**	313,983,400	388,883,853
		1,953,376,698	2,252,537,377	2,171,236,867
COSTS AND EXPENSES				
Real estate sales	2	**746,144,272**	743,190,219	752,900,953
Salaries and employee benefits	17	**161,749,075**	174,239,105	164,769,377
Commissions		**149,499,244**	198,189,615	214,778,430
Advertising and promotion		**141,923,280**	219,754,150	162,451,590
Deferred gross profit on current year's sales		**100,944,119**	118,072,350	81,614,017
Travel and transportation		**90,438,432**	91,055,835	103,462,992
Loss from dilution of investment in subsidiary - net	8	**57,824,732**	-	-
Finance costs	12	**51,600,951**	75,107,699	150,338,043
Tax expense	18	**34,655,479**	26,101,087	55,637,692
Depreciation and amortization	10, 11	**32,696,704**	34,823,725	59,855,978
Taxes and licenses	10	**26,381,737**	29,245,554	54,287,860
Marketing events and awards		**704,852**	18,824,790	21,786,885
Preacquisition income of a subsidiary	1	**-**	32,342,710	-
Other operating expenses	16	**172,690,989**	241,324,856	194,317,627
		1,767,253,866	2,002,271,695	2,016,201,444
NET PROFIT		**186,122,832**	250,265,682	155,035,423
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gains (losses) on available-for-sale financial assets		**(403,306,309)**	1,104,313,899	331,616,000
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 217,183,477)**	P 1,354,579,581	P 486,651,423
Net profit attributable to:				
Parent company's shareholders		**P 179,383,528**	P 177,842,305	P 148,349,703
Non-controlling interest		**6,739,304**	72,423,377	6,685,720
		P 186,122,832	P 250,265,682	P 155,035,423
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		**(P 172,999,432)**	P 1,303,586,332	P 479,965,703
Non-controlling interest		**(44,184,045)**	50,993,249	6,685,720
		(P 217,183,477)	P 1,354,579,581	P 486,651,423
EARNINGS PER SHARE				
Basic	21	**P 0.017**	P 0.017	P 0.014
Diluted	21	**P 0.017**	P 0.017	P 0.014

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	Attributable to Parent Company's Shareholders: Capital Stock	Additional Paid-in-capital	Treasury Shares	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2011	20	**P 10,908,215,404**	**P 4,281,564,705**	**(P 116,233,808)**	**P 826,334,027**	**P 2,474,931,832**	**P 18,374,812,160**	**P 1,155,674,589**	**P 19,530,486,749**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**(352,382,960)**	**179,383,528**	**(172,999,432)**	**(44,184,045)**	**(217,183,477)**
Reduction in non-controlling interest		**-**	**-**	**-**	**-**	**-**	**-**	**(257,877,828)**	**(257,877,828)**
Balance at December 31, 2011	20	**P 10,908,215,404**	**P 4,281,564,705**	**(P 116,233,808)**	**P 473,951,067**	**P 2,654,315,360**	**P 18,201,812,728**	**P 853,612,716**	**P 19,055,425,444**
Balance at January 1, 2010	20	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 299,410,000)	P 2,294,989,630	P 17,083,253,081	P 859,002,111	P 17,942,255,192
Total comprehensive income for the year		-	-	-	1,125,744,027	177,842,305	1,303,586,332	50,993,249	1,354,579,581
Additions to non-controlling interest		-	-	-	-	-	-	245,679,229	245,679,229
Additional treasury shares	20	-	-	(14,127,150)	-	-	(14,127,150)	-	(14,127,150)
Prior period adjustment		-	-	-	-	2,099,897	2,099,897	-	2,099,897
Balance at December 31, 2010	20	P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 826,334,027	P 2,474,931,832	P 18,374,812,160	P 1,155,674,589	P 19,530,486,749
Balance at January 1, 2009	20	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 631,026,000)	P 2,146,639,927	P 16,603,287,378	P 852,316,391	P 17,455,603,769
Total comprehensive income for the year		-	-	-	331,616,000	148,349,703	479,965,703	6,685,720	486,651,423
Balance at December 31, 2009	20	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 299,410,000)	P 2,294,989,630	P 17,083,253,081	P 859,002,111	P 17,942,255,192

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philipine Pesos)

	Notes	2011	2010 (As Restated - see Note 2)	2009 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 220,778,311**	P 276,366,769	210,673,115
Adjustments for:				
Finance income	5, 6	**(362,740,986)**	(465,098,094)	(522,529,865)
Finance costs	12	**51,600,951**	75,107,699	150,338,043
Dividend income	16	**(44,395,338)**	(10,661,260)	(331,899)
Depreciation and amortization	10, 11	**32,696,704**	34,823,725	59,855,978
Gain on disposal of AFS financial assets	9	**(15,992,670)**	(174,925,792)	-
Gain on disposal of FVTPL financial assets		**(3,337,364)**	-	-
Fair value loss (gains) on FVTPL financial assets		**616,307**	(1,400,690)	-
Impairment loss		**216,547**	224,228	-
Gain on sale of property and equipment	11	**-**	(55,000)	(442,000)
Operating loss before working capital changes		**(120,557,538)**	(265,618,415)	(102,436,628)
Decrease (increase) in trade and other receivables		**(77,052,054)**	470,904,447	309,258,667
Decrease (increase) in advances to related parties		**(1,398,205,890)**	598,775,516	(174,515,774)
Increase in residential and condominium units for sale		**(1,518,609,497)**	(544,160,545)	(97,348,159)
Increase in property development costs		**(239,142,763)**	(320,949,457)	(437,727,480)
Increase in prepayments and other current assets		**(129,091,319)**	(156,852,352)	(73,034,524)
Decrease (increase) in advances to landowners and joint ventures		**24,047,714**	417,772,863	(41,964,031)
Decrease (increase) in AFS financial assets		**62,514,618**	(1,253,814,941)	-
Decrease (increase) in land for future development		**(156,817,146)**	(91,469,397)	90,299,542
Increase in investment property		**-**	(14,459,622)	-
Decrease (increase) in other non-current assets		**152,627,038**	(9,876,964)	1,644,243
Decrease in trade and other payables		**(330,753,633)**	(34,186,116)	(5,948,762)
Increase in advances from related parties		**1,905,608,721**	38,055,398	103,267,434
Increase (decrease) in deferred gross profit on real estate sales		**(109,998,571)**	45,784,661	21,669,856
Increase (decrease) in customers' deposits		**(270,542,910)**	743,534,816	383,745,279
Increase (decrease) in other current liabilities		**1,445,354,150**	27,852,807	(46,642,134)
Increase (decrease) in reserve for property development		**85,361,659**	(9,154,521)	155,749,414
Increase in retirement benefit obligation		**17,970,922**	16,294,528	9,529,672
Cash from (used in) operations		**(657,286,499)**	(341,567,294)	95,546,615
Interest paid		**(76,122,701)**	(105,134,228)	(158,907,455)
Cash paid for income taxes		**(71,010,179)**	(59,273,266)	(102,364,194)
Net Cash Used in Operating Activities		**(804,419,379)**	(505,974,788)	(165,725,034)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections of advances to landowners and joint venture		**400,000,000**	-	-
Proceeds from disposal of AFS financial assets	9	**379,297,342**	1,109,773,889	-
Acquisition of AFS financial assets	9	**(365,726,942)**	(70,900,647)	-
Interest received		**211,254,823**	184,073,073	371,798,498
Acquisition of financial assets at FVTPL		**(88,355,740)**	(15,621,640)	-
Proceeds from disposal of financial assets at FVTPL		**88,168,716**	-	-
Dividends received	16	**44,395,338**	8,540,376	-
Acquisitions of property and equipment	11	**(25,849,730)**	(41,101,337)	(16,066,383)
Proceeds from disposal of real property		**20,284,651**	-	-
Acquisition of land held for future development		**-**	(470,300,000)	-
Acquisition of real property		**-**	(11,407,245)	-
Proceeds from sale of property and equipment	11	**-**	55,000	550,333
Additions to investment property	10	**-**	-	(42,000,000)
Net Cash From Investing Activities		**663,468,458**	693,111,469	314,282,448
Balance carried forward		**(P 140,950,921)**	P 187,136,681	P 148,557,414

	2011	2010	2009
Balance brought forward	(P 140,950,921)	P 187,136,681	P 148,557,414
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of interest-bearing loans and borrowings	(349,967,275)	(404,944,433)	(422,536,239)
Proceeds from interest-bearing loans and borrowings	-	336,254,206	9,995,058
Net Cash Used in Financing Activities	(349,967,275)	(68,690,227)	(412,541,181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(490,918,196)	118,446,454	(263,983,767)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,491,611,105	1,371,012,930	1,634,996,697
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED (DECONSOLIDATED) SUBSIDIARIES	(132,535,045)	2,151,721	-
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARY	(40,491,543)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 827,666,321	P 1,491,611,105	P 1,371,012,930

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate properties and other assets (see Notes 1, 7 and 12). Other significant non-cash transactions include the following:

- Capitalization of interest expense as part of Property Development Costs account (see Note 12).
- Assignment of subscription in shares of stock on account and conversion of advances to equity investments (see Note 1).
- Settlement of interest-bearing loan and related accrued interest due to a government institution through conveyance of certain real estate properties (see Notes 7 and 12).
- Settlements of Advances to Landowners through receipt of certain parcels of land (see Note 7).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company or parent company) was incorporated under the laws of the Philippines on July 15, 1994. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also sells land and leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

As of December 31, the Company holds interests in the following entities:

Subsidiaries/ Associate	Explanatory Notes	Percentage of Ownership 2011	2010	2009
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)		**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(a)	**100%**	100%	100%
Sherman Oak Holdings, Inc, (SOHI)	(b)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	100%
Laguna BelAir School, Inc. (LBASI)	(d)	**73%**	73%	73%
Sonoma Premier Land, Inc.(SPLI)	(e)	**60%**	60%	60%
Gilmore Property Marketing Associate, Inc, (GPMAI)	(f)	**52%**	52%	-
Suntrust Properties, Inc. (SPI)	(g)	**-**	80%	80%
Associate:				
SPI	(g)	**33%**	-	-

Explanatory Notes:

(a) Subsidiary incorporated in 2006; has not yet started commercial operations as of December 31, 2011. Additional shares were acquired in November 2008 through assignment of shares from First Everest Crown Properties, Inc.

(b) Subsidiary incorporated in 2007; has not yet started commercial operations as of December 31, 2011. Shares acquired through assignment of shares from Yorkshire Holdings, Inc. in January 2008.

(c) Subsidiary incorporated in 2008 to primarily engage in the purchase, development, sale and lease of real properties.

(d) Subsidiary incorporated in 1996 to primarily engage in operating a school for primary and secondary education.

(e) Subsidiary incorporated in 2007 as a holding entity and is engaged in the development and marketing of all kinds of real estate. Additional shares acquired from First Centro, Inc. in March and June 2008. Formerly known as Galleria Corsini Holdings, Inc. SPLI started commercial operations on May 23, 2008.

(f) Subsidiary incorporated in 1996. The Company subscribed to shares of GPMAI in 2010 through offsetting of the Company's receivable from GPMAI.

(g) In 2011, the entity was deconsolidated and treated as an associate of the Group.

Prior to March 25, 2011, the Company held 80% ownership interest in SPI and, thus, was a consolidated subsidiary in 2010 and 2009. On March 25, 2011, the percentage ownership of the Company over SPI was reduced to 33% due to the subscription by Megaworld Corporation (Megaworld) to SPI's increase in capital stock. Accordingly, SPI is now treated as an associate.

In prior years, the Company increased its ownership interest in VVPI, SPI and LBASI. This resulted to the recognition of goodwill which amounted to P78.3 million, P202.5 million and P202.5 million as of December 31, 2011, 2010 and 2009, respectively, and shown as part of Other Non-current Assets account in the consolidated statements of financial position.

Starting June 2011, the Company became a subsidiary of Megaworld. The intermediate parent company, Megaworld, is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The ultimate parent company, Alliance Global Group, Inc. (AGI), is a holding company with diversified investments in real estate, food and beverages, manufacturing, quick service restaurant and tourism-oriented businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

The registered office of the Company is located at the 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City. Megaworld's registered office is on the 28th Floor of the same building. On the other hand, AGI's registered office is located at the 7th Floor 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Quezon City. These entities' registered offices are also their respective principal places of business.

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2011 (including comparatives for the years ended December 31, 2010 and 2009) were authorized for issue by the Company's Board of Directors (BOD) on March 15, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies in the succeeding paragraphs.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

In 2011, the Group retrospectively reclassified the non-current portion of Property Development Costs to current assets as it expects to realize such assets in its normal operating cycle; this also aligns the classification of such account to that of Megaworld. Furthermore, certain portion of this amount is now presented as Residential and Condominium Units for Sale, also classified as part of current assets in the consolidated statements of financial position.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2011 that are Relevant to the Group

In 2011, the Group adopted the following amendment, interpretations and annual improvements to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2010, or January 1, 2011:

PAS 24 (Amendment)	:	Related Party Disclosures
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 14 (Amendment)	:	Prepayment of a Minimum Funding Requirement
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments
Various Standards	:	2010 Annual Improvements to PFRS

Discussed below are the effects on the consolidated financial statements of the new and amended standards.

(i) PAS 24 (Amendment), *Related Party Disclosures* (effective from January 1, 2011). The amendment simplifies and clarifies the definition of a related party by eliminating inconsistencies in determining related party relationships. The amendment also provides partial exemption from the disclosure requirements for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment did not result in any significant changes on the Group's disclosures of related parties in its consolidated financial statements.

(ii) Philippine Interpretation IFRIC 14 (Amendment), *Prepayment of a Minimum Funding Requirement* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a surplus for defined benefit plans based on PAS 19, *Employee Benefits*, that are subject to a minimum funding requirement. The Group is yet to formally set its retirement fund, hence, the adoption of the revised standard has no material effect on its consolidated financial statements.

(iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of a financial liability through issuance of equity instruments to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

The adoption of the interpretation did not have a material effect on the Group's consolidated financial statements as it did not extinguish financial liabilities through equity swap during the year.

