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 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 **10 July 2013, 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 **19 June 2013**

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	**13,476,199,167**

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 10 July 2013, 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 Annual Meeting held on June 13, 2012
4. Annual Report of Management
5. Appointment of External Auditors
6. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
7. Election of Directors
8. Other Matters
9. Adjournment

Stockholders of record as of 31 May 2013 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 1 July 2013 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 1 July 2013, 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, June 7, 2013.

DENNIS E. EDAÑO
Corporate Secretary

PROXY
EMPIRE EAST LAND HOLDINGS, INC.
2013 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 10 July 2013 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 Annual Meeting held on June 13, 2012			
5	Appointment of External Auditors			
6	Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management			
7	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 1 July 2013.

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 10 July 2013, 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 19 June 2013 to all stockholders on record as of 31 May 2013.

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 31 May 2013, the Company had 13,476,199,167 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 31 May 2013 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 May 31, 2013

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	Megaworld Corporation	Filipino	10,616,672,438	78.7809%

[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.

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. No PCD participants owns 5% or more of the Company's shares of common stocks.	Filipino	1,780,719,879	13.2138%

Security Ownership of Management as of May 31, 2013

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	0.18015300%
		1[1] (indirect)	Filipino	0.00000001%
		10,616,672,438[2] (indirect)	Filipino	78.78091074%
		138,133,820[3] (indirect)	Filipino	1.02502061%
Common	Gerardo C. Garcia	636,277 (direct)	Filipino	0.00472149%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.00000001%
Common	Katherine L. Tan	1 (direct) 24,277,777[4] (indirect)	Filipino Filipino	0.00000001% 0.18015300%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00008824%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.00026150%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Four 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	0.00068663%
Common	Evelyn G. Cacho	Same as above		
Common	Ricardo B. Gregorio	0	Filipino	n/a

[1]The share is beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.
[2] 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.
[3] The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.
[4] The shares are beneficially owned by Andrew L.Tan, spouse of Katherine L. Tan.

Other Executive Officers				
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
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	0.18591088%

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 13 June 2012 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 5 to 9 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, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

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 in his personal capacity 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 2012, total commissions earned by a subsidiary from the sale of its parent company's real estate properties amounted to P149.6 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. The related parties that have entered into transactions with the Company are identified in Schedules C & F of the SEC Supplementary Schedules as of December 31, 2012. 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 22 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/CEO and four most highly compensated executive officers of the Company amounted to Php8,987,691 in 2011 and Php9,779,201 in 2012. The projected total annual compensation of the named executive officers for the current year is Php10,446,888.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2012, the Company paid a total of Php700,000 for directors' per diem. For 2013, the Company has allocated the same amount of 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 four most highly compensated officers of the Company and summarizes their aggregate compensation in 2011 and 2012 and estimated aggregate compensation for 2013:

Name and Principal Position	Year	Salary	Bonus	Others	Total Annual Compensation
Anthony Charlemagne C. Yu, President & CEO					
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					
President and 4 Most Highly Compensated Officers	2011	7,147,809	682,287	1,157,595	8,987,691
	2012	7,831,277	703,732	1,244,192	9,779,201
	2013	8,379,466	752,993	1,314,429	10,446,888
All Other Officers and Directors as a Group	2011	4,656,685	402,065	881,585	5,940,335
	2012	5,231,575	453,955	1,113,274	6,798,804
	2013	5,597,785	485,732	1,218,883	7,302,400

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 2013.

The Company complied with SRC Rule 68(3)(b)(iv) 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. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2011, Mr. Nelson Dinio, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. 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 past five years from 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 2012 and 2011, the Interim Financial Statements of the Company and its subsidiaries as of 31 March 2013, 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 13 June 2012 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. Increase in Authorized Capital Stock
3. Appointment of External Auditors
4. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
5. 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.

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 2012 through 31 December 2012.

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 2012 Annual Meeting of Stockholders;
9. Increase in Authorized Capital Stock;
10. Pre-emptive Stock Rights Offer.

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.

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, 24th 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 June 7, 2013.

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 2012, Megaworld holds 78.58% of the Company.

As of December 31, 2012, 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 47% 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 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. In 2012, GPMAI issued 5M shares of stock to another entity which resulted in the decrease in the Company's ownership in GPMAI to 47%.

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 key players in the Philippine real estate industry. Its core business is building, developing and selling residential properties ranging from mid-to-high-rise condominiums in prime locations in Metro Manila as well as single-detached homes in progressive suburban areas.

The Company has pioneered development concepts that constantly set trends in the local real estate arena. Its township-model and mixed-use communities have provided residents with convenient access to urban-living essentials such as business districts, shopping centers, academic institutions and medical facilities. Readily available retail arcades, worship places, learning hubs and recreational amenities add value to most of the Company's projects.

The breakthrough Transit-Oriented Developments or TODs introduced by the Company have proven to be a highly marketable concept. Its various multi-cluster condominium communities directly linked to mass-transit systems such as MRT-3 and LRT-2 have provided faster and more efficient mobility in the metro.

The Company has continuously set the platform for prospective homebuyers to choose their well-deserved lifestyle. Its affordable and flexible payment terms provide home buyers the opportunity to avail of residential units at no downpayment and interest-free schemes. The Company likewise extends pro-active after-sales support, efficient property management and long-term client relations ensuring 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 two towers are expected to be completed by the end of 2013.

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 in 2013.

San Lorenzo Place is an upscale high-rise development along EDSA corner Chino Roces Avenue in Makati City. It features a high-end shopping mall on its podium with a direct link to MRT-3 Magallanes station that can easily bring its future dwellers to Makati central business district (CBD) and the rest of Metro Manila. Completion of construction is expected by the end of 2014 for Tower 4, 2015 for Tower 1 and 2017 for Tower 2.

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.

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. This 50-hectare community in Santa Rosa City features four residential phases with a 2.5-hectare amenity zone. Homebuyers can opt for lots only or house-and-lot packages with Asian Modern homes. Land development is ongoing.

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, the 14-story Breeze Tower and the Parklane Tower, which are slated for completion beginning 2014.

Kasara Urban Resort Residences is the first resort-inspired community that will soon rise near C5 Road in Pasig City. This six-tower enclave sits on a 1.9-hectare property between Eagle Avenue and P. Antonio Street in Barangay Ugong, Pasig City, and boasts of water features such as a lake-inspired swimming pool, infinity pools, waterfalls, bubblers, kiddie pools and koi ponds.

Southpoint Science Park is a 31-hectare property located at Gimalas, Balayan , Batangas to be developed into a mixed-use development.

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
2011 High	.84	.80	.90	.68
Low	.53	.68	.54	.54
2012 High	.67	0.84	0.94	1.13
Low	.60	0.61	0.76	0.82
2013 High	1.10			
Low	0.98			
6/6/2013 Close	1.01			

Holders

As of 31 May 2013, there were 12,972 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 May 2013.

Rank	**Name of Holder**	**Number of Shares**	**Percentage of** Ownership
1.	Megaworld Corporation	10,616,672,438	78.7809%
2.	PCD Nominee Corporation (Filipino)	1,780,719,879	13.2138%
3.	PCD Nominee Corporation (Non-Filipino	646,214,491	4.7952%
4.	The Andresons Group, Inc.	138,133,820	1.0250%
5.	Andrew L. Tan	24,277,777	0.1802%
6.	Simon Lee Sui Hee	16,685,206	0.1238%
7.	Ramon Uy Ong	14,950,000	0.1109%
8.	Lucio W. Yan	10,350,000	0.0768%
9.	Union Properties, Inc.	6,157,808	0.0457%
10.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0330%
11.	Evangeline R. Abdullah	4,324,000	0.0321%
12.	George T. Yang	3,675,400	0.0273%
13.	Zheng Chang Chua	3,220,000	0.0239%
14.	Tiong C. Rosario	3,138,791	0.0233%
15.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0230%

16.	Trans-Asia Securities, Inc.	3,000,000	0.0223%
17.	Luisa Co Li	2,902,908	0.0215%
18.	Edward N. Cheok	2,875,000	0.0213%
19.	Aboitiz Equity Ventures, Inc.	2,813,843	0.0209%
20.	Carolina Ong Yu	2,415,000	0.0179%

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 stock dividends were declared on the Company's common shares for 2007 to 2012. 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 30 October 2012, 2,695,239,834 new common shares issued to stockholders pursuant to a 1:4 pre-emptive stock rights offer were listed with the Philippine Stock Exchange. 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 ("SEC") an Application for Confirmation of Exempt Transaction pursuant to the Securities Regulation Code (SRC). On August 24, 2012, the SEC issued an order confirming that the rights offer is an Exempt Transaction under Section 10.1 (e) and (i) of the SRC.

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 13 June 2012 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 or professional 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 1 May 2013.

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 or professional experience for the past five (5) years.

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 63 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 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 and is Chairman of 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, 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., , Inc. and Golden Arches Development Corporation.

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 50 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 also served as a Consultant in the Senate of the Philippines. 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 of the University of the Philippines. 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 was 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. He is the President of the El Nido Foundation and the Chairman of the ERDA Foundation. He is also a member of the Board of Trustees of IBON Foundation, a non-profit research and education development institution that provides socio-economic research and analysis on people's issues to various sectors. Mr. Yu is also the Chairman and President of Empire East Communities, Inc. He is likewise the President and Director of Megaworld Central Properties, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., and Valle Verde Properties, Inc. He also sits as a Director of Megaworld Newport Property Holdings, Inc.

Katherine L. Tan
Director

Ms. Tan, 61 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 Raffles & Company, Inc.

Gerardo C. Garcia
Independent Director

Mr. Garcia, 71 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, Global-Estate Resorts, Inc., Suntrust Properties, Inc. and Megaworld Land, Inc. as independent director. He is a private sector representative in the board of Philippine National Railways. He is also President 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 from the University of the Philippines.

Enrique Santos L. Sy
Director

Mr. Sy, 64 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 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.

Evelyn G. Cacho
Director/Vice President for Finance

Ms. Cacho, 51 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.

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.

Ricky S. Libago
Senior Vice President for Property Development

Mr. Libago, 48 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, 57 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, 56 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, 50 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, 41 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, 39 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Finance Director of Megaworld Corporation and Treasurer of Adams

Properties, Inc. and Townsquare Development, Inc. 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., Lucky Chinatown Cinemas, Inc. and New Town Land Partners, 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, 36 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, 36 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

Measures Undertaken Towards Full Compliance

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. On October 3, 2012, the Board approved the Audit Committee Charter which provides for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. 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 system, 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 2012, 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 revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

Financial Information

Financial Statements of the Company and its subsidiaries (the "Group") as of 31 December 2012 and 2011 and Interim Financial Statements as of 31 March 2013 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 2012, the following are top key performance indicators of the Group:

	2012	**2011**
Sales	P1.38 Billion	P983 Million
Net Income	P235 Million	P186 Million
Earnings per share	P.021	P.017
Quick Ratio *	.79:1	.73:1
Debt to Equity Ratio **	.02:1	.03:1

** Cash and Cash Equivalents+Financial Assets+Trade and Other Receivables/Total Current Liabilities*
*** Interest Bearing Loans Borrowings/ Equity*

Other indicators:

- *Increase in reservation sales*

  The Group's marketing concepts and sales strategies, 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

- *Continuous construction and development activities*

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

- *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.