(iv) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not have any material impact on its consolidated financial statements:

- PAS 34 (Amendment), *Interim Financial Reporting – Significant Events and Transactions* (effective from January 1, 2011). The amendment provides further guidance to illustrate how to apply disclosure principles under PAS 34 for significant events and transactions to improve interim financial reporting. It requires additional disclosure covering significant changes to fair value measurement and classification of financial instruments, and to update relevant information from the most recent annual report.

- PFRS 7 (Amendment), *Financial Instruments: Clarification of Disclosures* (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security.

(b) Effective in 2011 that are not Relevant to the Group

The following amendments and improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2011 but are not relevant to the Group's consolidated financial statements:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Classification of Rights Issues
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Limited Exemption from PFRS 7 Comparative Disclosures
2010 Annual Improvements		
PAS 1 (Amendment)	:	Presentation of Financial Statements – Clarification of Statement of Changes in Equity
PAS 21 (Amendment)	:	The Effects of Changes in Foreign Exchange Rates
PAS 31 (Amendment)	:	Interests in Joint Ventures
PFRS 1 (Amendment)	:	First-time Adoption of PFRS
PFRS 3 (Amendment)	:	Business Combinations
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes – Fair Value Awards Credits

(c) *Effective Subsequent to 2011 but not Adopted Early*

There are new and amended PFRS that are effective for periods subsequent to 2011. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets* (effective from July 1, 2011). The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group does not usually enter into this type of arrangement with regard to transfer of financial asset, hence, the amendment may not significantly change the Group's disclosures in its consolidated financial statements.

(ii) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Group is yet to assess the impact of this new standard.

(iii) PAS 19 (Amendment), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvement throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;

- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

Currently, the Group is using the corridor approach and its unrecognized actuarial losses as of December 31, 2011 amounted to P28.9 million which will be retrospectively recognized as losses in other comprehensive income in 2013.

(iv) Consolidation Standards

The Group is currently reviewing the impact on its financial statements of the following consolidation standards, which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.

- PFRS 11, *Joint Arrangements*. This standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This standard replaces the three categories under PAS 31, mainly, jointly controlled entities, jointly controlled operations and jointly controlled assets, with two new categories – joint operations and joint ventures. Moreover, this also eliminates the option of using proportionate consolidation for joint ventures.

- PFRS 12, *Disclosure of Interest in Other Entities*. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associate, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in the new PFRS 10.

- PAS 28 (Revised), *Investments in Associate and Joint Venture*. This revised standard includes the requirements for joint ventures, as well as associate, to be accounted for using equity method following the issuance of PFRS 11.

(v) PFRS 9, Financial Instruments: *Classification and Measurement* (effective January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and is committed to conduct a comprehensive study of the potential impact of this standard before its adoption in 2015 to assess the impact of all changes.

(vi) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue upon completion or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

2.3 Consolidation and Interests in Joint Ventures

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see Note 1) as of December 31, 2011, 2010 and 2009 and for the years then ended after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company's using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policy that may exist.

The Company accounts for its investments in subsidiaries, transactions with non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain (see also Note 2.8).

(b) Investment in an Associate

Associate is an entity over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associate are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associate. All subsequent changes to the share of interest in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Equity Share in Net Earnings of an Associate in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of the associate's assets and liabilities.

Changes resulting from other comprehensive income of the associate or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for AFS financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transactions with Non-controlling Interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Any difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses that are also recognized in equity.

When the Group ceases to have control, any interest retained in the subsidiary is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The initial carrying amount for the purpose of subsequently accounting for the interest retained as an associate, joint venture or financial asset is the fair value. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Interests in Joint Ventures

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the jointly controlled assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

2.4 Financial Assets

Financial assets include cash and cash equivalents and other financial instruments. The Group classifies its financial assets, other than hedging instruments, into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs are charged as expense and included in the profit or loss.

The foregoing categories of financial instruments are more fully described below.

(a) *Financial Assets at FVTPL*

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at FVTPL upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables include Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to Suppliers), Advances to Landowners and Joint Ventures, and Advances to Related Parties account in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(c) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as HTM if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. They are included in non-current assets in the consolidated statement of financial position, except those maturing within 12 months from the end of the reporting period, which are presented as part of current assets.

Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment, including impairment loss, are recognized in consolidated profit or loss.

(d) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

All AFS are measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in the other comprehensive income is reclassified from the revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment was recognized.

All income and expenses, including impairment losses, related to financial assets that are recognized in profit or loss are presented as part of Finance Income and Finance Costs in the consolidated statement of comprehensive income.

For investment that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices in the stock exchange at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when received, regardless of how the related carrying amount of the financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land held for administration or rendering of services is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and other improvements	5-25 years
Office furniture and equipment	3-5 years
Transportation equipment	5 years

Leasehold improvements are amortized over the term of the lease or lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated profit or loss in the year the item is derecognized.

2.6 Investment Property

Investment property consists of building and office/commercial units for lease and a parcel of land held for capital appreciation and memorial lots for investment purposes. Investment property is stated at cost less accumulated depreciation and any impairment in value.

The cost of an investment property comprises its purchase price and any directly attributable expenditure. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When investment property is sold, retired or otherwise disposed of, its cost and related accumulated depreciation and impairment loss is derecognized and any resulting gain or loss is reflected as income for the period.

Depreciation for building classified as investment property is computed on the straight-line basis over the estimated useful life of 20 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated profit or loss in the year the item is derecognized.

2.7 Financial Liabilities

Financial liabilities include Interest-bearing Loans and Borrowings, Trade and Other Payables, Advances from Related Parties and Other Current Liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as expense in profit or loss in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are included as part of accrued expenses to the extent that they are not settled in the period in which they arise.

All other financial liabilities are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared and approved by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.8 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting (previously called "purchase method").

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.15).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expense Recognition

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

(a) *Sale of residential and condominium units* – For financial reporting purposes, revenues on sales of residential and condominium units are recognized using the percentage-of-completion method. Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit in the consolidated profit or loss; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Gross Profit on Real Estate Sales (current and non-current liabilities) in the consolidated statement of financial position. Collections, which have not met the 25% threshold before a sale is recognized, are initially recorded under the Customers' Deposits account in the consolidated statement of financial position. Revenue and cost relative to forfeited or backed-out sales are reversed in the current year as they occur. For tax reporting purposes, the Group uses a modified basis of computing its taxable income for the year based on collections from sales while its subsidiaries report revenues on sales based on percentage-of-completion method.

(b) *Sale of undeveloped land* – Revenues are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership of the undeveloped land has passed to the buyer and the amount of revenue can be measured reliably. Revenue and cost relative to forfeited or backed-out sales are reversed in the current year as they occur.

(c) *Rendering of services* – Revenue is recognized upon substantial rendition of the services required.

(d) *Rental* – Lease income from operating lease is recognized on a straight-line basis over the lease term.

(e) *Commissions* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered.

(f) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(g) *Dividends* – Revenue is recognized when the stockholders' right to receive the payment is established.

For sale of residential and condominium units and undeveloped land, revenue and cost relative to forfeited or backed-out sales are reversed in the current year as they occur.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date and estimated costs to complete the project (see Note 2.11).

Other costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or receipt of goods or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, finance costs are reported in the profit or loss (see Note 2.17).

2.11 Real Estate Transactions and Revenues and Expenses Recognition

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs account (see Note 2.17). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related costs are reclassified to Residential and Condominium Units for Sale.

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the Group's project engineers, are charged to the cost of residential and condominium units sold with a corresponding credit to the Reserve for Property Development account, which pertains to the remaining costs that will be incurred relative to the development/construction of the sold units.

Property Development Costs and Residential and Condominium Units for Sale are carried at the lower of cost and net realizable value. Considering the pricing policies of the Group, cost is lower than the net realizable value.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations in the period in which the loss is determined.

2.12 Commissions

Commissions pertain to a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Company's residential and high-rise projects. Commissions are recognized as expense in the period in which they are incurred.

2.13 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which the Group does not substantially transfer to the lessee all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease receipts are recognized as income in the consolidated profit or loss on a straight-line basis over the lease term. Indirect costs incurred by the Group in negotiating and arranging for an operating lease is added to the carrying amount of the leased asset and recognized as expense over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.14 Foreign Currency Transactions

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

2.15 Impairment of Non-financial Assets

The Group's interest in joint ventures, land for future development, investment property, property and equipment and investment in an associate are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.16 Employee Benefits

(a) Post-employment Benefits

A defined benefit plan is a post-employment plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.

The liability recognized in the consolidated statement of financial position for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually (see Note 17.2) by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are not recognized as income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in the consolidated profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Property Development Costs and Residential and Condominium Units for Sale accounts in the consolidated statement of financial position (see Note 2.11). The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

The capitalized interest in 2011, 2010 and 2009 amounted to P73.4 million, P127.9 million and P77.4 million, respectively (see Note 12.3).

2.18 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly to equity are recognized in other comprehensive income or directly to equity.

2.19 Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associate; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.20 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares subscribed and issued during the year, after giving retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year. Diluted EPS is computed as aforementioned and assuming further that, as applicable, at the beginning of the year or at the time of issuance during the year, all outstanding convertible preferred shares were converted to common stock.

2.21 Segment Reporting

In identifying its operating segments, management generally follows the Group's service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, is the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs, if any, relating to new business activities; and,
- revenue and costs from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuing of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of re-acquiring such shares.

Revaluation reserves comprise the accumulated net gains and losses due to the revaluation of AFS financial assets.

Retained earnings include all current and prior period results of operations as reported in profit or loss in the consolidated statement of comprehensive income.

2.23 Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The consolidated financial statements of the Group prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment of AFS Financial Assets

The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

If the assumptions made regarding the duration that, and extent to which, the fair value is less than its cost, the Group would have revaluation loss of P299.4 million in the 2009 consolidated financial statements (nil in 2011 and 2010) representing the transfer of the total Revaluation Reserves to profit or loss in the consolidated statement of comprehensive income.

(b) Distinction Between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the Group's main line of business.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Operating and Finance Lease

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Rental expense charged to operations amounted to P64.3 million in 2011, P48.4 million in 2010, and P41.8 million in 2009 (see Note 16.2). Rental income recognized amounted to P47.6 million in 2011, P46.4 million in 2010, and P82.4 million in 2009.

(d) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosures of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's consolidated financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2011, 2010 and 2009 consolidated financial statements:

(a) Determining Net Realizable Value of Real Estate Properties

Net realizable value of real estate properties is one of the key variables used in analyzing residential and condominium units for sale, property development costs and land for future development for possible impairment. In determining the net realizable value of real estate properties, management takes into account the most reliable evidence available at the times the estimates are made. Changes in the sources of estimation may cause significant adjustments to the Group's real estate properties within the next financial year.

(b) Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of investment property and property and equipment are analyzed in Notes 10 and 11, respectively. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. There is no change in estimated useful lives of property and equipment and investment property in 2011, 2010 and 2009 based on management's assessment.

(c) Allowance for Impairment of Trade and Other Receivables

Allowance is made for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

Allowance for impairment recognized on Trade and Other Receivables as of December 31, 2011, 2010 and 2009 amounted to P0.6 million, P26.3 million and P26.2 million, respectively (see Note 6). Impairment losses on trade and other receivables, as also shown in Note 6, amounted to P0.2 million in 2011 and in 2010 and P0.1 million in 2009.

(d) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect consolidated profit and loss and other comprehensive income.

There were no impairment losses on AFS financial assets recognized in 2011, 2010 and 2009 (see Note 9).

(e) *Principal Assumptions for Management's Estimation of Fair Value of Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 10 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(f) *Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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.

(g) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management evaluation, no impairment losses were recognized on interest in joint ventures, land for future development, investment property, property and equipment and investment in an associate in 2011, 2010 and 2009 (see Notes 10 and 11).

(h) *Retirement Benefits*

The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 17.2 and include, among others, discount rates, rate of return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

(i) Revenue Recognition Based on Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on sales of real estate. Use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project. Should the proportion of the percentage of completed projects to differ by 10% from management's estimates, the amount of revenue recognized in 2011 would have increased by P39.51 million if the proportion of the completed projects were increased, or would have decreased by P40.59 million if the proportion performed were decreased.

4. SEGMENT INFORMATION

The Group's operating businesses are organized and managed separately according to the product and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of affordable and mass housing projects either in the form of condominium communities or house and lot packages, and to a limited extent, commercial and office space and mixed-use complexes. It classifies its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties which cater to middle-income market while the horizontal projects refer to house and lot packages and subdivision lots which are intended both for low and middle-income market.

The corporate and other segment includes general and corporate income and expense items. Segment accounting polices are the same as the policies described in Note 2. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices.

The following tables present the revenue and profit information regarding industry segments for the years ended December 31, 2011, 2010 and 2009 and certain asset and liability information regarding industry segments as of December 31, 2011, 2010 and 2009.

2011

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 785,205,409	P 198,325,741	P 475,547,674	P 1,459,078,824
RESULTS				
Segment results	P 178,961,726	P 64,176,688	P 856,913,650	P 1,100,052,064
Unallocated expenses			(786,357,962)	(786,357,962)
				313,694,102
Finance costs			(51,600,951)	(51,600,951)
Loss from dilution of investment in subsidiary			(57,824,732)	(57,824,732)
Equity share in net earnings of an associate			16,509,892	16,509,892
Profit before tax				220,778,311
Tax expense			(34,655,479)	(34,655,479)
Profit before minority interest				186,122,832
Non-controlling interest – share in net profit				(6,739,304)
Net profit attributable to parent company's shareholders				**P 179,383,528**
ASSETS AND LIABILITIES				
Segment assets	P 10,279,412,140	P 4,302,663,515	P 182,666,557	P 14,764,742,212
Investments in an associate	-	-	592,414,710	592,414,710
Unallocated assets	-	-	10,353,735,590	10,353,735,590
Total assets	**P 10,279,412,140**	**P 4,302,663,515**	**P 11,128,816,857**	**P 25,710,892,512**
Segment liabilities	P 559,130,575	P 547,509,920	P -	P 1,106,640,495
Unallocated liabilities	-	-	5,548,826,573	5,548,826,573
Total liabilities	**P 559,130,575**	**P 547,509,920**	**P 5,548,826,573**	**P 6,655,467,068**
OTHER SEGMENT INFORMATION				
Capital expenditures			P 25,849,730	P 25,849,730
Depreciation and amortization			32,696,704	32,696,704

2010

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 442,440,794	P 625,989,721	P 461,854,217	P 1,530,284,732
RESULTS				
Segment results	P 53,429,006	P 226,026,633	P 1,111,819,168	P 1,391,274,807
Unallocated expenses			(1,007,457,629)	(1,007,457,629)
Finance costs			(75,107,699)	(75,107,699)
Profit before tax				308,709,479
Tax expense			(26,101,087)	(26,101,087)
Profit before minority interest				282,608,392
Pre-acquisition income of a subsidiary				32,342,710
Net profit attributable to parent company's shareholders				250,265,682
Non-controlling interest – share in net profit				72,423,377
Net profit attributable to parent company's shareholders				P 177,842,305
ASSETS AND LIABILITIES				
Segment assets	P 8,315,314,525	P 7,202,911,992	P 197,107,673	P 15,715,334,190
Unallocated assets	-	-	12,087,622,246	12,087,622,246
Total assets	P 8,315,314,525	P 7,202,911,992	P 12,284,729,919	P 27,802,956,436
Segment liabilities	P 572,399,674	P 890,665,639	P -	P 1,463,065,313
Unallocated liabilities	-	-	6,809,404,374	6,809,404,374
Total liabilities	P 572,399,674	P 890,665,639	P 6,809,404,374	P 8,272,469,687
OTHER SEGMENT INFORMATION				
Capital expenditures			P 41,101,337	P 41,101,337
Depreciation and amortization			34,823,725	34,823,725

2009

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 510,822,335	P 487,795,682	P 590,231,046	P 1,588,849,063
RESULTS				
Segment results	P 45,705,132	P 178,255,853	P 1,112,760,911	P 1,336,721,896
Unallocated expenses			(975,710,738)	(975,710,738)
Finance costs			(150,338,043)	(150,338,043)
Profit before tax				210,673,115
Tax expense			(55,637,692)	(55,637,692)
Profit before minority interest				155,035,423
Non-controlling interest – share in net profit				6,685,720
Net profit attributable to parent company's shareholders				P 148,349,703
ASSETS AND LIABILITIES				
Segment assets	P 7,701,712,687	P 7,071,246,517	P 211,548,789	P 14,984,507,993
Unallocated assets	-	-	10,417,241,846	10,417,241,846
Total assets	P 7,701,712,687	P 7,071,246,517	P 10,628,790,635	P 25,401,749,839
Segment liabilities	P 479,296,432	P 947,138,745	P -	P 1,426,435,177
Unallocated liabilities	-	-	6,033,059,470	6,033,059,470
Total liabilities	P 479,296,432	P 947,138,745	P 6,033,059,470	P 7,459,494,647
OTHER SEGMENT INFORMATION				
Capital expenditures			P 16,066,383	P 16,066,383
Depreciation and amortization			59,855,978	59,855,978

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2011	2010	2009
Cash on hand and in banks	**P 255,843,252**	P 616,339,392	P 212,462,068
Short-term placements	**571,823,069**	875,271,713	1,158,550,862
	P 827,666,321	P 1,491,611,105	P 1,371,012,930

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 42 days in 2011, 44 days in 2010 and 45 days in 2009 and earn annual effective interest ranging from 1.0% to 4.38% in 2011, 0.25% to 4.25% in 2010 and 0.9% to 7.8% in 2009. Dollar-denominated short-term placements are made for varying periods of up to 98 days in 2011, 90 days both in 2010 and 2009 and earn annual effective interest ranging from 0.88% to 2.50% in 2011, 0.25 % to 2.0% in 2010 and 1.0% to 3.5% in 2009.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2011	2010	2009
Current:				
Trade receivables – net	12.1	**P 1,356,367,625**	P 2,061,296,308	P 2,110,498,542
Unearned interest income		**(34,314,885)**	(37,160,110)	(52,033,734)
		1,322,052,740	2,024,136,198	2,058,464,808
Interest receivable		**385,281,474**	-	-
Advances to suppliers		**323,137,952**	626,067,123	741,045,337
Miscellaneous		**196,370,782**	211,644,621	129,217,335
		2,226,842,948	2,861,847,942	2,928,727,480
Allowance for impairment		**(611,613)**	(14,089,160)	(13,976,527)
		2,226,231,335	2,847,758,782	2,914,750,953
Non-current:				
Trade receivables – net	12.1	**1,809,830,078**	2,387,630,026	2,511,290,271
Refundable security deposits		**25,733,428**	26,434,135	23,300,123
Miscellaneous		**-**	13,148,717	15,697,806
		1,835,563,506	2,427,212,878	2,550,288,200
Allowance for impairment		**-**	(12,224,936)	(12,224,936)
		1,835,563,506	2,414,987,942	2,538,063,264
		P 4,061,794,841	P 5,262,746,724	P 5,452,814,217

The installment period of sales contracts ranges from 1 to 15 years. Trade receivables of the Group are either interest-bearing or noninterest-bearing. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers. In addition, certain accounts receivable from trade customers are covered by postdated checks. Accordingly, management believes that these receivables are fully recoverable through collection of the accounts or repossession of the properties considering that the title has not yet passed to the buyers.

The Group partially finances its real estate projects and other business undertakings through discounting of its trade receivables on a with-recourse basis with certain local banks. The discounted trade receivables amounted to P0.5 billion as of December 31, 2011 and P1.3 billion as of December 31, 2010 and 2009, and the related liability is presented as part of Interest-bearing Loans and Borrowings (see Note 12.1).

Refundable security deposits include various deposits to third parties for electrical and other utilities equipment needed in the development of housing projects, i.e., condominium communities and house and lot packages. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and losses have been recorded accordingly.

A reconciliation of the allowance for impairment on current and non-current trade and other receivables at the beginning and end of 2011, 2010 and 2009 is shown below.

	2011	2010	2009
Balance at beginning of year	**P 26,314,096**	P 26,201,463	P 26,109,435
Deconsolidation of the beginning balance of SPI	**(25,835,683)**	-	-
Impairment losses during the year	**216,547**	188,068	92,028
Recovery of accounts previously provided with allowances	**(83,347)**	(75,435)	-
Balance at end of year	**P 611,613**	P 26,314,096	P 26,201,463

The fair values of the trade and other receivables are not individually determined as the carrying amounts are a reasonable approximation of their fair values.

7. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venturer shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential and Condominium Units for Sale and Property Development Cost accounts in the consolidated statements of financial position. In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which would then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances shall be made upon completion of the project development either in the form of residential, condominium or commercial units and saleable lots corresponding to the landowners' share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

The details of advances to landowners and joint ventures are as follows:

	2011	2010	2009
Advances to landowners:			
Balance at beginning of year	**P 422,685,499**	P 842,158,588	P 1,062,615,921
Beginning balance of SPI	**(212,596,350)**	-	-
Additional advances	**93,184,357**	-	61,122,667
Reclassifications	**(170,000,000)**	-	(281,580,000)
Collections	**(15,089,120)**	(419,473,089)	-
Balance at end of year	**118,184,386**	422,685,499	842,158,588
Advances to joint ventures:			
Balance at beginning of year	**1,226,302,566**	1,224,602,340	1,268,760,976
Additional advances	**208,325,591**	24,082,802	5,007,700
Collections	**(612,596,350)**	(22,382,576)	(24,166,336)
Reclassification	**-**	-	(25,000,000)
Balance at end of year	**822,031,807**	1,226,302,566	1,224,602,340
	P 940,216,193	P 1,648,988,065	P 2,066,760,928

In 2011, certain advances to landowners were settled through conveyance of a parcel of land. The parcel of land, valued at P170.0 million, is presented as part of Land for Future Development account.

In 2010, the Group terminated the agreement which it initially entered into with a landowner in October 2008 for the development of a certain property located in the Province of Rizal. The initial payment of P419.5 million, which the Group advanced, was subsequently refunded by the landowner.

In 2009, certain advances to landowners amounting to P281.6 million were transferred to Land for Future Development as the Group has already fully paid the acquisition cost of the land intended for future development.

The Group previously entered into a joint venture agreement wherein it advanced P25.0 million to the landowner. The agreement did not materialize and, in 2009, this amount was applied as partial payment for the acquisition of another property owned by the same landowner.

In 2009, the Group entered into a Joint Venture Agreement for the development and construction of a certain project based on an agreed sharing. Under the agreement, the landowner will contribute parcels of land measuring 9,621 square meters while the Group will undertake the development and construction of the building. As of December 31, 2011, the joint venturers are yet to incorporate the joint venture corporation.

The commitment for cash advances under the existing joint venture agreements has been fully granted by the Group.

The Group commits to develop the properties based on the terms agreed with joint venture partners. The development and construction of projects are being undertaken on a per phase basis, hence, the total costs cannot be determined yet.

The Group's interests in jointly controlled operations and projects range from 55% to 78% in 2011, 2010 and 2009. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Governor Hills
- Sta. Rosa Heights
- Various Metro Manila and Calabarzon projects

As of December 31, 2011, 2010 and 2009, the Group has no other contingent liabilities with regard to these joint ventures or the probability of loss that may arise from contingent liabilities is remote.

8. INVESTMENT IN AN ASSOCIATE

On March 25, 2011, the percentage ownership of the Company over SPI was reduced from 80% to 33% due to Megaworld's subscription to SPI's increase in capital stock. As a result, SPI became a subsidiary of Megaworld holding approximately 59% ownership in SPI. The fair value of the reduced ownership interest of the Company in SPI amounting to P371.2 million was recognized as the deemed cost of the investment in associate. Accordingly, a loss from dilution was recognized and this was presented as Loss from Dilution of Investment in Subsidiary in the 2011 consolidated statement of comprehensive income while the Company's share in net earnings of SPI in 2011 is presented as Equity share in net earnings of an associate. Also, the related balances of SPI's assets and liabilities as of December 31, 2010 were deconsolidated in 2011 and were no longer included in the statement of financial position as of December 31, 2011.

A portion of the Company's advances to SPI amounting to P204.8 million is presented as part of net investment since settlement of the advances is neither planned nor likely in the foreseeable future.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movements of the carrying amounts of AFS financial assets are as follows:

	2011	2010	2009
Balance at beginning of year	**P 2,065,221,390**	P 571,040,000	P 239,424,000
Beginning balance from GPMAI	**-**	610,115,961	-
Fair value gains (losses) - net	**(391,715,040)**	1,922,938,671	331,616,000
Disposals	**(374,895,941)**	(868,017,800)	-
Reclassification of unrealized fair value gains of disposed assets to profit or loss	**(11,591,269)**	(241,756,089)	-
Additions	**365,726,942**	70,900,647	-
Balance at end of year	**P 1,652,746,082**	P 2,065,221,390	P 571,040,000

AFS financial assets mainly consist of investments made by EPHI and GPMAI in equity securities of companies listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market.

In 2010, GPMAI disposed certain AFS financial assets. Dividend income recognized from these investments amounted to P8.5 million and P2.2 million in 2010 and 2009, respectively. The gain on the disposal of the AFS financial assets and dividend income are presented as part of Finance Income in the consolidated statements of comprehensive income.

The fair values of these AFS financial assets are categorized as Level 1 amounting to P2.1 billion and Level 3 amounting to P12.5 million which is already provided with full impairment allowance.

The net accumulated fair value gains or losses in AFS financial assets is shown as Revaluation Reserves in the equity section of the consolidated statement of financial position.

10. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units being leased out to related parties and third parties, certain lots held for capital appreciation and memorial lots for investment purposes (see Note 19.2). Rental revenues recognized for the years ended December 31, 2011, 2010 and 2009 amounted to P14.2 million, P13.4 million, and P58.5 million, respectively, and are recorded as part of Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent the direct costs in leasing these properties. Real estate tax amounting to P1.0 million, P1.0 million and P5.3 million was recognized as a related expense in 2011, 2010 and 2009 which amounts are presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The changes in the carrying amounts presented in the consolidated statements of financial position as of December 31, are summarized as follows:

	2011	2010	2009
Balance at beginning of year - net	**P 250,426,606**	P 252,771,806	P 709,345,816
Beginning balance from GPMAI	**-**	14,459,622	-
Additions	**-**	-	42,000,000
Depreciation charges for the year	**(16,804,822)**	(16,804,822)	(41,969,871)
Disposals	**-**	-	(456,604,139)
Balance at end of year - net	**P 233,621,784**	P 250,426,606	P 252,771,806

In 2009, the Company settled its interest-bearing loan amounting to P961.0 million and related interest through conveyance of certain parcels of land and improvements with carrying value of P1.1 billion (see Note 12.2).