RESULTS OF OPERATION

Review of 2012 versus 2011

During the twelve-month period, the consolidated net profit amounted to P235.35 million, 26% higher than the previous year's net income of P186.12 million. Consolidated revenues, composed of real estate sales, finance, commissions and other revenues which posted an increase of 29% from P1.95 billion to P2.52 billion. The increase in revenue is mainly due to increase in sales from various projects.

<u>Real Estate Sales</u>

The Group registered Real Estate Sales of P1.38 billion for twelve months ended December 31, 2012 compared with P.98 billion in 2011. The sales were derived from various projects namely, Pioneer Woodlands, San Lorenzo Place, The Sonoma, Little Baguio Terraces, The Cambridge Village, California Garden Square, Greenhills Garden Square and Laguna BelAir.

The Cost of Sales amounting to P906.3 million in 2012 and P746.1 million in 2011, as a percentage of Real Estate Sales, was 66% and 76%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P475.1 million during the twelve months of 2012 and P237.4 million in 2011, or 34% and 24% 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 30% and 25% amounting to P411.5 million and P243.1 million in 2012 and 2011, respectively.

Other Revenues

The Finance income amounting to P490.9 million and P381.4 million in 2012 and 2011 respectively, were derived mostly from in-house financing and accounts for 19% and 20% of total revenues. Commission and other income totaling P569.8 million in 2012 and P481.7 million in 2011, represents 23% and 25% of total revenues, respectively. The other income includes rentals of investment property and residential/commercial spaces in various projects, equity in net earnings from associates and those obtained from other sources.

Operating Expenses

Operating Expenses posted an increase from P0.78 billion in 2011 to P1.04 billion in 2012. Corporate overhead increased due to additional expenses incurred in promoting sales, additional manpower to support the operations and general increase in commodities/services. Other charges/expenses include Finance Cost of P84.2 million and P51.6 million in 2012 and 2011, respectively.

FINANCIAL CONDITION

Review of December 30, 2012 versus December 31, 2011

Total resources of the Group as of December 31, 2012 and December 31, 2011 amounted to P31.98 billion and P25.71 billion respectively. Cash and Cash Equivalents increased from P0.83 billion to P3.03 billion. The Group remained liquid with Total Current Assets of P21.98 billion in 2012 and P17.07 billion in 2011, which accounted for 69% and 66% of the Total Assets in 2012 and 2011, while its Total Current Liabilities amounted to P7.1 billion in December 31, 2012 as compared with P4.2 billion in December 31, 2011.

The Equity increase from P18.2 billion in the previous year to P21.7 billion as of December 31, 2012 was basically due to increase in capital stock.

For the year 2012, the Group sourced its major cash requirements from internally generated funds and partly from collections of certain advances and borrowings.

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

- 266% increase in Cash and Cash Equivalents
  Mainly due to receipt of proceeds from stock rights offer

- 18% increase in Trade and Other Receivables
  Mainly due to increase in sales

- 20% increase in Residential and Condominium Units for Sale
  Primarily due to ongoing construction and development activities

- 10% increase in Property Development Costs
  Mainly due to reclassification of account from Land for Future Development

- 100% decrease in Financial Assets at Fair Value through Profit or Loss
  Mainly due to deconsolidation of a subsidiary

- 11% increase in Prepayments
  Due to increase in prepaid taxes related to transfer of titles

- 43% increase in Other Current Assets
  Mainly due to increase in input vat on various purchases and construction-related payments

- 13% decrease in Advances to Landowners and Joint Venture
  Due to reclassification to Land for Future Development account

- 14% increase in Available for Sale Financial Assets
  Mainly due to increase in fair value of investment in securities held by subsidiaries

- 18% increase in Land for Future Development
  Due to additional acquisition of land

- 64% increase in Investment in Associates
  Mainly due to deconsolidation of a subsidiary

- 13% decrease in Investment Property
  Due to depreciation charges

- 100% increase in Deferred Tax Assets
  Mainly due to reclassification of account of a subsidiary

- 72% decrease in Other Non-Current Assets
  Mainly due to deconsolidation of a subsidiary

- 39% decrease in Interest-bearing Loans and Borrowings
  Due to repayment of loans

- 195% increase in Trade and Other Payables
  Various payables to contractors and suppliers due to increasing construction activities

- 17% increase in Customers' Deposits
  Mainly due to increase in reservation sales and collections from various projects

- 25% increase in Deferred Gross Profit on Real Estate Sales
  Due to increase in sales of projects with ongoing development

- 27% increase in Reserve for Property Development
  Pertains to the estimated cost to complete the development/construction of sold units

- 209% increase in Advances from Related Parties
  Mainly due to construction related advances

- 33% increase in Other Current Liabilities
  Due to increase in payable to suppliers and contractors

- 26% increase in Retirement Benefit Obligation
  Due to accrual of retirement obligation for the year

Income Statements

- 40% increase in Real Estate Sales
  Due to aggressive selling of projects

- 24% decrease in Deferred Gross Profit on Prior Years' Sale
  Due to completion / increase in construction accomplishments of some projects

- 29% increase in Finance Income
  Primarily due to increase in interest income realized from accounts under in-house financing

- 5% decrease in Rental Income
  Due to expiration of contract of lease of certain tenant

- 9% increase in Other Income
  Due to increase in income from other related sources

- 407% increase in Equity in Net Earnings of an Associate
  Due to increase in earnings of an associate

- 21% increase in Cost of Real Estate Sales
  Primarily due to increase in sales

- 43% increase in Deferred Gross Profit Current Year's Sales
  Due to increase in sales of projects with ongoing development

- 35% decrease in Loss from Dilution of a Subsidiary
  Mainly due to deconsolidation of a subsidiary

- 63% increase in Finance Cost
  Due to additional interest-bearing advances

- 34% increase in Operating Expenses
  Primarily due to increase in marketing, manpower and other administrative expenses

- 115% increase in Tax Expense
  Due to increase in taxable income

For the year 2013, the projected capital expenditures (construction/development) of roughly P4.0 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 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 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.

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,560,000 in 2012 and Php1,485,000 in 2011 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 2012 and 2011.

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2012 and 2011.

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 complied with SRC Rule 68(3)(b)(iv) 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. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2011, Mr. Nelson Dinio, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. 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 past five years from 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, 2012 and 2011

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, 2012 and 2011, in accordance with Philippine Financial Reporting Standards (PFRS), 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, 2012;
d. Schedule of Financial Indicators for December 31, 2012 and 2011;
e. Map Showing the Relationship Between and Among the Company and its Related Entities; and
f. Schedule of Proceeds and Expenditures for the Recent Stock Rights Offering;

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, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Group 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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date 29 APR 2013
RECEIVED
CRISTINA C. DE GUZMAN

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 APR 08 2013 of 2013 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	13755402	January 02, 2013	Quezon City
Anthony Charlemagne C. Yu	22021029	January 10, 2013	Makati City
Evelyn G. Cacho	22014407	January 08, 2013	Makati City

Doc. No. 39
Page No. 9
Book No. XL
Series of 2013

ELLAN MARK G. PAILAN
NOTARY PUBLIC
ROLL NO. 52791
MAKATI CITY, PHILIPPINES

Ellan Mark G. Pailan
Notary Public
Until 31 December 2013
IBP No. 917160; 01.04.13; Makati City
PTR No. 3676235; 01.08.13; Makati City
Roll No. 52791; 04.14.06
24/F The World Centre Building
330 Sen. Gil Puyat Ave., Makati City
Tel. No. 867-8018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ... DIVISION
Date 29 APR 2013
RECEIVED
CRISTINA C. DE GUZMAN

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886 5511
F +63 2 886 5506
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 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, 2012 and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2012, 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.

Punongbayan & Araullo
An instinct for growth™

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, 2012 and 2011, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3671455, January 2, 2013, 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, 2015)

March 1, 2013

Date 29 APR 2013

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 3,033,222,982	P 827,666,321
Trade and other receivables - net	6	2,590,588,931	2,226,231,335
Financial assets at FVTPL	2	-	5,803,260
Advances to related parties	22	1,687,392,195	1,631,182,339
Residential and condominium units for sale	7	11,342,431,118	9,456,554,184
Property development costs	7	2,659,616,892	2,423,789,010
Prepayments		154,129,949	139,225,804
Other current assets		512,114,604	356,944,947
Total Current Assets		21,979,496,671	17,067,397,200
NON-CURRENT ASSETS			
Trade and other receivables - net	6	2,194,358,817	1,835,563,506
Advances to landowners and joint ventures	8	822,584,793	940,216,193
Land held for future development	9	3,662,752,341	3,111,506,103
Investment in associates	10	970,146,246	592,414,710
Available-for-sale financial assets	11	1,887,176,000	1,652,746,082
Investment property - net	12	202,357,339	233,621,784
Property and equipment - net	13	171,065,623	176,529,059
Goodwill	1	78,326,757	78,326,757
Other non-current assets	11	6,419,393	22,571,118
Deferred tax assets	21	4,065,880	-
Total Non-current Assets		9,999,253,189	8,643,495,312
TOTAL ASSETS		P 31,978,749,860	P 25,710,892,512

	Notes	2012	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 152,989,611**	P 221,870,556
Trade and other payables	15	**948,441,503**	321,219,814
Deferred gross profit on real estate sales	2	**90,416,874**	47,369,747
Customers' deposits	16	**2,739,542,408**	2,345,829,862
Advances from related parties	22	**2,788,093,347**	901,155,124
Reserve for property development	2	**175,551,262**	200,022,819
Income tax payable		**7,053,140**	7,020,264
Other current liabilities	17	**197,271,282**	148,623,630
Total Current Liabilities		**7,099,359,427**	4,193,111,816
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**236,893,851**	417,377,123
Deferred gross profit on real estate sales	2	**224,930,063**	204,313,730
Reserve for property development	2	**906,875,613**	654,934,198
Retirement benefit obligation	20	**114,965,381**	91,390,515
Deferred tax liabilities	21	**1,128,596,666**	1,094,339,686
Total Non-current Liabilities		**2,612,261,574**	2,462,355,252
Total Liabilities		**9,711,621,001**	6,655,467,068
EQUITY			
Capital stock	23	**13,603,455,238**	10,908,215,404
Additional paid-in capital		**4,247,887,996**	4,281,564,705
Treasury stock - at cost	23	**(102,106,658)**	(116,233,808)
Revaluation reserves	11	**1,016,726,000**	473,951,067
Retained earnings	23	**2,888,249,604**	2,654,315,360
Equity attributable to parent company's shareholders		**21,654,212,180**	18,201,812,728
Non-controlling interest		**612,916,679**	853,612,716
Total Equity		**22,267,128,859**	19,055,425,444
TOTAL LIABILITIES AND EQUITY		**P 31,978,749,860**	P 25,710,892,512