The fair value of investment property of the Group amounted to P535.0 million as of December 31, 2011, P556.6 million as of December 31, 2010 and P795.5 million as of December 31, 2009, as determined by the Group using the discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

11. PROPERTY AND EQUIPMENT

As of December 31, 2011, 2010 and 2009, this account includes land costing P81,095,000 which is used as LBASI's school site. The gross carrying amounts and accumulated depreciation and amortization of other property and equipment at the beginning and end of 2011, 2010 and 2009 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2011					
Cost	P 73,144,723	P 97,038,848	P 52,345,401	P 52,500,248	P 275,029,219
Accumulated depreciation and amortization	(19,269,778)	(87,425,798)	(38,161,309)	(34,738,275)	(179,595,160)
Net carrying amount	**P 53,874,945**	**P 9,613,050**	**P 14,184,092**	**P 17,761,972**	**P 95,434,059**
December 31, 2010					
Cost	P 70,712,699	P 109,414,662	P 60,719,795	P 48,767,775	P 289,614,931
Accumulated depreciation and amortization	(16,361,215)	(96,681,086)	(43,346,933)	(38,726,514)	(195,115,748)
Net carrying amount	P 54,351,484	P 12,733,576	P 17,372,862	P 10,041,261	P 94,499,183
December 31, 2009					
Cost	P 48,842,104	P 101,362,271	P 58,073,988	P 42,812,253	P 251,090,616
Accumulated depreciation and amortization	(14,018,904)	(90,295,959)	(38,596,767)	(36,726,076)	(179,637,706)
Net carrying amount	P 34,823,200	P 11,066,312	P 19,477,221	P 6,086,177	P 71,452,910
January 1, 2009					
Cost	P 39,557,845	P 77,871,868	P 46,253,535	P 40,383,795	P 204,067,043
Accumulated depreciation and amortization	(3,606,526)	(65,015,609)	(29,053,817)	(33,010,124)	(130,686,076)
Net carrying amount	P 35,951,319	P 12,856,259	P 17,199,718	P 7,373,671	P 73,380,967

A reconciliation of the carrying amounts at the beginning and end of 2011, 2010 and 2009, of property and equipment is shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 54,351,484	P 12,733,576	P 17,372,862	P 10,041,261	P 94,499,183
Deconsolidated balance of SPI, net of accumulated depreciation and amortization (see Note 8)	-	(2,750,906)	(2,383,407)	(3,888,659)	(9,022,972)
Additions	2,432,024	4,818,202	4,993,960	13,605,542	25,849,730
Depreciation and amortization charges for the year	(2,908,563)	(5,187,822)	(5,799,323)	(1,996,172)	(15,891,882)
Balance at December 31, 2011, net of accumulated depreciation and amortization	**P 53,874,945**	**P 9,613,050**	**P 14,184,092**	**P 17,761,972**	**P 95,434,059**
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 34,823,200	P 11,066,312	P 19,477,221	P 6,086,177	P 71,452,910
Additions	21,870,594	8,052,396	5,222,826	5,955,521	41,101,337
Write-off	-	-	(36,161)	-	(36,161)
Depreciation and amortization charges for the year	(2,342,310)	(6,385,132)	(7,291,024)	(2,000,437)	(18,018,903)
Balance at December 31, 2010, net of accumulated depreciation and amortization	P 54,351,484	P 12,733,576	P 17,372,862	P 10,041,261	P 94,499,183
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 35,951,319	P 12,856,259	P 17,199,718	P 7,373,671	P 73,380,967
Additions	715,977	5,289,493	9,446,457	614,456	16,066,383
Disposals	-	-	(108,333)	-	(108,333)
Depreciation and amortization charges for the year	(1,844,096)	(7,079,440)	(7,060,621)	(1,901,950)	(17,886,107)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 34,823,200	P 11,066,312	P 19,477,221	P 6,086,177	P 71,452,910

12. INTEREST-BEARING LOANS AND BORROWINGS

At December 31 2011, 2010 and 2009, the short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	2011	2010	2009
Current:				
Bank loans	6	**P 164,727,699**	P 288,831,068	P 461,739,186
Commercial/term loan	10	**57,142,857**	57,142,857	57,142,857
		221,870,556	345,973,925	518,882,043
Non-current:				
Bank loans	6	**360,234,266**	1,006,086,661	844,725,912
Commercial/term loans	10	**57,142,857**	114,285,714	171,428,572
		417,377,123	1,120,372,375	1,016,154,484
		P 639,247,679	P 1,466,346,300	P 1,535,036,527

12.1 Bank Loans

The bank loans represent secured and unsecured loans from banks. The loans bear annual interest rates ranging from 7.9% to 10.5% in 2011, 2010 and 2009. Certain properties with an estimated carrying value of P1.6 billion, P2.1 billion and P2.4 billion as of December 31, 2011, 2010 and 2009, respectively, are used as collateral for the P639.2 million, P989.0 million and P1.1 billion bank loan as of December 31, 2011, 2010 and 2009, respectively.

Bank loans also include amounts covered by trade receivables discounted on a with-recourse basis (see Note 6). Finance costs that are directly attributable to construction of the Company's projects are capitalized as part of Property Development Costs (see Note 12.3).

12.2 Commercial/Term Loans

Included in the balance of commercial/term loans is the unpaid portion of a P400.0 million loan obtained in 2006 from a government institution. This loan bears annual interest of 10.5% and is secured by certain real estate properties owned by a shareholder (see Note 19.4). The principal amount is payable in seven equal annual amortizations beginning March 15, 2007. Interest payments are due and payable semi-annually, with the first interest payment due on September 15, 2006 and subsequent payments due every six months thereafter.

In 2008, the commercial/term loans also included a secured loan obtained from another government institution bearing an annual interest rate of 16.0%. This loan is secured by certain real estate properties shown as part of Investment Property and Property Development Costs accounts, respectively, in the consolidated statements of financial position. In 2009, however, the said interest-bearing loan was settled through conveyance of the collateralized properties categorized as Investment Property and Property Development Costs with a net carrying amount of P1.1 billion and P435.6 million, respectively, at the date of conveyance (see Note 10). No gain or loss was recognized in the settlement of the loan as the total book value of the conveyed real estate properties approximates the carrying amount of the total loan extinguished.

12.3 Interest

Total interest on these interest-bearing loans and borrowings in 2011, 2010 and 2009 amounted to P76.1 million, P145.2 million and P165.7 million, respectively. Interest charges that are directly attributable to the construction of the Group's projects are capitalized as part of Property Development Costs and Residential and Condominium Units for Sale accounts and Residential and Condominium Units for Sale in the consolidated statements of financial position (see Note 2.16). In 2011, 2010 and 2009, the capitalized interest expense amounted to P73.4 million, P127.9 million and P77.4 million, respectively. The remaining interest was expensed and is shown as part of Finance Costs in the consolidated statements of comprehensive income.

13. TRADE AND OTHER PAYABLES

This account consists of:

	2011	2010	2009
Current:			
Trade payables	**P 221,950,195**	P 246,484,263	P 215,277,222
Accrued interest and other accruals	**33,405,026**	33,825,744	28,878,165
Taxes payable	**39,456,230**	34,180,947	36,160,038
Commissions	**17,759,017**	19,759,017	29,309,300
Others	**8,649,346**	15,980,085	33,781,770
	321,219,814	350,230,056	343,406,495
Non-current:			
Trade payables	**-**	103,416,355	132,994,732
	P 321,219,814	P 453,646,411	P 476,401,227

In 2009, SPI acquired a property in Cavite from a local bank amounting to P140.3 million. The acquisition cost is payable on an installment basis with terms ranging from three to six years subject to a fixed interest rate ranging from 10.0% to 11.0%. The related liability was included as part of Trade Payables, the current portion of which amounted to P22.0 million and non-current portion amounted to P70.4 million as of December 31, 2010. The related intermediary costs amounting to P10.7 million in 2010 and P7.1 million in 2009 were capitalized as part of Residential and Condominium Units for Sale account. The amounts relating to SPI were deconsolidated in 2011 (see Note 8).

Management considers the carrying amounts of current trade and other payables recognized in the consolidated statements of financial position to be a reasonable approximation of their fair value due to their short duration.

The fair values of non-current trade payables have been determined by calculating their present values at the reporting period using effective market interest rates available to the Group.

14. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2011	2010	2009
Advances from customers	**P 2,200,826,677**	P 2,476,998,762	P 1,786,198,439
Other deposits	**145,003,185**	295,642,535	242,908,042
	P 2,345,829,862	P 2,772,641,297	P 2,029,106,481

Advances from customers represent collections from customers for the real estate properties purchases that did not reach 25% of the contract price. The total receivables from buyers are then reduced by these advances once the sales are recognized by the Group. Other deposits represent advances by customers for processing of land titles.

15. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	2011	2010	2009
Retention payable	**P 101,063,759**	P 106,425,639	P 79,837,183
Tenant rental deposits	**27,884,822**	35,824,725	36,193,696
Deferred income	**17,237,250**	17,653,480	15,993,758
Miscellaneous	**2,437,799**	2,344,990	2,371,390
	P 148,623,630	P 162,248,834	P 134,396,027

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Payment to contractors shall be based on final acceptance of all works.

Management considers the carrying amounts of other current liabilities recognized in the consolidated statements of financial position to be a reasonable approximation of their fair values due to their short duration.

16. OTHER INCOME AND OTHER OPERATING EXPENSES

16.1 Other Income

The details of this account are shown below.

	2011	2010	2009
Forfeited payments	**P 152,535,626**	P 229,332,814	P 280,338,296
Dividend income	**44,395,338**	10,661,260	331,899
Tuition fees	**30,085,202**	29,080,949	28,735,552
Marketing fees	**3,495,604**	8,489,530	62,743,549
Miscellaneous	**37,265,051**	36,418,847	16,734,557
	P 267,776,821	P 313,983,400	P 388,883,853

16.2 Other Operating Expenses

The breakdown of other operating expenses is shown below.

	Note	**2011**	2010	2009
Rentals	22.2	**P 64,317,582**	P 48,368,080	P 41,759,432
Association dues		**30,838,930**	46,748,941	15,645,467
Utilities		**23,737,070**	26,537,227	27,628,706
Security services		**12,753,420**	21,518,496	22,326,158
Office supplies		**7,437,949**	15,761,685	12,663,502
Professional fees		**5,224,482**	7,572,668	8,720,512
Documentation		**3,984,874**	1,514,894	6,982,109
Repairs and maintenance		**3,901,581**	13,067,813	17,088,996
Outside services		**2,542,755**	2,927,541	2,596,925
Insurance		**2,049,623**	2,221,821	2,248,888
Representation		**415,232**	2,944,412	3,726,394
Training and development		**60,454**	8,600,425	7,364,369
Miscellaneous		**15,427,037**	43,540,853	25,566,169
		P 172,690,989	P 241,324,856	P 194,317,627

Miscellaneous income mostly includes collections of common area charges, net of applicable expenses, and other revenues of subsidiaries while miscellaneous expenses include disbursements related to processing of transfer of titles and other expenses incurred by subsidiaries.

17. SALARIES AND EMPLOYEE BENEFITS

17.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below (see Note 19.6).

	2011	2010	2009
Short-term benefits	**P 141,878,152**	P 159,176,758	P 152,355,117
Retirement-defined benefit plan	**19,870,923**	15,062,347	12,414,260
	P 161,749,075	P 174,239,105	P 164,769,377

17.2 Retirement Benefit Obligation

As of December 31, 2011, the Company and some subsidiaries are yet to formally set up their retirement plans although, in 2007, the BOD already approved the establishment of the Company's retirement plan.

The Group accrues retirement benefit obligation based on actuarial valuation report. Actuarial valuations are made annually to update the retirement benefit costs.

The amounts of the Group's retirement benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2011	2010	2009
Present value of the obligation	**P 129,080,054**	P 92,189,310	P 74,711,340
Fair value of the plan assets	**(5,097,127)**	(3,104,807)	(1,559,015)
Unrecognized past service costs	**(3,675,608)**	(3,875,188)	(4,074,768)
Unrecognized actuarial gains (losses)	**(28,916,804)**	7,039,137	8,976,264
	P 91,390,515	P 92,248,452	P 78,053,821

The movements in the present value of the retirement benefit obligation recognized in the consolidated financial statement are as follows:

	2011	2010	2009
Balance at beginning of year	**P 92,189,310**	P 74,711,340	P 50,029,375
Beginning balance of retirement obligation of:			
SPI (see Note 8)	**(14,336,195)**	-	-
LBASI	**-**	724,274	-
Current service and interest costs	**19,758,612**	14,934,282	12,878,074
Actuarial losses	**31,468,327**	1,819,414	8,932,289
Past service cost – non-vested benefits	**-**	-	3,806,602
Benefits paid	**-**	-	(935,000)
Balance at end of year	**P 129,080,054**	P 92,189,310	P 74,711,340

The movement in the fair value of plan assets is presented below.

	2011	2010	2009
Fair value of plan assets, beginning	**P 3,104,807**	P 1,559,015	P -
Contributions paid into the plan	**1,900,000**	1,300,000	2,500,000
Actuarial gain (loss)	**(31,872)**	183,431	(5,985)
Expected return on plan assets	**124,192**	62,361	-
Benefits paid by the plan	**-**	-	(935,000)
Fair value of plan assets, ending	**P 5,097,127**	P 3,104,807	P 1,559,015

The plan assets comprise mainly of cash and short-term placements.

The Group expects to pay P2.1 million in contributions to retirement benefit plans in 2012.

The amounts of the Group's retirement benefits recognized as part of salaries and employee benefits expense in the consolidated statements of comprehensive income are as follows:

	2011	2010	2009
Current service cost	**P 12,699,373**	P 7,969,993	P 6,401,200
Interest cost	**7,059,239**	6,964,289	6,476,874
Net actuarial losses (gains) recognized during the year	**36,923**	190,426	(580,236)
Expected return on plan assets	**(124,292)**	(62,361)	-
Past service cost	**199,580**	-	116,422
	P 19,870,923	P 15,062,347	P 12,414,260

For the determination of the Group's retirement benefit obligation, the following actuarial assumptions were used:

	2011	2010	2009
Parent company			
Discount rates	**6.29%**	9.28%	9.28%
Expected rate of salary increases	**8.00%**	8.00%	8.00%
EPHI			
Discount rates	**6.00%**	8.00%	9.00%
Expected rate of return on plan assets	**5.00%**	4.00%	4.00%
Expected rate of salary increases	**8.00%**	6.00%	6.00%
SPI (see Note 8)			
Discount rates	**-**	9.18%	9.00%
Expected rate of salary increases	**-**	10.00%	10.00%
LBASI			
Discount rates	**8.00%**	8.00%	-
Expected rate of salary increases	**10.00%**	10.00%	-

For other subsidiaries, as their accounting and other administrative functions are being handled by the parent company, recognition of cost of retirement benefits is not necessary.

Assumptions regarding future mortality are based on published statistics and mortality tables. For EPHI, the average remaining working life of an individual at the age of 65 is 21 for both males and females. For LBASI, the average remaining working life for both male and female is 23. For other entities within the Group, the average life expectancy of an individual retiring at the age of 60 for the Company is 27 for both males and females.

Valuation results are based on the employee data as of the valuation date as provided by the Group. The discount rate assumption (gross of tax) is based on the Philippine Dealing and Exchange Corporation rates as of the valuation date considering the average year of remaining working life of the employees.