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, 2012, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes	2012	2011	2010
REVENUES AND INCOME				
Real estate sales	2	P 1,381,413,611	P 983,531,150	P 1,068,430,517
Finance income	19	490,908,542	381,454,712	641,424,576
Commissions	22	149,623,356	149,817,650	109,997,534
Realized gross profit on prior years' sales	2	80,660,991	106,695,654	72,287,691
Rental income	12	45,025,948	47,590,819	46,413,659
Equity share in net earnings of associates	10	83,770,918	16,509,892	-
Other income	18	291,350,251	267,776,821	313,983,400
		2,522,753,617	1,953,376,698	2,252,537,377
COSTS AND EXPENSES				
Real estate sales	2	906,264,248	746,144,272	743,190,219
Deferred gross profit on current year's sales	2	144,324,450	100,944,119	118,072,350
Salaries and employee benefits	20	199,779,027	161,749,075	174,239,105
Advertising and promotion		196,150,807	141,923,280	219,754,150
Commissions		176,184,120	149,499,244	198,189,615
Travel and transportation		117,177,770	90,438,432	91,055,835
Finance costs	19	84,211,966	51,600,951	75,107,699
Taxes and licenses	12	39,573,594	26,381,737	29,245,554
Depreciation and amortization	12, 13	38,394,105	32,696,704	34,823,725
Loss from dilution of investment in subsidiary	10	37,501,256	57,824,732	-
Marketing events and awards		649,537	704,852	18,824,790
Preacquisition income of a subsidiary	1	-	-	32,342,710
Other operating expenses	18	272,689,076	172,690,989	241,324,856
Tax expense	21	74,505,086	34,655,479	26,101,087
		2,287,405,042	1,767,253,866	2,002,271,695
NET PROFIT		235,348,575	186,122,832	250,265,682
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gains (losses) on available-for-sale financial assets		464,392,000	(391,715,040)	1,148,960,000
Reclassification of unrealized fair value (gains) losses on disposed AFS financial assets to profit and loss		-	(11,591,269)	(44,646,101)
		464,392,000	(403,306,309)	1,104,313,899
TOTAL COMPREHENSIVE INCOME (LOSS)		P 699,740,575	(P 217,183,477)	P 1,354,579,581
Net profit attributable to:				
Parent company's shareholders		P 233,934,244	P 179,383,528	P 177,842,305
Non-controlling interest		1,414,331	6,739,304	72,423,377
		P 235,348,575	P 186,122,832	P 250,265,682
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		P 698,326,244	(P 172,999,432)	P 1,303,586,332
Non-controlling interest		1,414,331	(44,184,045)	50,993,249
		P 699,740,575	(P 217,183,477)	P 1,354,579,581
EARNINGS PER SHARE				
Basic	24	P 0.021	P 0.017	P 0.017
Diluted	24	P 0.021	P 0.017	P 0.017

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, 2012, 2011 AND 2010
(Amounts in Philippine Pesos)

		Attributable to Parent Company's Shareholders							
	Notes	Capital Stock	Additional Paid-in-Capital	Treasury Stock	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2012	23	**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**
Transactions with owners:									
Additional subscription during the year		**2,695,239,834**	-	-	-	-	**2,695,239,834**	-	**2,695,239,834**
Direct costs in issuance of shares of stock		-	**(33,676,709)**	-	-	-	**(33,676,709)**	-	**(33,676,709)**
Reduction in noncontrolling interest representing the shares held by a deconsolidated subsidiary		-	-	**14,127,150**	-	-	**14,127,150**	-	**14,127,150**
Deconsolidation of balance related to GPMAI		-	-	-	**78,382,933**	-	**78,382,933**	-	**78,382,933**
Total comprehensive income for the year:		-	-	-					
Net profit for the year						**233,934,244**	**233,934,244**	**1,414,331**	**235,348,575**
Fair value gains on available-for-sale financial assets		-	-	-	**464,392,000**	-	**464,392,000**	-	**464,392,000**
Reduction in non-controlling interest	10	-	-	-	-	-	-	**(242,110,368)**	**(242,110,368)**
Balance at December 31, 2012	23	**P 13,603,455,238**	**P 4,247,887,996**	**(P 102,106,658)**	**P 1,016,726,000**	**P 2,888,249,604**	**P 21,654,212,180**	**P 612,916,679**	**P 22,267,128,859**
Balance at January 1, 2011	23	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 loss for the year:									
Net profit for the year						179,383,528	179,383,528	6,739,304	186,122,832
Available-for-sale financial assets:									
Fair value losses on available-for-sale financial assets					(346,355,500)		(346,355,500)	(45,359,540)	(391,715,040)
Reclassification to profit or loss					(6,027,460)		(6,027,460)	(5,563,809)	(11,591,269)
Reduction in noncontrolling interest representing the shares held by a deconsolidated subsidiary	10	-	-	-	-	-	-	(257,877,828)	(257,877,828)
Balance at December 31, 2011	23	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	23	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 299,410,000)	P 2,297,089,527	P 17,085,352,978	P 859,002,111	P 17,944,355,089
Total comprehensive income for the year:		-	-	-					
Net profit for the year						177,842,305	177,842,305	72,423,377	250,265,682
Available-for-sale financial assets:									
Fair value gains on available-for-sale financial assets					1,148,960,000		1,148,960,000	-	1,148,960,000
Reclassification to profit or loss					(23,215,973)		(23,215,973)	(21,430,128)	(44,646,101)
Additions to non-controlling interest		-	-	-	-	-	-	245,679,229	245,679,229
Additional treasury stock	23	-	-	(14,127,150)	-	-	(14,127,150)	-	(14,127,150)
Balance at December 31, 2010	23	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

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, 2012, 2011 AND 2010
(Amounts in Philipine Pesos)

	Notes	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 309,853,661	P 220,778,311	P 276,366,769
Adjustments for:				
Finance income	19	(490,908,542)	(374,332,255)	(465,098,094)
Finance costs	19	84,211,966	51,600,951	75,107,699
Equity share in net earnings of associates	10	(83,770,918)	(16,509,892)	-
Dividend income	18	(40,536,000)	(44,395,338)	(10,661,260)
Depreciation and amortization	12, 13	38,394,105	32,696,704	34,823,725
Loss from dilution of investment in subsidiary	10	37,501,256	57,824,732	-
Impairment loss		18,300	216,547	224,228
Gain on disposal of AFS financial assets	11	-	(4,401,401)	(174,925,792)
Gain on disposal of FVTPL financial assets	19	-	(3,337,364)	-
Fair value loss (gains) on FVTPL financial assets	19	-	616,308	(1,400,690)
Gain on sale of property and equipment	13	-	-	(55,000)
Operating loss before working capital changes		(145,236,172)	(79,242,697)	(265,618,415)
Decrease (increase) in trade and other receivables		(548,433,029)	(77,052,055)	299,406,637
Decrease (increase) in advances to related parties		(654,297,479)	(1,419,236,079)	598,775,516
Increase in residential and condominium units for sale		(1,854,871,188)	(1,518,609,497)	(544,160,545)
Increase in property development costs		(235,827,882)	(239,142,763)	(320,949,457)
Increase in prepayments and other current assets		(172,118,201)	(129,091,319)	(156,852,352)
Decrease in advances to landowners and joint ventures		117,631,400	424,047,714	417,772,863
Increase in land held for future development		(551,246,238)	(156,817,146)	(91,469,397)
Decrease (increase) in other non-current assets		16,151,725	152,627,038	(9,876,964)
Increase (decrease) in trade and other payables		635,363,521	(330,753,633)	(34,186,116)
Increase (decrease) in deferred gross profit on real estate sales		63,663,460	(109,998,571)	45,784,661
Increase (decrease) in customers' deposits		393,712,546	(270,542,910)	743,534,816
Increase (decrease) in reserve for property development		227,469,858	85,361,659	(9,154,521)
Increase in other current liabilities		35,141,875	1,445,354,150	27,852,807
Increase in retirement benefit obligation		23,574,866	17,970,922	16,294,528
Cash from (used in) operations		(2,649,320,938)	(2,205,125,187)	717,154,061
Interest received		291,250,824	191,398,663	316,927,645
Cash paid for income taxes		(52,039,412)	(71,010,179)	(59,273,266)
Net Cash From (Used in) Operating Activities		(2,410,109,526)	(2,084,736,703)	974,808,440
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	18	40,536,000	44,395,338	8,540,376
Interest received	19	24,447,560	19,856,160	38,643,238
Acquisitions of property and equipment	13	(16,125,846)	(25,849,730)	(41,101,337)
Proceeds from disposal of AFS financial assets	11	-	379,297,342	1,109,773,889
Acquisition of AFS financial assets	11	-	(365,726,942)	(70,900,647)
Acquisition of financial assets at FVTPL		-	(88,355,740)	(15,621,640)
Proceeds from disposal of financial assets at FVTPL		-	88,168,716	-
Decrease (increase) in AFS financial assets		-	62,514,618	(1,253,814,941)
Acquisitions of investment property		-	-	(14,459,622)
Acquisition of land held for future development		-	-	(481,707,245)
Proceeds from sale of property and equipment	13	-	-	55,000
Net Cash From (Used in) Investing Activities		48,857,714	114,299,762	(720,592,929)
Balance Carried Forward		(P 2,361,251,812)	(P 1,970,436,941)	P 254,215,511

	Notes	2012	2011	2010
Balance Brought Forward		(P 2,361,251,812)	(P 1,970,436,941)	P 254,215,511
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares of stock	23	2,695,239,834	-	-
Proceeds from advances from related parties	22	1,979,020,494	1,979,400,775	124,005,558
Payments of interest-bearing loans and borrowings	14	(249,364,217)	(349,967,275)	(404,944,433)
Payments of advances from related parties	22	(80,417,177)	(73,792,054)	(85,950,160)
Interest paid		(43,776,313)	(76,122,701)	(105,134,228)
Direct costs in issuance of shares of stock	23	(33,676,709)	-	-
Proceeds from interest-bearing loans and borrowings	14	-	-	336,254,206
Net Cash From (Used in) Financing Activities		4,267,025,912	1,479,518,745	(135,769,057)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,905,774,100	(490,918,196)	118,446,454
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		827,666,321	1,491,611,105	1,371,012,930
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED (DECONSOLIDATED) SUBSIDIARIES	10	(195,406,748)	(132,535,045)	2,151,721
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARY	10	495,189,309	(40,491,543)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 3,033,222,982	P 827,666,321	P 1,491,611,105

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions which include the following:

- Capitalization of interest expense as part of Residential and condominium units for sales account (see Note 7) and
- Settlements of Advances to Landowners through receipt of certain parcels of land and reclassification to real estate assets upon full payment (see Note 8).

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, 2012, 2011 AND 2010
(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 2012	2011	2010
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc, (SOHI)	(c)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(d)	**100%**	100%	100%
Laguna BelAir School, Inc. (LBASI)	(e)	**73%**	73%	73%
Sonoma Premier Land, Inc.(SPLI)	(f)	**60%**	60%	60%
Gilmore Property Marketing Associate, Inc. (GPMAI)	(g)	**-**	52%	52%
Suntrust Properties, Inc. (SPI)	(h)	**-**	-	80%
Associates:				
GPMAI	(g)	**47%**	-	-
SPI	(h)	**33%**	33%	-

Explanatory Notes:

(a) Subsidiary incorporated in 1996 and serve as the marketing arm of the Company for the latter's projects, as well as those of other related parties.

(b) Subsidiary incorporated in 2006; has not yet started commercial operations as of December 31, 2012. Additional shares were acquired in November 2008 through assignment of shares from a third party.

(c) Subsidiary incorporated in 2007; has not yet started commercial operations as of December 31, 2012. Shares acquired through assignment of shares from Yorkshire Holdings Inc., a third party, in January 2008.

(d) Subsidiary incorporated in 2008 to primarily engage in the purchase, development, sale and lease of real properties but is currently engaged in the marketing of real estate properties.