18. TAXES

18.1 Current and Deferred Taxes

The major components of tax expense reported in profit or loss in the consolidated statements of comprehensive income are as follows:

	2011	2010	2009
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 37,572,190**	P 43,616,840	P 79,008,227
Final tax at 20% and 7.5%	**3,783,064**	7,394,756	12,179,969
Minimum corporate income tax (MCIT) at 2%	**1,114**	6,547,298	6,211,255
Stock transaction tax	**2,402,489**	5,911,250	-
	43,758,857	63,470,144	97,399,451
Deferred tax (income) expense:			
Deferred tax relating to origination and reversal of temporary differences	**(9,103,378)**	(37,369,057)	(41,778,123)
Deferred tax relating to reduction in RCIT tax rate	**-**	-	16,364
	(9,103,378)	(37,369,057)	(41,761,759)
	P 34,655,479	P 26,101,087	P 55,637,692

LBASI, as an educational institution, is subject to 10% tax on its taxable income as defined under the tax regulations.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense recognized in profit or loss in the consolidated statements of comprehensive income is as follows:

	2011	2010	2009
Tax on pretax profit at 30%	**P 95,722,916**	P 92,612,843	P 63,201,935
Adjustment for income subjected to lower income tax rates	**1,923,359**	6,746,191	(6,031,196)
Tax effects of:			
Nontaxable income	**(78,982,685)**	(90,670,666)	(13,646,113)
Nondeductible expenses	**13,161,799**	11,068,195	12,096,702
Stock transaction tax	**2,402,489**	5,911,250	-
Change in RCIT tax rate	**-**	-	16,634
Others – net	**427,601**	433,274	-
Tax expense	**P 34,655,479**	P 26,101,087	P 55,637,692

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated Statements of Financial Position			**Consolidated Statements of Comprehensive Income**		
	2011	2010	2009	**2011**	2010	2009
Deferred tax assets:						
Retirement benefit obligation	**P 27,157,981**	P 28,438,155	P 23,491,146	**(P 5,139,484)**	(P 4,347,008)	(P 2,933,902)
Unamortized past service cost	**1,350,000**	-	-	**(399,000)**	-	-
MCIT	**10,915**	16,215,131	10,278,288	**7,068**	(6,526,632)	(6,211,255)
Allowance for impairment	**-**	7,747,189	7,747,189	**-**	-	-
Net operating loss carryover (NOLCO)	**7,256,482**	6,221,658	3,378,637	**(1,034,824)**	(1,501,053)	2,685,811
Unrealized foreign exchange losses-net	**-**	1,284,426	547,657	**1,284,426**	(736,769)	(547,657)
Unamortized pre-operating expense	**490,905**	490,905	490,905	**-**	-	16,364
Accrued rent	**50,224**	414,346	316,568	**364,122**	(97,778)	194,700
	36,316,507	60,811,810	46,250,390	**(5,097,692)**	(13,209,242)	(6,795,939)
Deferred tax liabilities:						
Uncollected realized gross profit	**(881,912,239)**	(887,116,281)	(873,503,430)	**30,538,969**	13,612,851	7,637,489
Capitalized interest expense	**(248,743,954)**	(283,288,609)	(321,061,275)	**(34,544,655)**	(37,772,666)	(39,979,522)
Unrealized foreign exchange gains	**-**	-	-	**-**	-	(2,623,787)
	1,130,656,193	1,170,404,890	1,194,564,705	**(4,005,686)**	(24,159,815)	(34,965,820)
Deferred Tax Income				**(P 9,103,378)**	(P 37,369,057)	(P 41,761,759)
Net Deferred Tax Liabilities	**P 1,094,339,686**	P 1,109,593,080	P1,148,314,315			

The net deferred tax liabilities in 2010 includes the deferred tax liabilities of SPI amounting to P6,150,016. Deferred tax assets in 2009 did not include the deferred tax assets of GPMAI relating to MCIT and NOLCO amounting to P23,190 and P1,341,968, respectively. The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The Group reported MCIT of P1,114 in 2011, P6,547,298 in 2010 and P6,211,255 in 2009; this can be availed by the respective entities within three years up to 2014, 2013 and 2012, respectively.

EECI, SPLI, SOHI and VVPI did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO as of the end of 2011 for which the related deferred tax asset has not been recognized amounted to a total of P43.4 million with a total tax effect of P12.7 million. Details of NOLCO and the applicable years it is deductible from taxable income is shown below.

Year Incurred	Amount	Valid Until
2011	P 45,863,518	2014
2010	49,669,360	2013
2009	23,377,422	2012
	P 118,910,300	

18.2 Optional Standard Deduction

In July 2008, Republic Act (RA) 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction equivalent to 40% of gross sales. Once the option is made, it shall be irrevocable for the taxable year for which the option was made.

The Group opted to continue claiming itemized deductions since 2008.

19. RELATED PARTY TRANSACTIONS

The Group's significant transactions with related parties, which include the Group's key management personnel and others are described below.

19.1 Advances to and from Related Parties

Entities within the Group obtain advances from the parent company and other entities in the Group for working capital purposes. The outstanding balances of advances to related parties are as follows:

	2011	2010	2009
SPI (see Note 8)	**P 1,068,830,767**	P -	P -
MCPI	**209,867,965**	172,873,685	104,803,055
First Oceanic Property Management, Inc.	**32,698,043**	48,769,392	47,035,207
GPMAI	**-**	-	401,945,482
Other related parties	**319,785,564**	320,812,151	343,919,492
	P 1,631,182,339	P 542,455,228	P 897,703,236

The movements in the Advances to Related Parties account are shown below.

	2011	2010	2009
Balance at beginning of year	**P 542,455,228**	P 897,703,236	P 867,760,723
Additions	**68,766,153**	81,298,207	36,683,255
Collections	**(33,183,607)**	(438,577,557)	(8,134,267)
Reclassification	**1,051,318,815**	-	-
Amortization of interest	**1,825,750**	2,031,342	1,393,525
Balance at end of year	**P 1,631,182,339**	P 542,455,228	P 897,703,236

The total advances to related parties are presented in the consolidated statements of financial position as follows:

	2011	2010	2009
Current	**P 1,631,182,339**	P 485,329,000	P 842,607,850
Non-current	**-**	57,126,228	55,095,386
	P 1,631,182,339	P 542,455,228	P 897,703,236

Advances to related parties as of December 31, 2009 included the amount owed to the Company by Suntrust Home Developers, Inc. (SHDI, formerly Fairmont Holdings, Inc.), a related party under common ownership, amounting to P25.5 million, which represents the consideration for the P19.7 million SPI shares assigned to SHDI. This amount was settled in 2010.

Advances from related parties consist of advances from stockholders and associate the details of which are as follows:

	2011	2010	2009
Advances from a stockholder:			
Balance at beginning of year	**P 665,004,266**	P 505,757,183	P 457,616,013
Additions	**338,857,430**	190,745,579	629,265,435
Deconsolidation of SPI balance	**(145,918,704)**	-	-
Collections	**(44,107,598)**	(31,498,496)	(581,124,265)
Balance at end of year	**P 813,835,394**	P 665,004,266	P 505,757,183
Advances from associate:			
Balance at beginning of year	**P 80,448,162**	P 122,963,199	P 67,836,935
Additions	**39,375,000**	11,893,955	57,324,388
Deconsolidation of SPI balance	**(2,873,355)**	-	-
Collections	**(29,684,456)**	(54,451,664)	(2,227,910)
Amortization of interest	**54,382**	42,672	29,786
Balance at end of year	**P 87,319,734**	P 80,448,162	P 122,963,199
Total advances from related parties:			
Balance at beginning of year	**P 745,452,428**	P 628,720,382	P 525,452,948
Additions	**378,232,430**	202,639,534	686,589,823
Deconsolidation of SPI balance	**(148,792,059)**	-	-
Collections	**(73,792,054)**	(85,950,160)	(583,352,175)
Amortization of interest	**54,379**	42,672	29,786
Balance at end of year	**P 901,155,124**	P 745,452,428	P 628,720,382

The total advances from related parties are presented in the consolidated statements of financial position as follows:

	2011	2010	2009
Current	**P 901,155,124**	P 745,452,428	P 615,196,734
Non-current	**-**	-	13,523,648
	P 901,155,124	P 745,452,428	P 628,720,382

These advances to/from stockholders, associates and other related parties are generally unsecured. Some of these are interest-bearing. The amounts are generally collectible/payable in cash on demand or through offsetting arrangements with the related parties; hence, their carrying values are considered to be a reasonable approximation of their fair values.

19.2 Rentals

Some properties of the Group are being leased to other related parties (see Note 10). Total rentals earned from this leasing activity amounted to P22.6 million in 2009 (nil in 2010 and 2011) and are shown as part of Rentals under Revenues in the consolidated statements of comprehensive income. There is no outstanding rental receivable from other related parties as of December 31, 2011, 2010 and 2009.

19.3 Commissions

The Group earns marketing fee from the sale of Megaworld's real estate properties and in selling landowners shares in joint venture projects. The marketing fee recognized amounted to P150.0 million, P110.0 million and P118.9 million in 2011, 2010 and 2009, respectively, which is shown as part of Commission in the consolidated statement of comprehensive income. The related receivables arising from commissions are presented as part of Advances to Related Parties in the consolidated statements of financial position.

19.4 Commercial/Term Loan

The Company has an outstanding commercial/term loan from a government institution bearing an annual interest rate of 10.5%. This loan is secured by certain real estate properties owned by a stockholder (see Note 12.2).

19.5 Deed of Assignment

In June 2011, Fil-Estate Properties, Inc. (FEPI), a related party under common ownership, has agreed to assign to the Company the right to develop a certain property. In consideration of the assignment, the Company shall pay FEPI a non-refundable cash consideration totaling P60.0 million. The non-refundable cash consideration is shown as part of Property Development Cost in the 2011 consolidated statement of financial position. As of December 31, 2011, the Company has paid FEPI for a cash consideration of P16.87 million while the unpaid portion of P43.13 million is presented under Advances from Related Parties account.

19.6 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2011	2010	2009
Short-term benefits	**P 11,200,453**	P 22,154,479	P 22,499,260
Post-employment benefits	**3,284,083**	3,729,953	3,397,302
	P 14,484,536	P 25,884,432	P 25,896,562

These are presented as part of total Salaries and Employee Benefits in consolidated statements of comprehensive income for the years ended December 31, 2011, 2010 and 2009 (see Note 17.1).

20. EQUITY

20.1 Capital Stock

Capital stock as of December 31, 2011, 2010 and 2009 consists of:

	Shares	Amount
Preferred stock – P1 par value		
Authorized	2,000,000,000	
Issued and outstanding – Series B	285,723,080	P 285,723,080
Common shares – P1 par value		
Authorized	21,495,200,000	
Issued and outstanding	10,622,492,324	10,622,492,324
Total		P 10,908,215,404

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares any time after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements.

On April 24, 1996, the Company obtained approval for the listing of its common stock on the Philippine Stock Exchange; thereafter, the shares were offered for the sale to the public. The initial public offering (IPO) consists of 214,666,667 new common shares and the sale by a stockholder of the Company of 210,333,333 existing common shares at an offer price of P12.90 per share.

On August 8, 2007, the Company's BOD approved the prerogative rights offer of one share for every three existing common shares. On August 22, 2007, the majority of the BOD approved the increase in the Company's authorized capital stock from P13.0 billion (divided into 11 billion common and 2 billion preferred shares both with par value of P1.00 each) to P23.5 billion (divided into 21.5 billion common and 2 billion preferred shares both with par value of P1.00).

As of December 31, 2011, the Company's number of shares issued and outstanding totalled 10,495,236,253, with total of 127,256,071 treasury shares, in which 10,622,492,324 were listed and closed at a price of P0.59 (as of December 29, 2011) per share. The total number of stockholders is 13,460 as of December 31, 2011.

20.2 Treasury Shares

The details of this account are as follows:

	Shares			Amount		
	2011	2010	2009	**2011**	2010	2009
Balance at beginning of year	**153,911,071**	127,256,071	127,256,071	**P 116,233,808**	P 102,106,658	P 102,106,658
Additions during the year	**-**	26,655,000	-	**-**	14,127,150	-
Balance at end of year	**153,911,071**	153,911,071	127,256,071	**P 116,233,808**	P 116,233,808	P 102,106,658

Additions in 2010 pertain to the Company's shares held by GPMAI.

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Company's shares of common stock within a 24-month period under certain terms and conditions as the Company's senior management may deem beneficial to the Company and its stockholders.

20.3 Retained Earnings

Retained earnings is restricted in the amount of P116.2 million representing the cost of 153.9 million shares held in treasury as of December 31, 2011.

21. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2011	2010	2009
Basic earnings per share:			
Net profit attributable to parent company's shareholders	**P 179,383,528**	P 177,842,305	P 148,349,703
Divided by the weighted average number of issued and outstanding common shares	**10,468,581,253**	10,468,581,253	10,495,236,253
	P 0.017	P 0.017	P 0.014
Diluted earnings per share:			
Net profit attributable to parent company's shareholders	**P 179,383,528**	P 177,842,305	P 148,349,703
Divided by the weighted average number of issued and outstanding common shares and potential common shares from assumed conversion of convertible Series B preferred shares	**10,754,304,333**	10,754,304,333	10,780,959,333
Diluted earnings per share	**P 0.017**	P 0.017	P 0.014

22. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

22.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from 1 to 10 years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P47.6 million in 2011, P46.1 million in 2010 and P82.4 in 2009.

		2011		2010		2009
Within one year	**P**	**14,505,813**	P	20,853,224	P	19,061,709
After one year but not more than five years		**4,279,758**		6,867,253		22,366,196
More than five years		**11,261,850**		9,500,111		11,261,850
	P	**30,047,421**	P	37,220,588	P	52,689,755

22.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee to non-cancellable operating leases covering certain offices, showroom and parking slots. Leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 2% to 10%. The future minimum rentals payable under these non-cancellable operating leases as of December 31 are as follows:

		2011		2010		2009
Within one year	**P**	**37,253,043**	P	11,789,202	P	15,627,816
After one year but not more than five years		**30,756,435**		12,443,878		17,930,622
	P	**68,009,478**	P	24,233,080	P	33,558,438

Total rentals from these operating leases which was charged to Rentals under Other Operating Expenses amounted to P64.3 million, P48.4 million and P41.8 million in 2011, 2010 and 2009, respectively (see Note 16.2).

22.3 Legal Claims

As of December 31, 2011, the Group is a party to a litigation arising in the normal course of business. No provision for contingency was recognized in the consolidated financial statements because the ultimate outcome of this litigation cannot presently be determined. In addition, the Group's management believes that the impact of which to the consolidated financial statements, taken as a whole, is not material.

22.4 Credit Lines

As of December 31, 2011, 2010 and 2009, the Company has unused lines of credit amounting to P168.0 million, P170.0 million and P409.0 million, respectively.

22.5 Others

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Company is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described in the next pages.

23.1 Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's United States (U.S.) dollar-denominated cash and cash equivalents (see Note 5).

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P90.3 million, P111.5 million and P120.0 million as of December 31, 2011, 2010 and 2009, respectively.

At December 31, 2011, 2010 and 2009, if the Philippine peso had strengthened by 16.23%, 14.10% and 13.45% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P14.7 million, P15.7 million and P16.1 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had been weaker by the same percentage, with all other variables held constant, profit before tax would have been higher by the same amount in each of those years.

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

23.2 Interest Rate Risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk largely arises from cash and cash equivalents, which are subject to variable interest rates. Financial assets at variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities have fixed rates.

At December 31, 2011, 2010 and 2009, if general interest rates on peso-denominated financial assets had been higher by 2.14% in 2011, 1.19% in 2010 and 3.31% in 2009, with all other variables held constant, profit before tax for the year would have been higher by P16.4 million, P8.8 million and P48.8 million, respectively.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 99%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

23.3 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	Notes	**2011**	2010	2009
Cash and cash equivalents	5	**P 826,326,258**	P 1,489,869,347	P 1,369,403,672
Trade and other receivables – net	6	**3,738,656,889**	4,636,679,601	4,711,768,880
Advances to landowners and joint ventures	7	**940,216,193**	1,648,988,065	2,066,760,928
Advances to related parties - net	19	**1,631,182,339**	542,455,228	897,703,236
		P 7,136,381,679	P 8,317,992,241	P 9,045,636,716

Cash and cash equivalents does not include cash on hand amounting to P1.9 million, P1.7 million and P1.6 million as of December 31, 2011, 2010 and 2009, respectively.

The table below shows the credit quality by class of financial assets as of December 31, 2011.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents	P 826,326,258	P -	P -	P -	P 826,326,258
Trade and other receivables - net	1,903,093,383	1,835,563,506			3,738,656,889
Advances to landowners and joint venture	940,216,193			-	940,216,193
Advances to related parties - net	1,631,182,339		-	-	1,631,182,339
	P 5,300,818,173	**P 1,835,563,506**	**P -**	**P -**	**P 7,136,381,679**

This compares with the credit quality by class of financial assets as of December 31, 2010.

	Neither Past Due nor Specifically Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Cash and cash equivalents	P 1,489,869,347	P -	P -	P -	P 1,489,869,347
Trade and other receivables - net	2,215,076,309	2,140,169,574	259,603,449	21,830,269	4,636,679,601
Advances to landowners and joint venture	1,477,236,972	40,845,257	130,905,836	-	1,648,988,065
Advances to related parties - net	485,329,000	57,126,228	-	-	542,455,228
	P 5,667,511,628	P 2,238,141,059	P 390,509,285	P 21,830,269	P 8,317,992,241

This compares with the credit quality by class of financial assets as of December 31, 2009.

	Neither Past Due nor Specifically Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Cash and cash equivalents	P 1,369,403,672	P -	P -	P -	P 1,369,403,672
Trade and other receivables - net	2,173,705,616	2,526,209,564	11,853,700	-	4,711,768,880
Advances to landowners and joint venture	2,066,760,928	-	-	-	2,066,760,928
Advances to related parties - net	842,607,850	55,095,386	-	-	897,703,236
	P 6,452,478,066	P 2,581,304,950	P 11,853,700	P -	P 9,045,636,716

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

23.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2011, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	After 5 Years
Interest-bearing loans and borrowings	P 248,890,267	P -	P 680,742,155	P -
Trade and other payables	321,219,814	-	-	-
Advances from related parties	901,155,124	-	-	-
Other current liabilities	148,623,630	-	-	-
	P 1,619,888,835	**P -**	**P 680,742,155**	**P -**

This compares to the maturity of the Group's financial liabilities as at December 31, 2010 and 2009 as follows:

2010

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	After 5 Years
Interest-bearing loans and borrowings	P 491,017,400	P 32,439,698	P 1,450,295,025	P -
Trade and other payables	301,684,554	48,545,502	103,416,355	-
Advances from related parties	745,452,428	-	-	-
Other current liabilities	162,248,834	-	-	-
	P 1,700,403,216	P 80,985,200	P 1,553,711,380	P -

2009

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	After 5 Years
Interest-bearing loans and borrowings	P 544,826,145	P -	P 1,524,231,725	P -
Trade and other payables	343,406,495	-	132,994,732	-
Advances from related parties	615,196,734	-	13,523,648	-
Other current liabilities	134,396,027	-	-	-
	P 1,637,825,401	P -	P 1,670,750,105	P -

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

23.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at FVTPL and AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, an average volatility of 33.63%, 47.93% and 50.32% has been observed during 2011, 2010 and 2009. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P516.8 million in 2011, P824.3 million in 2010 and P287.4 million in 2009.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is subject to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as AFS financial assets.

The Group is not subject to commodity price risk.

24. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

		2011		2010		2009	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets							
Current:							
Loans and Receivables							
Cash and cash equivalents	5	**P 827,666,321**	**P 827,666,321**	P1,491,611,105	P1,491,611,105	P1,371,012,930	P1,371,012,930
Trade and other receivables	6	**1,903,093,383**	**1,903,093,383**	2,221,691,659	2,221,691,659	2,173,705,616	2,173,705,616
Advances to related parties	19	**1,631,182,339**	**1,631,182,339**	485,329,000	485,329,000	842,607,850	842,607,850
		4,361,942,043	**4,361,942,043**	4,198,631,764	4,198,631,764	4,387,326,396	4,387,326,396
Financial assets at FVTPL		**5,803,260**	**5,803,260**	2,895,180	2,895,180	-	-
Non-current:							
Loans and Receivables							
Trade and other receivables	6	**1,835,563,506**	**1,835,563,506**	2,414,987,942	2,414,987,942	2,538,063,264	2,538,063,264
Advances to related parties	19	**-**	**-**	57,126,228	57,126,228	55,095,386	55,095,386
Advances to land owners and joint ventures	7	**940,216,193**	**940,216,193**	1,648,988,065	1,648,988,065	2,066,760,928	2,066,760,928
		2,775,779,699	**2,775,779,699**	4,121,102,235	4,121,102,235	4,659,919,578	4,659,919,578
AFS financial assets	9	**1,652,746,082**	**1,652,746,082**	2,065,221,390	2,065,221,390	571,040,000	571,040,000
		P 8,796,271,084	**P 8,796,271,084**	P10,378,850,569	P10,378,850,569	P 9,618,285,974	P 9,618,285,974
Financial Liabilities							
Current – at amortized cost:							
Interest-bearing loans and borrowings	12	**P 221,870,556**	**221,870,556**	P 345,973,925	P 345,973,925	P 518,882,043	P 518,882,043
Trade and other payables	13	**321,219,814**	**321,219,814**	350,230,056	350,230,056	343,406,495	343,406,495
Advances from related parties	19	**901,155,124**	**901,155,124**	745,452,428	745,452,428	615,196,734	615,196,734
		1,444,245,494	**1,444,245,494**	1,441,656,409	1,441,656,409	1,477,485,272	1,477,485,272
Non-current – at amortized cost:							
Interest-bearing loans and borrowings	12	**417,377,123**	**417,377,123**	1,120,372,375	1,120,372,375	1,016,154,484	1,016,154,484
Trade and other payables	13	**-**	**-**	103,416,355	103,416,355	132,994,732	132,994,732
Advances from related parties	19	**-**	**-**	-	-	13,523,648	13,523,648
		417,377,123	**417,377,123**	1,223,788,730	1,223,788,730	1,162,672,864	1,162,672,864
		P1,861,622,617	**P1,861,622,617**	P2,665,445,139	P2,665,445,139	P2,640,158,136	P2,640,158,136

See Notes 2.4 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 23.

25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

Consistent with other entities in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing loans and borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statements of financial position.

	2011	2010	2009
Net debt (cash)	**(P 188,418,642)**	(P 25,264,805)	P 164,023,597
Total equity	**19,055,425,444**	19,530,486,749	17,942,255,192
Net debt (cash)-to-equity ratio	**(P 0.0099 : 1)**	(P 0.0013 : 1)	P 0.0091 : 1

The Group has complied with its covenant obligations, including maintaining the required net debt (cash)-to-equity ratio for both years.

EMPIRE EAST LAND HOLDINGS, INC.

SUPPLEMENTARY INFORMATION REQUIRED BY THE SEC

(As of December 31, 2011)

Punongbayan & Araullo

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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www.punongbayan-araullo.com

The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building
330 Sen. Gil Puyat Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and subsidiaries (the Group) for the year ended December 31, 2011, on which we have rendered our report dated March 15, 2012. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3174906, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 1036-A (until Sept. 29, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

March 15, 2012

Empire East Land Holdings, Inc
List of Supplementary Information
December 31, 2011

Empire East Land Holdings, Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2011

Name of Issuing entity and description of Investee	*Number of shares or principal amount of bonds and notes*	*Amount in Peso*	*Equity in earnings (losses) of investee for the period*	*Other*	*Distibution of earnings by investee*	*Other*	*Number of shares or principal amount of bonds and notes*	*Amount in Peso*	*Dividends received from investments not accounted for by the equity method*
Financial Assets at FVTPL									
Global Estate Resorts Inc.	1,983,000	4,203,960							
Others	2,710,678	1,599,300							
	4,693,678	5,803,260	-	-	-	-	-	5,803,260	-
AFS Financial Assets									
Megaworld Corporation	117,024,754	198,942,082							
Alliance Global Group, Inc.	140,600,000	1,453,804,000							
	257,624,754	1,652,746,082	-	-	-	-	-	1,652,746,082	-

EMPIRE EAST LAND HOLDINGS, INC.
Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2011

			Deductions		Ending Balance		
Name and designation of debtor	*Balance at Beginning of period*	*Additions/Transfer 2011*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances to Officers and Employees:							
Albano, Rosalinda	215,634	(215,634)	-		0		0
Barrera, Julieta	173,160		(78,750)		94,410		94,410
Cabrera, Edna Esperanza		373,000	(10,719)		362,281		362,281
Cacho, Evelyn	148,973		(118,280)		30,693		30,693
Chan, Ermanric	292,218		(82,310)		209,909		209,909
Danenberg, Mercedes	224,831		(87,487)		137,344		137,344
Domingo, Ma. Visitacion	202,953		(59,986)		142,967		142,967
Edaño, Dennis	115,986		(82,331)		33,655		33,655
Gregorio, Ricardo	225,735		(109,491)		116,244		116,244
Llaga, Jhoanna Lyndelou	10,245	1,075,000	(156,091)		929,154		929,154
Llantada Jr. , Antonio	279,077		(172,491)		106,586		106,586
Llena, Jose Arnel	190,647		(59,786)		130,861		130,861
Libago, Ricky S.	391,582		(141,953)		249,628		249,628
Lim, Robert Edwin	170,524		(126,609)		43,915		43,915
Madridejos, Arminus	248,387		(72,370)		176,017		176,017
Manalac, Michael	279,881		(72,168)		207,713		207,713
Ramos, Franemil	304,200		(81,590)		222,610		222,610
	3,474,030	1,232,365	(1,512,412)	-	3,193,986	-	3,193,986

EMPIRE EAST LAND HOLDINGS, INC.

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2011

Name and Designation of debtor	Balance of beginning period	Balance at the end of period
Eastwood Properties Holdings, Inc.	1,316,806,782	1,316,806,782
Empire East Communities Inc.	54,096,178	99,589,280
Laguna Bel Air School, Inc.	80,757,629	71,981,358
Valle Verde Properties, Inc.	461,919,509	62,225,188
Sherman Oak Holdings Inc.	14,998,208	16,048,239
Sonoma Premier Land Inc.	31,859,618	7,356,147
Gilmore Property Marketing Association, Inc.	144,198,661	0
TOTAL	**2,104,636,585**	**1,574,006,994**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2011

Description	Beginning balance	Additions at cost	Deduction: Charged to cost and expenses	Deduction: Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	P 202,534,566	-	-	-	(P 124,207,809)	P 78,326,757
						P 78,326,757

Empire East Land Holdings, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2011

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*
Loans	**639,247,679**	**221,870,556**	**417,377,123**

Loans are payable up to 2017and bear interest at annual average rate of 7.9% to 10.5% per annum, subject to monthly repricing.

Empire East Land Holdings, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties (Other than Affiliates)
December 31, 2011

Name of Related Parties	*Balance at beginning of period*	*Balance at end of period*
Other Related Parties:		
Suntrust Properties, Inc.	**0**	**1,068,830,767**
Megaworld Central Properties, Inc.	**172,873,685**	**209,867,965**
First Oceanic Property Management, Inc.	**48,769,392**	**32,698,043**
Others	**320,812,151**	**319,785,564**
	542,455,228	**1,631,182,338**

Empire East Land Holdings, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2011

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Preferred shares	**2,000,000,000**	**285,723,080**				
Common shares	**21,495,200,000**	**10,468,581,253 ***		**5,987,915,249**		

** Number of shares issued and outstanding net of 153,911,071 Treasury Shares*

EMPIRE EAST LAND HOLDINGS, INC.
Reconciliation of Parent Company Retained Earnings for Dividend Declaration
December 31, 2011

UNAPPROPRIATED RETAINED EARNINGS, AS AUDITED AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING			**P**	**2,243,488,963**
Net Income Realized for the Year				
Net Income During the Year Closed to Retained Earnings	P	270,832,771		
Less increase in deferred tax asset during the year		(3,856,553)		**266,976,218**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION			**P**	**2,510,465,181**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)

List of Effective Standards and Interpretations under
Philippine Financial Reporting Standards as of December 31, 2011

Standards and Interpretations		Adoption	Remarks

Philippine Financial Reporting Standards (PFRS)

PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	Adopted	
PFRS 2	Share-based Payment	Adopted	
PFRS 3	Business Combinations	Adopted	
PFRS 4	Insurance Contracts	Not Applicable	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted	
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable	
PFRS 7	Financial Instruments: Disclosures	Adopted	
PFRS 8	Operating Segments	Adopted	

Philippine Accounting Standards (PAS)