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

(f) Subsidiary incorporated in 2007 as a holding entity to primarily engage in the development and marketing of all kinds of real estate. Additional shares acquired from First Centro, Inc. in March and June 2008. SPLI has not yet started commercial operations.

(g) In 2012, the entity was deconsolidated and treated as an associate of the Group.

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

On December 26, 2012, GPMAI issued additional 5,000,000 shares of stock at P1 par value which were purchased by a third party. As a result, the percentage of ownership of the Company over GPMAI was reduced from 52% to 47%. In addition, the Company is no longer part of the board of directors of GPMAI, thereby losing its control over the financial and operating policies. GPMAI is now an associate.

Prior to March 25, 2011, the Company held 80% ownership interest in SPI and, thus, was a consolidated subsidiary in 2010. 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 authorized capital stock. Accordingly, SPI is now treated as an associate.

In prior years, the Company increased its ownership interest in VVPI and LBASI. This resulted to the recognition of goodwill which amounted to P78.3 million as of December 31, 2012 and 2011, and shown as Goodwill 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, 2012 (including comparatives for the years ended December 31, 2011 and 2010) were authorized for issue by the Company's Board of Directors (BOD) on March 1, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized in the succeeding pages. 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. The measurement bases are more fully described in the accounting policies that follow.

(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.

(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 Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2012 that are Relevant to the Group

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012:

PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Transfers of Financial Assets
PAS 12 (Amendment)	:	Income Taxes – Deferred Taxes: Recovery of Underlying Assets

Discussed below are the relevant information about these amended standards.

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*. The amendment requires additional disclosures that will allow users of consolidated 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 did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Group's disclosures in its consolidated financial statements.

(ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property* should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretation Committee (SIC) 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* should always be measured on a sale basis of the asset. The amendment has no significant impact on the Group's consolidated financial statements as the Group has no investment properties which are measured at fair value.

(b) Effective in 2012 that is not Relevant to the Group

PFRS 1, *First-time Adoption of PFRS*, was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting PFRS financial statements or to present PFRS financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2012 but not Adopted Early*

There are new and amended PFRS that are effective for periods subsequent to 2012. 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) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will change the current presentation of items in other comprehensive income (i.e., unrealized fair value gains and losses on AFS financial assets).

(ii) PAS 19 (Amendment), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvements 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 loss as of December 31, 2012 amounted to P20.4 million which will be retrospectively recognized as loss in other comprehensive income in 2013 (see Note 20.2).

(iii) Consolidation Standards

The Group is currently reviewing the impact on its consolidated 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, associates, 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 (Amendment), *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 PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

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

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

(iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Group has initially assessed that the adoption of the amendment will not have a significant impact on its consolidated financial statements.

(v) 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. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on the Group's consolidated financial statements.

(vi) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(vii) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and it 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.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

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 and it plans to conduct a comprehensive study in the fourth quarter of 2014 of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) Philippine 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 (SEC) 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 at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

(ix) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information.* The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

  If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

  Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

  If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

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 accounts of the Company and its subsidiaries (see Note 1), 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.

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 2.10).

(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's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of 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 for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. 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 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 Group's financial assets include financial assets at FVTPL, loans and receivables and AFS financial assets. A more detailed description of the financial assets is as follows:

(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. In 2011, financial asset amounting to P5.8 million (nil in 2012) is presented as part of Financial assets at FVTPL in the consolidated statement of financial position.

(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 and Contractors), Advances to Landowners and Joint Ventures, and Advances to Related Parties account in the consolidated statements 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) *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 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as other non-current assets.

2.6 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation and amortization and any impairment losses. Land held for use in 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.

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

Building and other improvements	5-25 years
Transportation equipment	5 years
Office furniture and equipment	3-5 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 2.17).

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

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.

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

2.7 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.

Depreciation for building and office/commercial units 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 2.17).

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.

2.8 Financial Liabilities

Financial liabilities which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties and Other Current Liabilities (excluding deferred income), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in the consolidated profit or loss under the caption Finance Costs 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 added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when dividends are 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.

2.9 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.10 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 2.17).

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 consolidated 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.

2.11 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 obligation 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.

2.12 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, 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 on Current Years' Sale in the consolidated profit or loss; the uncompleted portion of gross profit in condominium and residential units sold 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. Increase in completion rate during the year from Deferred Gross Profit on Real Estate Sale of prior year is recognized as income under Realized Gross Profit on Prior Year Sales. 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 relating to forfeited or backed-out sales are reversed in the current year as they occur. Any collections received from customers which will not be refunded are recognized as income under forfeited collections and deposits. For tax reporting purposes, the Group uses modified basis of computing its taxable income for the year based on collections from sales.

(b) *Forfeited collections and deposits* – Revenue is recognized in the year the contract was cancelled.

(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 (see Note 2.15).

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

(f) *Tuition fees and miscellaneous fees on tuition fees* – Revenue is recognized over the corresponding school term.

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

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

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.

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 consolidated profit or loss (see Note 2.19).

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

2.13 Real Estate Properties

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 Held 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. 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. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs and Residential and Condominium units for sale account (see Note 2.19).

Costs of properties and projects accounted for as Land for Held Future Development, Property Development Costs and Residential and Condominium Units for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

Any impairment loss from a real estate project is charged to operations in the period in which the loss is determined.

2.14 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 Group's residential and high-rise projects. Commissions are recognized as expense in the period in which they are incurred.

2.15 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.

2.16 Foreign Currency Transactions and Translation

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.

2.17 Impairment of Non-financial Assets

The Group's interest in joint ventures, investment property, property and equipment, investment in associates and goodwill 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.

2.18 Employee Benefits

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment 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 Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan 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 every two years 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 a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment 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.

2.19 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 development 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 2.13). 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.

2.20 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 accounted for 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 deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.21 Related Party Relationships and 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. These parties include: (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.

2.22 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

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
- research costs, if any, relating to new business activities
- revenue and costs from investment property

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

2.24 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 stock are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

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.

2.25 Events After the End of 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.

The Group's AFS is not impaired as of December 31, 2012, 2011, and 2010.

(b) Distinction Between Investment Properties and Owner-managed 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.

Based on management's assessment, properties held for rental and for capital appreciation are classified as investment property.

(c) *Distinction between 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.

Based on management's assessment, the Group's lease agreements as a lessor and lessee are classified as operating lease.

(d) *Recognition of 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 2.11 and relevant disclosures are presented in Note 25.

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.

(a) *Determining Net Realizable Value of Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development*

In determining the net realizable value of residential and condominium units for sale, property development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets are affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development within the next financial year.

Considering the Group's pricing policy, the net realizable values of real estate, residential and condominium units for sale, property development costs and land held for future development are higher than their related carrying values as of the end of the reporting periods.

(b) *Estimating 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 12 and 13, 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 2012 and 2011 based on management's assessment.

(c) *Impairment of Trade and Other Receivables and Advances to Landowners and Joint Ventures*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

Allowance for impairment recognized on Trade and Other Receivables as of December 31, 2012 and 2011 amounted to P0.5 million and P0.6 million, respectively (see Note 6). Impairment losses on trade and other receivables, as also shown in Note 6, amounted to P0.02 million in 2012 and P0.2 million in 2011 and in 2010. No impairment losses were recognized on the Group's Advances to Landowners and Joint Ventures (see Note 8).

(d) *Valuation of FVTPL and AFS*

The Group carries certain financial assets at fair value, which are classified as level 1 fair values as these investments are traded in the stock market. As such, no significant accounting estimates and judgment was made on its FVTPL and AFS (see Note 11). Meanwhile, AFS amounting to P2.7 million as of December 31, 2012 and 2011 are measured at cost since there are no available market values on these instruments.

(e) *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.

The carrying value of the Group's deferred tax assets as of December 31, 2012 and 2011 is disclosed in Note 21.

(f) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. 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 goodwill, interest in joint ventures, investment in associates, investment property and property and equipment in 2012, 2011 and 2010 (see Notes 1, 8, 10, 12 and 13).

(g) *Valuation of Post-Employment Defined Benefit*

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 20.2 and include, among others, discount rates, expected rate of return, salary increase rate and employee turnover 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.

The Group's retirement obligation as of December 31, 2012 and 2011 is disclosed in Note 20.2.

(h) *Revenue Recognition Based on Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. 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 differed by 10% from management's estimates, the amount of revenue recognized in 2012 and 2011 would have increased by P33.76 million and P39.51 million, respectively, if percentages of completion were increased by 10%. Consequently, revenue would have decreased by P47.45 and P40.59 million in 2012 and 2011, respectively, if the percentages of completion were decreased by 10%.

(i) *Basis for Revenue Recognition Benchmark*

As discussed in Note 2.12(a), the Group recognizes its revenue in full when 25% or more of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history of customers and number of back out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 25% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

(j) *Determination of Fair Value of Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 12 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.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the products 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 mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, property development cost, residential and condominium units for sale and investment property. Segment liabilities include all operating liabilities incurred by management in each particular segment.

4.3 Intersegment Transactions

There are no intersegment transactions. 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.

4.4 Analysis of Segment Information

The tables below and in the succeeding pages present the revenue and profit information regarding industry segments for the years ended December 31, 2012, 2011 and 2010 and certain assets and liabilities information regarding industry segments as of December 31, 2012, 2011 and 2010.

2012

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 1,134,391,661	P 247,021,951	P 485,999,555	P 1,867,413,167
RESULTS				
Segment results	P 355,343,231	P 56,142,673	P 976,908,098	P 1,388,394,002
Unallocated expenses			(1,035,978,823)	(1,035,978,823)
				352,415,179
Finance costs			(84,211,966)	(84,211,966)
Foreign currency losses- net			(4,619,214)	(4,619,214)
Loss from dilution of investment in subsidiary			(37,501,256)	(37,501,256)
Equity share in net earnings of an associate			83,770,918	83,770,918
Profit before tax				309,853,661
Tax expense			(74,505,086)	(74,505,086)
Profit before minority interest				235,348,575
Non-controlling interest – share in net profit				(1,414,331)
Net profit attributable to parent company's shareholders				**P 233,934,244**
ASSETS AND LIABILITIES				
Segment assets	P 12,470,671,987	P 4,528,288,193	P 168,225,441	P 17,167,185,621
Investments in an associate	-	-	970,146,246	970,146,246
Unallocated assets	-	-	13,841,417,993	13,841,417,993
Total assets	**P 12,470,671,987**	**P 4,528,288,193**	**P 14,979,789,680**	**P 31,978,749,860**
Segment liabilities	P 808,553,884	P 589,219,928	P -	P 1,397,773,812
Unallocated liabilities	-	-	8,313,847,189	8,313,847,189
Total liabilities	**P 808,553,884**	**P 589,219,928**	**P 8,313,847,189**	**P 9,711,621,001**
OTHER SEGMENT INFORMATION				
Capital expenditures			P 16,125,846	P 16,125,846
Depreciation and amortization			38,394,105	38,394,105

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

5. CASH AND CASH EQUIVALENTS

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

	2012	2011
Cash on hand and in banks	**P 296,890,366**	P 255,843,252
Short-term placements	**2,736,332,616**	571,823,069
	P 3,033,222,982	P 827,666,321

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 91 days in 2012 and 60 days in 2011 and earn annual effective interest ranging from 0.50% to 4.25% in 2012, 0.50% to 4.75% in 2011 and 0.25% to 4.25% in 2010. Dollar-denominated short-term placements are made for varying periods of up to 93 days in 2012, 98 days in 2011 and 90 days in 2010 and earn annual effective interest ranging from 0.25% to 1.50% in 2012, 0.88% to 2.50% in 2011 and 0.25 % to 2.0% in 2010 (see Note 19.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2012	2011
Current:		
Trade receivables	**P 1,524,376,795**	P 1,322,052,740
Advances to suppliers and contractors	**576,377,414**	388,372,395
Interest receivable	**419,696,416**	385,281,474
Others	**70,656,804**	131,136,339
	2,591,107,429	2,226,842,948
Allowance for impairment	**(518,498)**	(611,613)
	2,590,588,931	2,226,231,335
Non-current:		
Trade receivables	**1,948,297,003**	1,809,830,078
Refundable security deposits	**177,844,987**	25,733,428
Others	**68,216,827**	-
	2,194,358,817	1,835,563,506
	P 4,784,947,748	P 4,061,794,841

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 1 to 15 years. Interest-bearing receivables bear nominal interest rates, which are equal to the effective interest rates ranging from 14% to 18% in 2012, 2011 and 2010. The related finance income earned on those sales contracts amounting to P319.2 million in 2012, P216.3 million in 2011 and P359.3 million in 2010 are reported as part of finance income in the consolidated statements of comprehensive income (see Note 19.1).

The installment period of noninterest- bearing sales contracts ranges from 3 to 5 years. The fair values of the noninterest-bearing trade receivables as of December 31, 2012 and 2011 were determined by calculating the present value of the cash flows anticipated to be received until the end of the instalment term using 10% interest in 2012, 2011 and 2010. Amortization of day one loss are presented as part of the Finance Income amounting to P34.3 million in 2012, P37.2 million in 2011 and P52.0 million in 2010 (see Note 19.1).

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 post-dated checks. The Group also retains the titles to the property until the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

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 P333.0 million and P525.0 million as of December 31, 2012 and 2011, respectively, and the related liability is presented as part of Bank Loans under Interest-bearing Loans and Borrowings in the statements of financial position (see Note 14.1).

Advances to suppliers and contractors pertain to downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by Group that are used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

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.

In 2012, the Group reclassified other receivables amounting to P68.2 million to non-current portion based on management evaluation that settlement will be made within two years.

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 2012 and 2011 is shown below.

	Note	2012	2011
Balance at beginning of year		**P 611,613**	P 26,314,096
Deconsolidation of the balance related to SPI	10	**-**	(25,835,683)
Impairment losses during the year		**18,300**	216,547
Recovery of accounts previously provided with allowances		**(111,415)**	(83,347)
Balance at end of year		**P 518,498**	P 611,613

7. REAL ESTATE PROPERTIES

7.1 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.2 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income, on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

Total capitalized borrowing cost during the year amounted to P43.8 million and P73.4 million in 2012 and 2011, respectively (see Note 14.3).

7.3 Net Realizable Value

Management believes that the net carrying amounts of these assets are lower than their net realizable values considering present market rates; thus, no valuation allowance has been provided in the consolidated financial statements.

8. 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 may 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:

	2012	2011
Advances to landowners:		
Balance at beginning of year	**P 118,184,386**	P 422,685,499
Additional advances granted	**159,686,257**	93,184,357
Reclassifications	**(252,870,614)**	(170,000,000)
Collections	**-**	(227,685,470)
Balance at end of year	**25,000,029**	118,184,386
Advances to joint ventures:		
Balance at beginning of year	**822,031,807**	613,706,216
Additional advances granted	**2,760,340**	208,325,591
Collections	**(27,207,383)**	-
Balance at end of year	**797,584,764**	822,031,807
	P 822,584,793	P 940,216,193

In 2012, certain downpayments made on parcel of land, amounting to P130.0 million and P122.9 million, were reclassified to Land Held for Future Development and Property Development Costs account, respectively, upon full payment and issuance of title.

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 Held for Future Development account.

The Group commits to develop the properties based on the terms agreed with joint venture partners. Total commitment for cash advances under the existing joint venture agreements amounted to P300.0 million in 2011 (nil in 2012). This commitment has been fully granted by the Group as of December 31, 2012 and 2011.

The net commitment for construction expenditures amounts to:

	2012	2011
Total commitment for construction expenditures	**P 7,465,887,664**	P 8,138,637,602
Total expenditures incurred	**(1,934,085,679)**	(1,071,859,254)
Net commitment	**P 5,531,801,985**	P 7,066,778,348

The Group's interests in jointly controlled operations and projects ranges from 55% to 82% and 55% to 78% in 2012 and 2011, respectively. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

As of December 31, 2012 and 2011, 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.

9. LAND HELD FOR FUTURE DEVELOPMENT

This account includes cost of several parcels of land acquired by the Group and other costs incurred to effect the transfer of the title of the properties to the Group. Most of these properties are located in Metro Manila and Calabarzon areas and are intended for future development. Real estate taxes paid during these years relating to these properties amounted to P4.8 million, P1.0 million and P1.0 million in 2012, 2011 and 2010, respectively, and is presented as part of Taxes and Licenses in the consolidated statements of comprehensive income. Management believes that the net realizable value of land held for future development is higher than its related carrying value as of the end of the reporting periods.

10. INVESTMENT IN ASSOCIATES

10.1 Breakdown of Carrying Values

	% Interest Held	**2012**	% Interest Held	2011
Investments in associates – at equity				
Acquisition costs:				
SPI	33%	**P 371,154,818**	33%	P371,154,818
GPMAI	47%	**293,960,618**	-	-
		665,115,436		371,154,818
Accumulated equity in net earnings:				
Balance at beginning of year		**16,509,892**		-
Equity share in net earnings for the year		**83,770,918**		16,509,892
Balance at end of year		**100,280,810**		16,509,892
Advances to SPI treated as Investment		**204,750,000**		204,750,000
		P 970,146,246		P592,414,710

On December 26, 2012, GPMAI issued additional 5,000,000 shares of stock at P1 par value which was purchased by a third party. As a result, after the issuance, the percentage of ownership of the Company over GPMAI was diluted from 52% to 47%, thereby losing control over the latter. The fair value from the remeasurement of the Company's investment in GPMAI amounting to P294.0 million was recognized as the deemed cost of the new investment in associates. The related balances of GPMAI's assets and liabilities as of December 26, 2012 were deconsolidated in 2012 and were no longer in the consolidated statement of financial position as of December 31, 2012. Accordingly, loss from dilution amounting to P37.5 million was recognized in the 2012 consolidated statement of comprehensive income.

On March 25, 2011, the percentage ownership of the Company over SPI was diluted and reduced from 80% to 33% due to Megaworld's subscription to SPI's unissued 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. 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 consolidated 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.

Equity share in net earnings of associates amounted to P83.8 million in 2012 and P16.5 million in 2011 and are presented in the consolidated statements of comprehensive income. No dividends were received from the investments in 2012.

10.2 Summarized Financial Information

The aggregated amounts of assets, liabilities and net profit (loss) of the associates are as follows:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2012:				
SPI	P 7,355,569,029	P 5,925,688,531	P 896,244,643	P 242,487,133
GPMAI	617,315,052	12,044,026	-	(93,998,746)
	P 7,972,884,081	**P 5,937,732,557**	**P 896,244,643**	**P 148,488,387**
2011 –				
SPI	P 6,297,912,033	P 4,905,768,668	P 574,340,000	P 62,681,797

As of December 31, 2012 and 2011, the related book values of the Group holding in these associates amounting to P758.6 million and P459.4 million, respectively, are higher than or equal to the related carrying amount, hence, the Group deemed that no impairment loss is necessary.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Note	2012	2011
Balance at beginning of year		**P 1,652,746,082**	P 2,065,221,390
Fair value gains (losses)- net		**464,392,000**	(391,715,040)
Deconsolidation of balance related to GPMAI	10	**(229,962,082)**	-
Disposals		**-**	(374,895,941)
Reclassification of unrealized fair value gains of disposed assets to profit or loss		**-**	(11,591,269)
Additions		**-**	365,726,942
Balance at end of year		**P 1,887,176,000**	P 1,652,746,082

AFS financial assets mainly consist of investments made by EPHI in 2012 and 2011 and GPMAI in 2011 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.

The fair value of the Group's AFS financial assets mainly consist of investment in shares, which are quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of these AFS financial assets are categorized as Level 1 amounting to P1.9 billion. On the other hand, the Group's Level 3 investments amounting to P2.7 million include equity instruments which are presented under Other non-current assets.

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

Dividends earned amounted to P40.5 million, P44.4 million and P10.7 million in 2012, 2011 and 2010 and are presented as Dividend Income under Other income in the consolidated statements of comprehensive income (see Note 18.1).

12. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units for lease and a parcel of land held for capital appreciation. Rental revenues recognized for the years ended December 31, 2012, 2011 and 2010 amounted to P45.0 million, P47.6 million and P46.4 million, respectively, and are presented as Rental Income account 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 P1.6 million, P1.0 million and P1.0 million was recognized as a related expense in 2012, 2011 and 2010, respectively, and presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property as of the reporting period is shown below.

	Note	**2012**	2011
Cost		**P 351,596,080**	P 351,596,080
Deconsolidation of balance related to GPMAI	10	**(14,459,622)**	-
Accumulated depreciation		**(134,779,119)**	(117,974,296)
Net carrying amount		**P 202,357,339**	P 233,621,784

The movements to the carrying amount of investment property as of December 31, 2012 and 2011 are as follows:

	Note	**2012**	2011
Balance at January 1, net of accumulated depreciation		**P 233,621,784**	P 250,426,606
Deconsolidation of balance related to GPMAI	10	**(14,459,622)**	-
Depreciation charges for the year		**(16,804,823)**	(16,804,822)
Balance at December 31, net of accumulated depreciation		**P 202,357,339**	P 233,621,784

The amount of depreciation expense is presented as part of Depreciation account in the statements of comprehensive income.

Based on management's assessment, the fair values of the investment property amounted to P521.6 million and P535.0 million as of December 31, 2012 and 2011, respectively. The fair values were determined based on certain appraised reports and using the income approach of the discounted cash flow method for certain properties.

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.

13. PROPERTY AND EQUIPMENT

As of December 31, 2012 and 2011, 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 property and equipment, except land, at the beginning and end of 2012 and 2011 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2012					
Cost	P 73,144,723	P 104,133,832	P 55,886,319	P 57,990,193	P 291,155,067
Accumulated depreciation and amortization	(22,195,567)	(92,500,052)	(43,614,764)	(42,874,061)	(201,184,444)
Net carrying amount	**P 50,949,156**	**P 11,633,780**	**P 12,271,555**	**P 15,116,132**	**P 89,970,623**
December 31, 2011					
Cost	P 73,144,723	P 97,038,848	P 52,345,401	P 52,500,249	P 275,029,221
Accumulated depreciation and amortization	(19,269,778)	(87,425,798)	(38,161,309)	(34,738,277)	(179,595,162)
Net carrying amount	P 53,874,945	P 9,613,050	P 14,184,092	P 17,761,972	P 95,434,059
January 1, 2011					
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

A reconciliation of the carrying amounts at the beginning and end of 2012 and 2011 is shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2012, 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
Additions	-	7,094,984	3,540,918	5,489,944	16,125,846
Reclassification	-	28,524	-	(28,524)	-
Depreciation and amortization charges for the year	(2,925,789)	(5,102,778)	(5,453,455)	(8,107,260)	(21,589,282)
Balance at December 31, 2012, net of accumulated depreciation and amortization	**P 50,949,156**	**P 11,633,780**	**P 12,271,555**	**P 15,116,132**	**P 89,970,623**
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 10)	-	(2,750,906)	(2,383,407)	(3,888,659)	(9,022,972)
Additions	2,432,024	4,818,202	4,993,960	13,605,544	25,849,730
Depreciation and amortization charges for the year	(2,908,563)	(5,187,822)	(5,799,323)	(1,996,174)	(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

The amount of depreciation expense is presented as part of Depreciation account in the consolidated statements of comprehensive income.