PAS 1	Presentation of Financial Statements	Adopted	
PAS 2	Inventories	Adopted	
PAS 7	Statement of Cash Flows	Adopted	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted	
PAS 10	Events after the Reporting Period	Adopted	
PAS 11	Construction Contracts	Adopted	
PAS 12	Income Taxes	Adopted	
PAS 16	Property, Plant and Equipment	Adopted	
PAS 17	Leases	Adopted	
PAS 18	Revenue	Adopted	
PAS 19	Employee Benefits	Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable	
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted	
PAS 23	Borrowing Costs	Adopted	
PAS 24	Related Party Disclosures	Adopted	
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable	
PAS 27	Consolidated and Separate Financial Statements	Adopted	
PAS 28	Investments in Associates	Adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable	
PAS 31	Interests in Joint Ventures	Adopted	
PAS 32	Financial Instruments: Presentation	Adopted	
PAS 33	Earnings per Share	Adopted	
PAS 34	Interim Financial Reporting	Adopted	
PAS 36	Impairment of Assets	Adopted	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted	

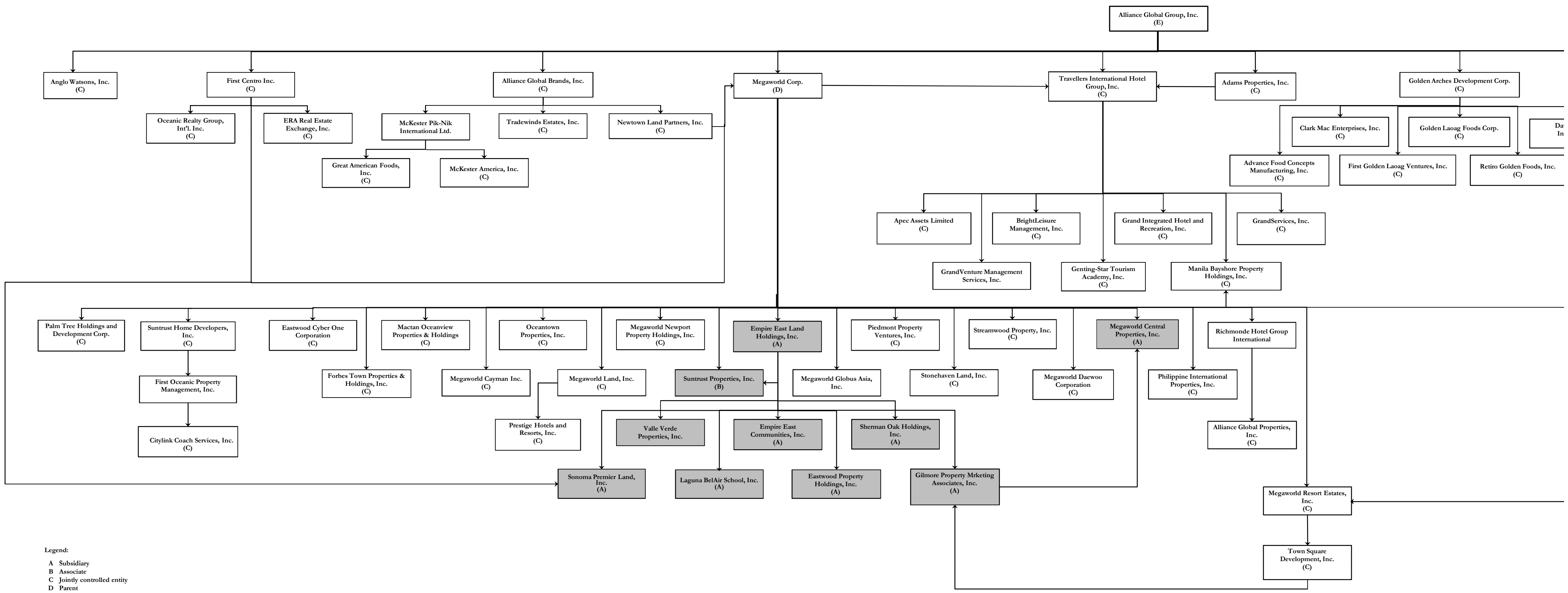
PAS 38	Intangible Assets	Adopted	
PAS 39	Financial Instruments: Recognition and Measurement	Adopted	
PAS 40	Investment Property	Adopted	
PAS 41	Agriculture	Not Applicable	

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not Applicable	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted	
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable	
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable	
IFRIC 9	Reassessment of Embedded Derivatives	Not Applicable	
IFRIC 10	Interim Financial Reporting and Impairment	Adopted	
IFRIC 12	Service Concession Arrangements	Not Applicable	
IFRIC 13	Customer Loyalty Programmes	Not Applicable	
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable	
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted	
IFRIC 18	Transfers of Assets from Customers	Adopted	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted	

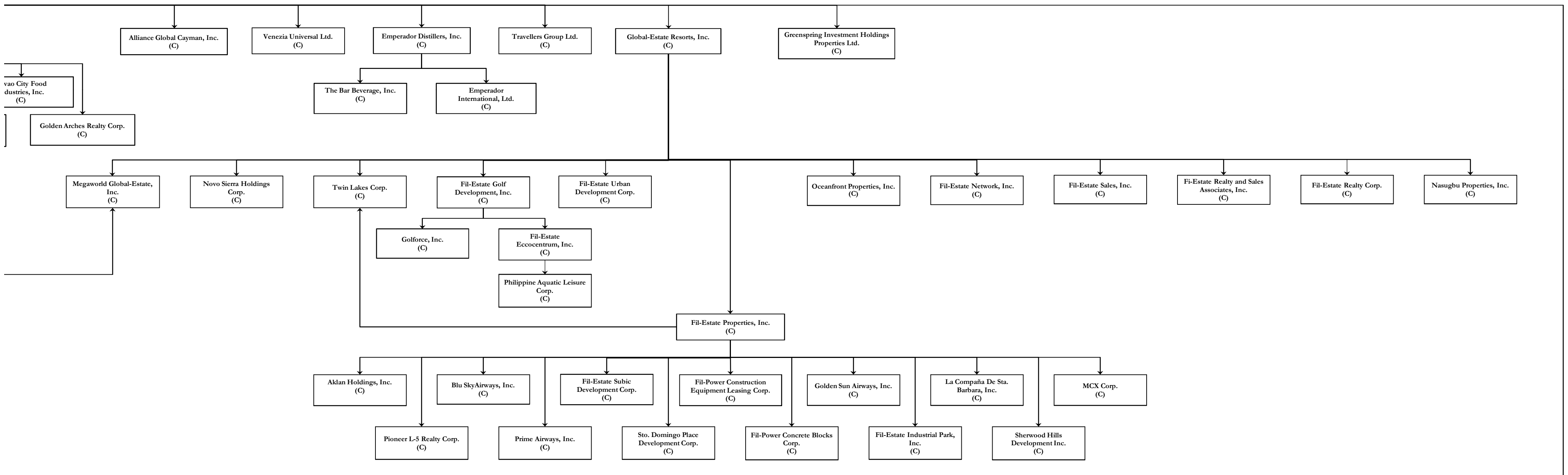
Philippine Interpretations - Standard Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable	
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable	
SIC 12	Consolidation - Special Purpose Entities	Not Applicable	
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted	
SIC 15	Operating Leases - Incentives	Adopted	
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not Applicable	
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable	
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted	
SIC 29	Service Concession Arrangements: Disclosures	Not Applicable	
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable	
SIC 32	Intangible Assets - Web Site Costs	Not Applicable	



Legend:

A Subsidiary
B Associate
C Jointly controlled entity
D Parent
E Ultimate parent



Alliance Global Cayman, Inc. (C)
Venezia Universal Ltd. (C)
Emperador Distillers, Inc. (C)
Travellers Group Ltd. (C)
Global-Estate Resorts, Inc. (C)
Greenspring Investment Holdings Properties Ltd. (C)
vao City Food dustries, Inc. (C)
Golden Arches Realty Corp. (C)
The Bar Beverage, Inc. (C)
Emperador International, Ltd. (C)
Megaworld Global-Estate, Inc. (C)
Novo Sierra Holdings Corp. (C)
Twin Lakes Corp. (C)
Fil-Estate Golf Development, Inc. (C)
Fil-Estate Urban Development Corp. (C)
Oceanfront Properties, Inc. (C)
Fil-Estate Network, Inc. (C)
Fil-Estate Sales, Inc. (C)
Fi-Estate Realty and Sales Associates, Inc. (C)
Fil-Estate Realty Corp. (C)
Nasugbu Properties, Inc. (C)
Golforce, Inc. (C)
Fil-Estate Eccocentrum, Inc. (C)
Philippine Aquatic Leisure Corp. (C)
Fil-Estate Properties, Inc. (C)
Aklan Holdings, Inc. (C)
Blu SkyAirways, Inc. (C)
Fil-Estate Subic Development Corp. (C)
Fil-Power Construction Equipment Leasing Corp. (C)
Golden Sun Airways, Inc. (C)
La Compaña De Sta. Barbara, Inc. (C)
MCX Corp. (C)
Pioneer L-5 Realty Corp. (C)
Prime Airways, Inc. (C)
Sto. Domingo Place Development Corp. (C)
Fil-Power Concrete Blocks Corp. (C)
Fil-Estate Industrial Park, Inc. (C)
Sherwood Hills Development Inc. (C)

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule of Financial Indicators
December 31, 2011,2010 and 2009

TESTS OF LIQUIDITY	2011	2010	2009
Current Ratio	**4.07**	3.53	3.97
Quick Ratio	**0.18**	0.25	0.26

TESTS OF SOLVENCY	2011	2010	2009
Times Interest Earned	**69.93**	15.47	2.76
Debt to Equity Ratio	**0.35**	0.42	0.42
Debt Ratio	**0.26**	0.30	0.29
Equity Ratio	**0.74**	0.70	0.71

WORKING CAPITAL ACTIVITY RATIO	2011	2010	2009
Net Receivable Turnover	**0.29**	0.25	0.22
Inventory Turnover	**0.07**	0.08	0.08

TESTS OF PROFITABILITY	2011	2010	2009
Return on Sales	**19%**	23%	16%
Gross Profit Ratio	**24%**	30%	25%
Return on Total Assets	**1%**	1%	1%
Return on Equity	**1%**	1%	1%
Net Income Margin	**10%**	11%	7%

EMPIRE EAST LAND HOLDINGS, INC.
INTERIM FINANCIAL STATEMENTS
AS OF 31 MARCH 2012

EXHIBIT 1

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(In Thousands)			
		Unaudited 31-Mar-12		Audited 31-Dec-11
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**498,898**	P	827,666
Trade and other receivables - net		**2,336,526**		2,226,231
Residential and Condominium units for sale		**9,695,338**		9,456,554
Property development costs		**2,426,602**		2,423,789
Advances to Related Parties		**1,666,611**		1,631,182
Financial assets at fair value through profit or loss		**6,898**		5,803
Prepayments		**147,742**		139,226
Other current assets		**417,875**		356,945
Total Current Assets		**17,196,489**		17,067,397
NON-CURRENT ASSETS				
Trade and other receivables - net		**2,032,333**		1,835,564
Advances to landowners and joint ventures		**968,817**		940,216
Available-for-sale financial assets		**1,963,129**		1,652,746
Land for future development		**3,119,124**		3,111,506
Investment in associates		**613,059**		592,415
Investment property - net		**229,421**		233,622
Property and equipment - net		**174,960**		176,529
Other non-current assets		**100,530**		100,898
Total Non-current Assets		**9,201,371**		8,643,495
TOTAL ASSETS	**P**	**26,397,860**	P	25,710,893

	(In Thousands)	
	Unaudited	Audited
	31-Mar-12	31-Dec-11
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**P 178,893**	P 221,871
Trade and other payables	**381,136**	321,220
Income tax payable	**7,168**	7,020
Deferred gross profit on real estate sales	**53,970**	47,370
Customers' deposits	**2,398,702**	2,345,830
Advances from related parties	**1,064,260**	901,155
Reserve for property development	**166,510**	200,023
Other current liabilities	**147,384**	148,624
Total Current Liabilities	**4,398,023**	4,193,112
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**326,636**	417,377
Reserve for property development	**791,294**	654,934
Deferred tax liabilities	**1,110,195**	1,094,340
Deferred gross profit on real estate sales	**252,156**	204,314
Retirement benefit obligation	**91,414**	91,391
Total Non-current Liabilities	**2,571,694**	2,462,355
Total Liabilities	**6,969,717**	6,655,467
EQUITY		
Equity attributable to parent company's shareholders	**18,565,170**	18,201,813
Minority interest	**862,973**	853,613
Total Equity	**19,428,143**	19,055,425
TOTAL LIABILITIES AND EQUITY	**P 26,397,860**	P 25,710,893

EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(In Thousands)	
	Unaudited Jan-March 2012	Unaudited Jan-March 2011
REVENUES		
Real estate sales	**P 463,951**	P 308,689
Realized gross profit on prior years' sales	**6,236**	25,790
Finance Income	**120,189**	104,492
Commissions & other income	**109,701**	126,150
	700,077	565,121
COST & EXPENSES		
Cost of real estate sales	**320,011**	206,474
Deferred gross profit on current year's sales	**60,678**	43,173
Finance costs	**29,856**	29,279
Operating expenses	**244,710**	246,298
Tax expense	**17,076**	14,727
	672,331	539,951
NET PROFIT	**27,746**	25,170
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value gains (losses) on available-for-sale financial assets	**344,971**	(142,923)
TOTAL COMPREHENSIVE INCOME (LOSS)	**372,718**	(117,753)
Net profit attributable to:		
Parent company's shareholders	**34,705**	23,428
Minority interes	**(6,958)**	1,742
	27,747	25,170
Total comprehensive income (loss) attributable to:		
Parent company's shareholders	**363,358**	(89,199)
Non-controlling interest	**9,360**	(28,554)
	372,718	(117,753)
Earnings Per Share		
Basic	**0.0033**	0.0023
Diluted	**0.0032**	0.0022

EXHIBIT 3

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
COMPARATIVE STATEMENTS OF CHANGES IN EQUITY

		(In Thousands)		
		Unaudited 31-Mar-2012		Unaudited 31-Mar-2011
CAPITAL STOCK	**P**	**10,908,216**	**P**	10,908,216
ADDITIONAL PAID-IN CAPITAL		**4,281,565**		4,281,565
TREASURY SHARES		**(116,234)**		(116,234)
REVALUATION RESERVES		**802,604**		713,706
RETAINED EARNINGS		**2,689,019**		2,498,359
MINORITY INTEREST		**862,973**		869,243
TOTAL EQUITY	**P**	**19,428,143**	**P**	**19,154,856**

EXHIBIT 4

EMPIRE EAST LAND HOLDINGS, INC. & SUBSIDIARIES
COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In Thousands)	
	Unaudited 31-Mar-12	Unaudited 31-Mar-11
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**44,822**	39,897
Adjustments for:		
Depreciation and amortization	**10,254**	7,968
Finance costs	**29,856**	29,279
Interest & other income	**(140,833)**	(71,572)
Operating income before working capital changes	**(55,901)**	5,572
Net Changes in Operating Assets & Liabilities		
Increase (decrease) in current & non-current assets	**(666,155)**	1,343,442
Increase (decrease) in current & other non-current liabilities	**315,320**	(1,032,381)
Increase (decrease) in reserve for property development	**102,847**	(276,097)
Cash used in operations	**(303,889)**	40,536
Interest paid	**(15,188)**	(29,280)
Cash paid for income taxes	**(1,073)**	(12,021)
Net Cash Used in Operating Activities	**(320,150)**	(765)
CASH FLOWS FROM INVESTING ACTIVITIES	**125,101**	(11,455)
CASH FLOWS FROM FINANCING ACTIVITIES	**(133,719)**	(619,310)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(328,768)**	(631,530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**827,666**	1,491,611
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**498,898**	860,081

EXHIBIT 5

EMPIRE EAST LAND HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENTS

1) The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The accounting policies and method of computation have been consistently followed by the Company (and its subsidiaries) and are consistent with those used in the most recent annual audited financial statements.