The cost of fully depreciated assets still used in business amounted to P136.9 million and P127.5 million as of December 31, 2012 and 2011, respectively.

14. INTEREST-BEARING LOANS AND BORROWINGS

At December 31, 2012 and 2011, the interest-bearing loans and borrowings are as follows:

	Notes	**2012**	2011
Current:			
Bank loans	6	**P 95,846,754**	P 164,727,699
Commercial/term loan	22.3	**57,142,857**	57,142,857
		152,989,611	221,870,556
Non-current:			
Bank loans	6	**236,893,851**	360,234,266
Commercial/term loans	22.3	**-**	57,142,857
		236,893,851	417,377,123
Total		**P 389,883,462**	P 639,247,679

Certain properties presented as part of Residential and condominium units for sale and Trade receivables with total estimated carrying value of P861.1 million and P1.6 billion as of December 31, 2012 and 2011, respectively, are used as collateral for the P389.9 million and P639.2 million loan as of December 31, 2012 and 2011, respectively.

14.1 Bank Loans

The bank loans represent secured and unsecured loans from banks. The loans bear annual interest rates ranging from 7.8% to 10.5% for 2012 and 7.9% to 10.5% 2011.

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 Group projects are capitalized as part of Residential and Condominium Units for Sale (see Note 14.3).

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1.

As of December 31, 2012 and 2011, the Group is in compliance with the above ratios.

14.2 Commercial/Term Loans

Included in the balance of commercial/term loans is the 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 22.3). The principal amount is payable in seven equal annual amortization beginning March 15, 2007. Interest payments are due and payable semi-annually, with the first interest payment due on September 15, 2006 and every six months thereafter.

14.3 Interest

Total interest on these interest-bearing loans and borrowings in 2012, 2011 and 2010 amounted to P43.8 million, P76.1 million and P145.2 million, respectively. Interest charges that are directly attributable to the construction of the Group's projects are capitalized as part of Residential and Condominium Units for Sale accounts in the consolidated statements of financial position (see Note 7.2). In 2012, 2011 and 2010, the capitalized interest expense amounted to P43.8 million, P73.4 million and P127.9 million, respectively.

15. TRADE AND OTHER PAYABLES

This account consists of:

	2012	2011
Trade payables	**P 831,093,216**	P 221,950,195
Taxes payable	**57,126,387**	39,456,230
Accrued expenses	**29,631,551**	8,378,859
Commissions	**15,759,017**	17,759,017
Interest payable	**14,295,782**	25,026,167
Miscellaneous	**535,550**	8,649,346
	P 948,441,503	P 321,219,814

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenses incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2012	2011
Advances from customers	**P 2,564,084,173**	P 2,200,826,677
Other deposits	**175,458,235**	145,003,185
	P 2,739,542,408	P 2,345,829,862

Advances from customers represent cash received 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 mainly include cash received from customers for miscellaneous fees to process the transfer of title to customers and other related expenses.

17. OTHER CURRENT LIABILITIES

As of December 31 other current liabilities include the following:

	2012	2011
Retention payable	**P 148,622,977**	P 101,063,759
Refundable tenant rental deposits	**28,954,786**	27,884,822
Deferred income	**17,026,195**	17,237,250
Miscellaneous	**2,667,324**	2,437,799
	P 197,271,282	P 148,623,630

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.

Deferred income refers to unearned tuition, miscellaneous and other fees relating to the portion of the school year applicable to the succeeding financial year.

18. OTHER INCOME AND OTHER OPERATING EXPENSES

18.1 Other Income

The details of this account are shown below.

	Note	2012	2011	2010
Forfeited collections and deposits		**P 193,158,929**	P 152,535,626	P 229,332,814
Dividend income	11	**40,536,000**	44,395,338	10,661,260
Tuition and miscellaneous fees		**39,950,878**	40,645,816	38,913,581
Marketing fees		**4,424,538**	3,495,604	8,489,530
Miscellaneous		**13,279,906**	26,704,437	26,586,215
		P 291,350,251	P 267,776,821	P 313,983,400

Miscellaneous fees on tuition fees include registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrolment.

Miscellaneous income mostly includes collections of common area charges.

18.2 Other Operating Expenses

The breakdown of other operating expenses is shown below.

	Note	2012	2011	2010
Rentals	25.2	**P 137,407,335**	P 64,317,582	P 48,368,080
Association dues		**34,312,370**	30,838,930	46,748,941
Utilities		**27,145,364**	23,737,070	26,537,227
Security services		**14,060,312**	12,753,420	21,518,496
Documentation		**10,159,405**	3,984,874	1,514,894
Office supplies		**8,786,138**	7,437,949	15,761,685
Professional fees		**5,531,073**	5,224,482	7,572,668
Repairs and maintenance		**5,305,360**	3,901,581	13,067,813
Foreign currency losses – net		**4,619,214**	-	4,281,421
Janitorial services		**3,646,844**	821,164	386,792
Outside services		**3,263,566**	2,542,755	2,927,541
Insurance		**3,136,770**	2,049,623	2,221,821
Representation		**524,485**	415,232	2,944,412
Training and development		**56,043**	60,454	8,600,425
Miscellaneous		**14,734,797**	14,605,873	38,872,640
		P 272,689,076	P 172,690,989	P 241,324,856

Miscellaneous expenses include bank charges, printing, subscription to magazines and newspapers, and other expenses incurred by the Group.

19. FINANCE INCOME AND COSTS

The details of this account are shown below.

19.1 Finance Income

	Notes	2012	2011	2010
Interest income:				
Trade and other receivables	6	**P 319,203,884**	P 216,384,588	P 359,439,500
Cash and cash equivalents	5	**24,447,560**	19,856,160	38,643,238
Advances to related parties	22.1	**109,628,132**	98,097,627	13,843,957
Tuition fees		**1,006,313**	1,143,182	-
		454,285,889	335,481,557	411,926,695
Amortization of day one loss on noninterest bearing financial instruments	6, 22.1	**36,622,653**	38,850,698	53,171,399
Gain on disposal of AFS financial assets	11	**-**	4,401,401	174,925,792
Gain on disposal of financial assets at FVTPL		**-**	3,337,364	-
Fair value gains (losses) of financial assets at FVTPL		**-**	(616,308)	1,400,690
		P 490,908,542	P 381,454,712	P 641,424,576

19.2 Finance Cost

	Notes	2012	2011	2010
Advances from related parties	22.1	**P 84,211,966**	P 51,600,951	P -
Interest-bearing loans and borrowings	14.3	**-**	-	75,107,699
		P 84,211,966	P 51,600,951	P 75,107,699

20. SALARIES AND EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	2012	2011	2010
Short-term benefits	**P 173,004,160**	P 141,878,152	P 159,176,758
Post-employment benefits	**26,774,867**	19,870,923	15,062,347
	P 199,779,027	P 161,749,075	P 174,239,105

20.2 Retirement Benefit Obligation

The Group maintains a tax-qualified, partially funded, non-contributing post- employment plan covering all regular full time employees. Actuarial valuations are made every two years to update the retirement benefit costs. The latest actuarial report was dated January 25, 2012.

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

	2012	2011
Present value of the obligation	**P 158,756,209**	P 129,080,054
Fair value of the assets	**(8,453,807)**	(5,097,127)
Unrecognized past service costs	**(14,971,655)**	(3,675,608)
Unrecognized actuarial loss	**(20,365,366)**	(28,916,804)
	P 114,965,381	P 91,390,515

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2012	2011
Balance at beginning of year	**P 129,080,054**	P 92,189,310
Deconsolidation of balance related to SPI (see Note 10)	**-**	(14,336,195)
Current service cost and interest cost	**26,134,509**	19,758,612
Actuarial loss	**3,541,646**	31,468,327
	P 158,756,209	P 129,080,054

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

	2012	2011
Fair value of plan assets, beginning	**P 5,097,127**	P 3,104,807
Contributions paid into the plan	**3,200,000**	1,900,000
Actuarial loss	**(82,375)**	(31,872)
Expected return on plan assets	**239,055**	124,192
Fair value of plan assets, ending	**P 8,453,807**	P 5,097,127

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

The Group expects to pay P2.1 million in contributions to the retirement benefit plan in 2013.

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

	2012	2011	2010
Current service cost	**P 18,020,057**	P 12,699,373	P 7,969,993
Interest cost	**8,114,452**	7,059,239	6,964,289
Net actuarial losses recognized during the year	**679,833**	36,923	190,426
Expected return on plan assets	**(239,055)**	(124,192)	(62,361)
Past service cost	**199,580**	199,580	-
	P 26,774,867	P 19,870,923	P 15,062,347

Presented below are the historical information related to the present value of the post-employment benefit obligation, fair value of plan assets and excess or deficit in the plan, as well as experience adjustments arising on plan assets and liabilities.

	2012	2011	2010	2009	2008
Present value of the obligation	**P158,756,209**	P129,080,054	P 92,189,310	P 74,711,340	P 50,029,375
Fair value of the plan assets	**(8,453,807)**	(5,097,127)	(3,104,807)	(1,559,015)	-
Deficit in the plan	**(P150,302,402)**	(P123,982,927)	(P 89,084,503)	(P 73,152,325)	(P 50,029,375)
Experience adjustments arising on plan liabilities	**P 317,408**	(P 7,832,844)	P 256,615	(P 2,315,387)	P 1,781,027
Experience adjustment arising on plan assets	**(P 82,375)**	(P 31,872)	P 183,431	(P 5,985)	P -

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

	2012	2011	2010
Parent company			
Discount rates	**6.44%**	6.29%	9.28%
Expected rate of salary increases	**8.00%**	8.00%	8.00%
EPHI			
Discount rates	**6.00%**	6.00%	8.00%
Expected rate of return on plan assets	**3.00%**	5.00%	4.00%
Expected rate of salary increases	**8.00%**	8.00%	6.00%
SPI (see Note 10)			
Discount rates	**-**	-	9.18%
Expected rate of salary increases	**-**	-	10.00%
LBASI			
Discount rate	**6.00%**	8.00%	8.00%
Expected rate of salary increases	**5.00%**	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. The average remaining working life of an individual for both males and females are as follows:

	Retirement Age	Average Remaining Working life
Parent	60	28
LBASI	60	24
EPHI	65	21

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.

21. TAXES

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

	2012	2011	2010
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 47,323,257**	P 37,572,190	P 43,616,840
Final tax at 20% and 7.5%	**4,749,031**	3,783,064	7,394,756
Minimum corporate income tax (MCIT) at 2%	**-**	1,114	6,547,298
Stock transaction tax	**-**	2,402,489	5,911,250
	52,072,288	43,758,857	63,470,144
Deferred tax expense (income) relating to origination and reversal of temporary differences	**22,432,798**	(9,103,378)	(37,369,057)
	P 74,505,086	P 34,655,479	P 26,101,087

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:

	2012	2011	2010
Tax on pretax profit at 30%	**P 92,956,098**	P 66,233,493	P 82,910,031
Adjustment for income subjected to lower income tax rates:			
Final tax	**3,401,321**	23,885	4,708,774
Stock transaction tax	**-**	2,402,489	5,911,250
Tax effects of:			
Nontaxable income	**(27,982,621)**	(78,982,685)	(80,967,853)
Nondeductible expenses	**15,742,396**	44,550,696	13,105,611
Deductible issuance costs	**(10,103,013)**	-	-
Others – net	**490,905**	427,601	433,274
Tax expense	**P 74,505,086**	P 34,655,479	P 26,101,087

The deferred taxes as of December 31 relate to the following:

	Consolidated Statements of Financial Position		**Consolidated Statements of Comprehensive Income**		
	2012	2011	**2012**	2011	2010
Deferred tax assets:					
Retirement benefit obligation	**P 34,107,625**	P 27,157,981	**(P 6,949,644)**	(P 5,319,484)	(P 4,347,008)
Unamortized past service cost	**1,773,000**	1,350,000	**(423,000)**	(399,000)	-
Unrealized foreign exchange losses - net	**1,385,764**	-	**(1,385,764)**	1,284,426	(736,769)
Accrued rent	**109,898**	50,224	**(59,674)**	364,122	(97,780)
Net operating loss carryover (NOLCO)	**-**	7,256,482	**-**	(1,034,824)	(1,501,053)
Unamortized pre-operating expense	**-**	490,905	**-**	-	-
MCIT	**-**	10,915	**-**	7,068	(6,526,632)
	37,376,287	36,316,507	**(8,818,082)**	(5,097,692)	(13,209,242)
Deferred tax liabilities:					
Uncollected realized gross profit	**(918,819,728)**	(881,912,239)	**36,907,489**	30,538,969	13,612,851
Capitalized borrowing cost	**(243,087,345)**	(248,743,954)	**(5,656,609)**	(34,544,655)	(37,772,666)
	(1,161,907,073)	(1,130,656,193)	**31,250,880**	(4,005,686)	(24,159,815)
Deferred Tax Expense (Income)			**P 22,432,798**	(P 9,103,378)	(P 37,369,057)
Net Deferred Tax Liabilities	**P 1,124,530,786**	P 1,094,339,686			

The net deferred tax liabilities is presented in the consolidated statements of financial position as follow.

	2012	2011
Deferred tax assets	**P 4,065,880**	P -
Deferred tax liabilities	**(1,128,596,666)**	(1,094,339,686)
	P 1,124,530,786	P 1,094,339,686

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT paid, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Subsidiary	Year incurred	Amount	Valid Until
GPMAI	2011	P 1,114	2014
	2010	3,318	2013
SPI	2010	6,543,980	2013

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiary	Year incurred	Amount	Valid Until
EECI	2012	P 45,231,215	2015
	2011	39,432,442	2014
	2010	28,598,934	2013
SPLI	2012	165,982	2015
	2011	161,714	2014
	2010	1,885,991	2013
SOHI	2012	1,150,692	2015
	2011	1,162,432	2014
	2010	1,252,312	2013
VVPI	2012	262,501	2015
	2011	259,494	2014
	2010	250,661	2013

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 2012 for which the related deferred tax asset has not been recognized amounted to a total of P49.2 million with a total tax effect of P14.5 million.

The aggregated amounts of assets, deficit, revenues and net loss of the subsidiaries which incurred NOLCO are as follows:

	Assets	Deficit	Revenues	Net Loss
2012				
EECI	P 19,256,571	P 134,342,815	P 16,417,537	P 45,224,030
SPLI	511,859,612	9,167,683	-	165,982
SOHI	16,840,595	5,776,420	-	1,150,692
VVPI	90,814,617	3,003,595	-	753,406
	P 638,771,395	**P 152,290,513**	**P 16,417,537**	**P 47,294,110**

	Assets	Deficit	Revenues	Net Loss
2011				
EECI	P 11,008,024	P 89,118,785	P 10,277,437	P 39,429,411
SPLI	512,018,093	9,001,702	-	161,714
SOHI	16,954,511	4,625,728	-	1,162,432
VVPI	91,329,999	2,250,189	-	259,494
	P 631,310,627	P 104,996,404	P 10,277,437	P 41,013,051

The Group opted to use itemized deductions for tax purposes.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its parent company, stockholders, related party under common ownership and the Group key management as described below.

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2012 and 2011 are as follows:

Related Party Category	Note	2012 Amount of Transaction	2012 Outstanding Balance	2011 Amount of Transaction	2011 Outstanding Balance
Advances to related parties:					
Associates:	22.1				
Loans and interest		**P 102,712,258**	**P 913,981,505**	P 811,269,247	P 811,269,247
Capital expenditure		**-**	**231,570,819**	231,570,819	231,570,819
Working capital		**42,563,867**	**278,422,533**	61,466,469	235,858,666
		P 145,276,125	**P1,423,974,857**	P1,104,306,535	P1,278,698,732
Under common ownership:	22.1				
Loans and interest		**P 2,219,097**	**P 33,831,684**	(P 15,686,203)	P 31,612,587
Capital expenditure		**-**	**2,594,162**	-	2,594,162
Working capital		**(91,285,366)**	**226,991,492**	106,779	318,276,858
		(P 89,066,269)	**P 263,417,338**	(P 15,579,424)	P 352,483,607
Advances from related parties:					
Parent Company:	22.1				
Loans and interest		**(P 84,645,102)**	**(P 541,618,274)**	(P 49,709,285)	(P 456,973,172)
Capital expenditure		**(1,494,000,000)**	**(1,703,076,757)**	(209,076,757)	(209,076,757)
Working capital		**68,052,310**	**(79,733,152)**	109,954,915	(147,785,462)
		(P1,510,592,792)	**(P2,324,428,183)**	(P 148,831,127)	(P 813,835,391)
Associates:	22.1				
Capital expenditure		**(P 380,770,134)**	**(P 380,770,134)**	P -	P -
Working capital		**(6,432,028)**	**(6,432,028)**	-	-
		(P 387,202,162)	**(P 387,202,162)**	P -	P -
Under common ownership:	22.1				
Loans and interest		**(P 65,021)**	**P -**	(P 54,381)	P 65,021
Capital expenditure		**10,921,754**	**(74,617,246)**	(39,375,000)	(85,539,000)
Working capital		**-**	**(1,845,756)**	32,557,809	(1,845,756)
		P 10,856,733	**(P 76,463,002)**	(P 6,871,572)	(P 87,319,735)

The Group's outstanding receivables from and payables to related parties arising from interest-bearing loans, joint venture agreements, lease of property and cash advances to related party are unsecured and demandable anytime.

22.1 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:

	2012	2011
SPI	**P 1,175,024,983**	P 1,068,830,767
MCPI	**248,949,873**	209,867,965
First Oceanic Property Management, Inc.	**34,449,016**	32,698,043
Other related parties	**228,968,323**	319,785,564
	P 1,687,392,195	P 1,631,182,339

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

	2012	2011
Balance at beginning of year	**P 1,631,182,339**	P 542,455,228
Additions	**209,478,484**	68,766,153
Collections	**(163,863,719)**	(33,183,607)
Deconsolidation of GPMAI balance	**8,375,994**	-
Reclassification	**-**	1,051,318,815
Amortization of interest	**2,219,097**	1,825,750
Balance at end of year	**P 1,687,392,195**	P 1,631,182,339

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

	2012	2011
Advances from Parent company:		
Balance at beginning of year	**P 813,835,394**	P 665,004,266
Additions	**1,579,370,810**	338,857,427
Deconsolidation of SPI balance	**-**	(145,918,704)
Collections	**(68,778,021)**	(44,107,598)
Balance at end of year	**P 2,324,428,183**	P 813,835,391
Advances from associates and related parties under common ownership:		
Balance at beginning of year	**P 87,319,733**	P 80,448,162
Additions	**381,596,376**	39,375,000
Deconsolidation of GPMAI balance	**6,323,193**	-
Deconsolidation of SPI balance	**-**	(2,873,355)
Repayments	**(11,639,159)**	(29,684,456)
Amortization of interest	**65,021**	54,382
Balance at end of year	**P 463,665,164**	P 87,319,733

	2012	2011
Total advances from related parties:		
Balance at beginning of year	**P 901,155,124**	P 745,452,428
Additions	**1,960,967,186**	378,232,430
Deconsolidation of GPMAI balance	**6,323,193**	-
Deconsolidation of SPI balance	**-**	(148,792,059)
Repayments	**(80,417,177)**	(73,792,054)
Amortization of interest	**65,021**	54,379
Balance at end of year	**P 2,788,093,347**	P 901,155,124

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.

Certain advances to and from related parties were discounted to present values. Amortization of interest is presented as part of finance income in the consolidated statements of comprehensive income (see Note 19.1).

22.2 Marketing Fee

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 P149.6 million, P149.8 million and P110.0 million in 2012, 2011 and 2010, respectively, which is shown as part of Commission in the consolidated statements of comprehensive income. The related receivables arising from marketing fees are presented as part of Advances to Related Parties in the consolidated statements of financial position (see Note 22.1).

22.3 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 14.2).

22.4 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, 2012, the Company has paid FEPI for a cash consideration of P31.88 million to FEPI while the unpaid portion of P28.12 million is presented under Advances from Related Parties account.

22.5 Key Management Personnel Compensation

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

	2012	2011	2010
Short-term benefits	**P 14,746,710**	P 11,200,453	P 22,154,479
Post-employment benefits	**7,390,493**	3,284,083	3,729,953
	P 22,137,203	P 14,484,536	P 25,884,432

These are presented as part of total Salaries and Employee Benefits in consolidated statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010 (see Note 20.1).

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2012	2011	**2012**	2011
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	**21,495,200,000**	21,495,200,000	**P 21,495,200,000**	P 21,495,200,000
Additions during the year	**10,000,000,000**	-	**10,000,000,000**	-
Balance at end of year	**31,495,200,000**	21,495,200,000	**31,495,200,000**	21,495,200,000
Issued and outstanding:				
Balance at beginning of year	**10,622,492,325**	10,622,492,324	**10,622,492,325**	10,622,492,324
Issuance during the year	**2,980,962,913**	-	**2,980,962,913**	-
	13,603,455,238	10,622,492,324	**13,603,455,238**	10,622,492,324
Preferred shares – P1 par value				
Authorized, issued and outstanding	**2,000,000,000**	2,000,000,000	**2,000,000,000**	2,000,000,000
Subscribed and outstanding:				
Balance at beginning of year	**285,723,080**	285,723,080	**285,723,080**	285,723,080
Conversion to common shares	**(285,723,080)**	-	**(285,723,080)**	-
	-	285,723,080	**-**	285,723,080
Total	**13,603,455,238**	10,908,215,404	**P 13,603,455,238**	P 10,908,215,404

On April 24, 2012, the Company's BOD approved the offer for subscription of 2,695,239,833 new shares (the "right shares") by way of a pre-emptive offer (the "rights offer") to holders of its common shares at the proportion of one new share for every four existing common shares, at the offer/exercise price equivalent to their par value of P1 per share. This was approved by SEC on August 30, 2012.