2) Cash and cash equivalents account is composed of cash on hand/in banks amounting to P212.49 million and short-term placements of P286.4 million.

3) Current Trade and Other Receivables account of P2.3 billion mostly includes receivables from sales transactions. The P2 billion non-current portion of Trade and Other Receivables are those amounts which are not expected to be realized/collected within the one-year period.

4) Property Development Cost and Residential and Condominium Units for Sale accounts amounting to P2.4 billion and P9.7 billion respectively, pertain to land development & construction costs of various projects.

5) Investment in and Advances to Associates and Related Parties and Advances to Landowners and Joint Venture accounts totaling P3.25 billion pertain to property acquisition, joint venture and other business related transactions.

6) Financial assets at Fair Value Through Profit or Loss (FVTPL) and Available-for-sale Financial Assets accounts totaling P197 billion pertain to investments in equity securities of subsidiaries.

7) Land for Future Development account of P3.1 billion, which is net of the amount transferred to Property Development Cost account, refers to the properties acquired by the company. Most properties, which are specifically located in Metro Manila and Calabarzon areas, are intended for immediate and future development. This account also includes other expenses related to acquisition.

8) Investment Property account of P229.4 million pertains to land and building and office/commercial units for lease, and certain lots held for capital appreciation. This account is presented in the interim financial statements net of depreciation.

9) Property and Equipment account of P175 million is composed of fixed assets that are being depreciated over its estimated useful lives using a straight-line method. This account is presented in the interim financial statements net of depreciation.

10) Interest-bearing loans and borrowings account with a balance of P505.5 million mostly includes loans obtained from commercial banks/financial institution and trade receivables discounted with recourse.

11) Current Liabilities account is composed of current portion of deferred gross profit amounting to P54 million, customers' deposits/advances of P2.4 billion and other payables/accruals amounting to P1.6 billion. Other non-current liabilities include non-current portion of deferred tax, unearned revenue and other payables totaling to P1.5 billion.

12) Reserve for Property Development of P957.8 million pertains to the remaining costs needed to complete the development/construction of the sold units.

13) Increase in Equity by P363.4 million is the net effect of three-months net profit and the fair value gains/revaluation of marketable equity securities.

14) Revenues include the following – real estate sales of P464 million, realized gross profit from previous years' sale of P6.2 million, interest income of P120.2 million derived mostly from buyers in-house financing, and commissions and other income totaling to P109.7 million.

15) There were no changes in estimates of amounts reported in prior interim periods or prior financial years that have material effect in the current interim period.

16) There were no material contingencies and any other events/transactions that have material impact on the current interim period.

Exhibit 6

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
As of March 31, 2012
Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current Not Yet Due	1 Month	2-3 Mos.	4-6 Mos.	Above 7 Mos.	Past due accounts & Items in Litigation
a) Trade Receivables	2,894,047	2,888,494	4,323	1,013	217	-	-
b) Other Receivables	1,474,812	1,474,812	-	-	-	-	-
Net Receivables	**4,368,859**						

2) Accounts Receivable Description

Type of Receivables	Nature/Description	Collection Period
a) Trade Receivables	Sale of residential units/lots	maximum of 15 years
b) Other Receivables	Advances to contractors/suppliers	1 to 2 years

3) Normal Operating Cycle: 3 to 15 years

EXHIBIT 7

EMPIRE EAST LAND HOLDINGS, INC.
MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION

Review of March 31, 2012 versus March 31, 2011

During the three-month period, the consolidated net profit amounted to P27.7 million, 10% higher than the previous year's net income of P25.2 million. Consolidated revenues, composed of real estate sales, finance income, commissions and other revenues posted an increase of 24% from P565.1 million to P700.1 million.

Real Estate Sales

The Group registered Real Estate Sales of P464 million for three months ended March 31, 2012 compared with P308.7 million in 2011. The sales generated were derived from various projects namely, California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, The Cambridge Village, San Lorenzo Place, Kasara Urban Resort Residences, Laguna Bel Air Projects and The Sonoma.

The Cost of Sales amounting to P320.5 million in 2012 and P206.5 million in 2011, as a percentage of Real Estate Sales, was 69% and 67%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P144 million during the three months of 2012 and P102.2 million in 2011, or 31% and 33% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit amounting to P89.5 million and P84.8 million in 2012 and 2011, respectively represents 19% and 27% of Real Estate Sales, respectively.

Other Revenues

Commission and other income totaling P109.7 million in 2012 and P126.2 million in 2011, represents 16% and 22% of total revenues, respectively. The finance income amounting to P120.2 million and P104.5 million in 2012 and 2011 respectively, were derived mostly from in-house financing and accounts for 17% and 18% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources.

Operating Expenses

Operating Expenses posted a decrease from P246.3 million in 2011 to P244.5 million in 2012. Other charges/expenses include Finance Cost of P29.9 million and P29.3 million in 2012 and 2011, respectively.

FINANCIAL CONDITION

Review of March 31, 2012 versus December 31, 2011

Total resources of the Group as of March 31, 2012 and December 31, 2011 amounted to P26.4 billion and P25.7 billion respectively. Cash and Cash Equivalents decreased from P827.7 million to P498.9 million. The Group remained liquid with Total Current Assets of P17.2 million in 2012 and P17.1 billion in 2011, which accounted for 65% and 66% of the Total Assets in 2012 and 2011, while its Total Current Liabilities amounted to P4.4 billion in March 31, 2012 as compared with P4.2 billion in December 31, 2011.

Equity increased from P19.05 billion in the previous year to P19.43 billion as of March 31, 2012 due to revaluation of equity investments and net income for the 3-month period.

For the first quarter of 2012, the Group sourced its major cash requirements from internally generated funds. In 2011, cash was sourced mostly from internal funds and partly from the discounting of its installment contract receivable.

The Group utilized its funds for loan repayments, construction and development of projects, and settlement of various payables and other operating expenses.

Material Changes in the 2012 Interim Financial Statements
(increase/decrease of 5% or more in the 2012 Financial Statements)

Balance Sheets

- 40% decrease in Cash and Cash Equivalents
  Mainly due to payments to contractors/suppliers and repayment of certain loans

- 8% decrease in Trade and Other Receivables
  Due to increase in real estate sales

- 19% increase in Financial Assets at Fair Value Through Profit or Loss
  Mainly due to increase in fair value of investment in securities held by a subsidiary

- 6% increase in Prepayments
  Mainly due to increase in prepaid taxes related to transfer of titles

- 17% increase in Other Current Assets
  Mainly due to increase in input vat on purchases and payments to various contractors

- 19% increase in Available for Sale Financial Assets
  Mainly due to increase in fair value of investment in securities held by subsidiaries

- 21% decrease in Interest-bearing Loans and Borrowings
  Due to repayment of loans and borrowings

- 19% increase in Trade and Other Payables
  Various payables to contractors and suppliers due to increasing construction activities

- 22% increase in Deferred Gross Profit on Real Estate Sales
  Mainly due unearned gross profit on sales of new projects

- 18% increase in Advances from Related Parties
  Due to additional advances from a subsidiary

- 12% increase in Reserve for Property Development
  Mainly attributed to uncompleted construction/development of new projects

- 69% increase in Revaluation Reserves
  Mainly due to increase in fair market value of investment in securities held by subsidiaries

Income Statements

- 50% increase in Real Estate Sales
  Primarily due to sales of new projects

- 76% decrease in Realized Gross Profit on Prior Years' Sale
  Primarily due to lesser construction accomplishment of certain projects

- 15% increase in Finance Income
  Primarily due to increase in sales under in-house financing

- 13% decrease in Commission & Other Income
  Due to exclusion of other revenues of a former subsidiary

- 55% increase in Cost of Real Estate Sales
  Mainly due to increase in real estate sales

- 41% increase in Deferred Gross Profit Current Year's Sales
  Due to gross profit from sales of new projects

- 16% increase in Tax Expense
  Mainly due to increase in taxable income

For the year 2012, the projected capital expenditures (construction/development) of roughly P3 billion is expected to be funded by collections, borrowings and equity financing.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statements of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statements of financial position.

There are no material off-statements of financial condition transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

TOP FIVE (5) KEY PERFORMANCE INDICATORS

For the nine-month period of 2012, the following are top key performance indicators of the Company and its majority-owned subsidiaries:

1) **Increase in Revenue**

   The increasing sales and other income derived from various sources contributed mainly to the Group's revenue.

2) **Ability to repay loan obligations**

   The loan obligations were promptly settled. The Group maintains a good credit standing with creditor banks and has considerable standby credit facilities, which can be utilized for urgent capital requirements.

3) **Increase in reservation sales**

The Group's product concepts, project location, flexible payment scheme and aggressive selling have contributed to the increase in reservation sales. The Group's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila

4) **Continuous development of projects**

The Group aggresively undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable.

5) **Landbanking**

The Group has been continuously acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for development within the next 5 to 7 years.

ASSESSMENT OF FINANCIAL RISKS

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

1) **Foreign Currency Sensitivity**

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are closely monitored.

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos amounted to P85.7 million as of March 31, 2012.

At March 31, 2012, if the peso had strengthened by 2% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P1.8 million lower, mainly as a result of foreign exchange loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had been weaker by the same percentage, with all other variables held constant, income before tax would have been higher by the same amount.

The 2% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

2) Interest Rate Sensitivity

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises only from cash and cash equivalents, which are subject to variable interest rates. Financial assets and liabilities at variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities have fixed rates.

On March 31, 2012, if general interest rates on dollar and peso-denominated financial assets had been higher by .11%, with all other variables held constant, income before tax for the year would have been P444.5 thousand higher, mainly as a result of higher interest income on floating rate deposits.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past nine months using a 95%-confidence level. The calculations are based on the Group's financial instruments held at each reporting period, with effect estimated from the beginning of the year.

3) Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position, as summarized below:

	As of March 31,2012	As of March 31, 2011
Cash and cash equivalents	**P 497,547,797**	P 860,081,172
Trade and other receivables - net	**4,015,501,379**	4,413,354,661
Advances to landowners and joint venture	**968,816,574**	1,658,544,097
Advances to related parties	**1,666,611,108**	1,516,545,253
	P 7,148,476,858	P 8,448,525,163

The credit risk for liquid funds is considered negligible, since the counter parties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

The Group continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counter parties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

4) Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at March 31, 2012, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P 178,892,632	P -	P 326,635,776	P -
Trade and other payables	381,136,233	-	-	-
Advances from related parties	1,064,260,515	-	-	-
Other current liabilities	147,384,358	-	-	-
	P1,771,673,739	P -	P 326,635,776	P -

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P 691,430,370	P -	P 710,265,444	P -
Trade and other payables	388,656,358	-	16,142,327	-
Advances from related parties	588,698,134	-	13,523,648	-
Other current liabilities	131,458,269	-	-	-
	P1,800,243,131	P -	P ,739,931,419	P -

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting period.

5) Other Market Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

At March 31, 2012, if the quoted stock price for the securities had decreased by 2.43%, with all other variables held constant, equity would have been lower by about P51.36 million. The 2.43% estimated change in quoted market price is computed based on volatility of local index for holdings first listed at Philippine Stock Exchange.

On the other hand, if the quoted market price for these securities had increased by the same amount, with all other variables held constant, equity for the year would have been higher by the same figure.

The investments in listed equity securities are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

FINANCIAL INSTRUMENTS EVALUATION

Financial assets include cash and financial instruments. The Group classifies its financial assets, other than hedging instruments, into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statements of comprehensive income.

The foregoing categories of financial instruments are more fully described below.

1) **Financial Assets at Fair Value through Profit or Loss**

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally are designated as financial assets at fair value through profit or loss may not be subsequently be reclassified.

2) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Group's loans and receivables are presented as Trade and Other Receivables, Advances to Landowners and Joint Ventures, and Advances to Related Parties in the statements of financial position.

3) **Held-to-maturity Investments**

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. They are included in non-current assets in the statements of financial position, except those maturing within 12 months of the reporting period.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

4) **Available-for-sale Financial Assets**

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the statements of comprehensive income when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in equity is transferred to the statements of comprehensive income. Impairment losses recognized in the statements of comprehensive income on equity securities are not reversed through the statements to comprehensive income. Losses recognized in prior year statements of comprehensive income resulting from the impairment of debt instruments are reversed through the statements of comprehensive income.

For investment that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices in the stock exchange at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

De-recognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

The Group has no investment in foreign securities as of reporting period. The markets of the Group's Available-for-sale Financial Assets are active.

The significant accounting policies used in this consolidated interim financial statements are consistent with those applied in the Group's annual consolidated statements as of and for the year ended December 31, 2011.

The Group has decided not to early adopt PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting and, therefore, the consolidated interim financial statements do not reflect the impact of the said standard.

In the meantime, the Group does not expect to implement the amendments until 2013 when all chapters of the PAS 39 replacement have been published at which time the Group expects it can comprehensively assess the impact of the revised standard. The policies have been consistently applied to all periods presented, unless otherwise stated.