Also, on April 24, 2012, the BOD approved the increase in the Company's authorized capital stock from P23.5 billion divided into 21.5 billion common and 2 billion preferred shares both with par value of P1 each, to P33.5 billion divided into 31.5 billion common and 2 billion preferred shares both with par value of P1 per share. The application for the increase in authorized capital stock was approved by the SEC on October 17, 2012.

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 anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. On August 31, 2012, the Company converted all the issued preferred shares into common shares amounting to P285.7 million.

On April 24, 1996, the Company obtained approval for the listing of its common stock on the PSE; thereafter, the shares were offered for the sale to the public. The initial public offering 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, 2012 and 2011, the Company's number of shares issued and outstanding totaled 13,476,199,167 and 10,495,236,253, respectively, with total Treasury Stock of 127,256,071 for both years in which 13,603,455,238 and 10,622,492,324, as of December 31, 2012 and 2011, respectively, were listed and closed at a price of P0.99 and P0.59 (as of December 28, 2012 and December 31, 2011, respectively) per share. The Company has 13,125 and 13,460 holders of equity securities listed in PSE as of December 31, 2012 and 2011, respectively.

23.2 Treasury Stock

The details of this account are as follows:

	Shares			Amount		
	2012	2011	2010	**2012**	2011	2010
Balance at beginning of year	**153,911,071**	153,911,071	127,256,071	**P 116,233,808**	P 116,233,808	P 102,106,658
Additions during the year	**-**	-	26,655,000	**-**	-	14,127,150
Deconsolidation of GPMAI	**(26,655,000)**	-	-	**(14,127,150)**	-	-
Balance at end of year	**127,256,071**	153,911,071	153,911,071	**P 102,106,658**	P 116,233,808	P 116,233,808

Decrease in 2012 pertains to the deconsolidation of GPMAI in that year (see Note 10). 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.

23.3 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127.3 million shares held in treasury as of December 31, 2012.

24. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2012	2011	2010
Basic earnings per share:			
Net profit attributable to parent company's shareholders	**P 233,934,244**	P 179,383,528	P 177,842,305
Divided by the weighted average number of issued and outstanding common shares	**11,181,475,712**	10,468,581,253	10,468,581,253
	P 0.021	P 0.017	P 0.017
Diluted earnings per share:			
Net profit attributable to parent company's shareholders	**P 233,934,244**	P 179,383,528	P 177,842,305
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	**11,371,696,831**	10,754,304,333	10,754,304,333
Diluted earnings per share	**P 0.021**	P 0.017	P 0.017

25. COMMITMENTS AND CONTINGENCIES

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

25.1 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 one to three years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P45.0 million in 2012, P47.6 million in 2011 and P46.4 million in 2010.

	2012	2011	2010
Within one year	**P 6,275,161**	P 14,505,813	P 20,853,224
After one year but not more than five years	**5,499,839**	4,279,758	6,867,253
More than five years	**5,976,632**	11,261,850	9,500,111
	P 17,751,632	P 30,047,421	P 37,220,588

25.2 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:

	2012	2011	2010
Within one year	**P 36,893,558**	P 37,253,043	P 11,789,202
After one year but not more than five years	**23,383,968**	30,756,435	12,443,878
	P 60,277,526	P 68,009,478	P 24,233,080

Total rentals from these operating leases which was charged to Rentals under Other Operating Expenses amounted to P137.4 million, P64.3 million and P48.4 million in 2012, 2011 and 2010, respectively (see Note 18.2).

25.3 Legal Claims

As of December 31, 2012, 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.

25.4 Credit Lines

As of December 31, 2012, 2011 and 2010, the Group has unused lines of credit amounting to P670.0 million, P168.0 million and P170.0 million, respectively.

25.5 Capital Commitments

The Group has capital commitments for the unutilized balance of its stock rights offering amounting to P2.7 billion as of December 31, 2012 for the landbanking, project development and general corporate purposes.

25.6 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 Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

26. 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 below and in the next pages.

26.1 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 P77.1 million, P90.3 million and P111.5 million as of December 31, 2012, 2011 and 2010, respectively.

At December 31, 2012, 2011 and 2010, if the Philippine peso had strengthened by 15.67%, 16.23% and 14.10% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P12.1 million, P14.7 million and P15.7 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.

26.2 Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Group's interest rate risk largely arises from cash and cash equivalents and interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The following paragraph presents the sensitivity of the net result for the year and equity to a reasonably possible change in interest rate of +/- 1.53% and +/- 3.65% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2012, +/- 0.66% and +/- 0.76% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2011 and, +/- 0.39% and +/- 0.87% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2010. These changes are considered to be reasonably possible based on observation of current market conditions. The calculation is based on changes in the average market interest rates for the period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

If the interest rates were to increase, net profit before tax would increase by P31.6 million in 2012 and decrease by P2.9 million and P13.6 million in 2011 and 2010, respectively. If interest rates were to decrease, net profit before tax would decrease in 2012 and increase for the year in 2011 and 2010 by the same amounts.

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.

26.3 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 consolidated financial statements), as summarized below:

	Notes	**2012**	2011
Cash and cash equivalents	5	**P 3,033,222,982**	P 827,666,321
Trade and other receivables – net (excluding advances to suppliers and contractors)	6	**4,208,570,334**	3,673,422,446
Advances to landowners and joint venture	8	**822,584,793**	940,216,193
Advances to related parties	22	**1,687,392,195**	1,631,182,339
		P 9,751,770,304	P 7,072,487,299

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade receivables under Trade and Other Receivables, as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

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. Trade receivables consist of a large number of customers in various industries and geographical areas. Majority of the trade receivables are secured by postdated checks and titles to residential units sold to buyers are retained to the Group until balance is fully paid. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2012	2011
Not more than 3 months	**P 35,590,337**	P 40,654,163
More than 3 months but not more than 6 months	**173,049,418**	141,953,949
More than 6 months but not more than one year	**207,286,843**	182,748,702
More than one year	**45,793,567**	35,707,777
	P 461,720,165	P 401,064,591

(c) Advances to related parties, landowners and joint ventures

The Group is not exposed to significant credit risk as advances are made to reputable entities.

The table below shows the credit quality by class of financial assets as of December 31, 2012.

	Neither Past Due nor Specifically Impaired			Past Due or	
		Standard	Substandard	Individually	
	High Grade	Grade	Grade	Impaired	Total
Cash and cash equivalents	P 3,033,222,982	P -	P -	P -	P 3,033,222,982
Trade and other receivables - net	2,014,211,517	2,194,358,817	-	-	4,208,570,334
Advances to landowners and joint venture	822,584,793	-	-	-	822,584,793
Advances to related parties - net	1,687,392,195		-	-	1,687,392,195
	P 7,557,411,487	**P 2,194,358,817**	**P -**	**P -**	**P 9,751,770,304**

This compares with the credit quality by class of financial assets as of December 31, 2011.

	Neither Past Due nor Specifically Impaired			Past Due or	
		Standard	Substandard	Individually	
	High Grade	Grade	Grade	Impaired	Total
Cash and cash equivalents	P 827,666,321	P -	P -	P -	P 827,666,321
Trade and other receivables - net	1,837,858,940	1,835,563,506			3,673,422,446
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 5,236,923,793	P 1,835,563,506	P -	P -	P 7,072,487,299

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.

26.4 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, 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	After 5 Years
Interest-bearing loans and borrowings	P 170,684,851	P -	P 413,846,258	P -
Trade and other payables	891,315,116	-	-	-
Advances from related parties	2,874,646,777	-	-	-
Other current liabilities	180,245,087	-	-	-
	P 4,116,891,831	P -	P 413,846,258	P -

This compares to the maturity of the Group's financial liabilities as of December 31, 2011.

	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	281,763,584	-	-	-
Advances from related parties	934,304,768	-	-	-
Other current liabilities	131,386,380	-	-	-
	P 1,596,344,999	P -	P 680,742,155	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.

26.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (classified as 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 11.67%, 33.63% and 47.93% has been observed during 2012, 2011 and 2010. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P220.3 million in 2012, P516.8 million in 2011 and P824.3 million in 2010.

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.

27. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

27. 1 Comparison of Carrying Amounts and Fair Values

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

	Notes	**2012**		2011	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and Receivables					
Cash and cash equivalents	5	**P 3,033,222,982**	**P 3,033,222,982**	P 827,666,321	P 827,666,321
Trade and other receivables	6	**4,208,570,334**	**4,259,863,683**	3,673,422,446	3,707,737,331
Advances to related parties	22	**1,687,392,195**	**1,687,392,195**	1,631,182,339	1,631,182,339
Advances to land owners and joint ventures	8	**822,584,793**	**822,584,793**	940,216,193	940,216,193
		9,751,770,304	**9,803,063,653**	7,072,487,299	7,106,802,184
Financial assets at FVTPL		**-**	**-**	5,803,260	5,803,260
AFS Financial assets	11	**1,887,176,000**	**1,887,176,000**	1,652,746,082	1,652,746,082
		P 11,638,946,304	**P 11,690,239,653**	P 8,731,036,641	P 8,765,351,526

	Notes	2012 Carrying Values	2012 Fair Values	2011 Carrying Values	2011 Fair Values
Financial Liabilities					
Interest-bearing loans and borrowings	14	**P 389,883,462**	**P 389,883,462**	P 639,247,679	p 639,247,679
Trade and other payables	15	**891,315,116**	**891,315,116**	281,763,584	281,763,584
Advances from related parties	22.1	**2,788,093,347**	**2,788,093,347**	901,155,124	901,155,124
Other current liabilities	17	**180,245,087**	**180,245,087**	131,386,380	131,386,380
		P 4,249,537,012	**P 4,249,537,012**	P 1,953,527,767	P 1,953,527,767

See Notes 2.4 and 2.8 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 26.

27.2 Fair Value Hierarchy

The fair value of the Group's AFS financial assets was based on Level 1 representing quoted prices (unadjusted) in active markets for identical assets or liabilities amounting to P1.9 billion and P1.7 billion as of December 31, 2012 and 2011, respectively, presented as Available-for-sale financial assets in the statements of financial position. On the other hand, Level 3 representing inputs that are based on unobservable inputs amounting to P2.7 million is presented under Other non-current assets.

28. 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.

The Group monitors its capital gearing by measuring the ratio of Interest-bearing loans and borrowings to total capital. As of December 31, 2012 and 2011, the Group's ratio of Interest-bearing loans and borrowings to equity is as follows:

	2012	2011
Interest-bearing loans and borrowings	**P 389,883,462**	P 639,247,679
Total Equity	**22,267,128,859**	19,055,425,444
Debt-to-equity ratio	**0.02 : 1**	0.03 : 1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14.1).

Punongbayan & Araullo

An instinct for growth™

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

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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 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, 2012, on which we have rendered our report dated March 1, 2013. 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) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has 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. 3671455, January 2, 2013, 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, 2015)

March 1, 2013

Empire East Land Holdings, Inc
List of Supplementary Information
December 31, 2012

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule A - Financial Asset at Fair Value Through Profit or Loss
December 31, 2012

Name of Issuing Entity and Association of Each Issue	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
AFS Financial Assets									
Alliance Global Group	112,600,000	1,887,176,000						1,887,176,000	

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2012

Name and designation of debtor	Balance at Beginning of period	Additions/Transfer 2012	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
Advances to Officers and Employees:							
Barrera, Julieta	94,410		(83,607)		10,803		10,803
Cabrera, Edna Esperanza	362,281	-	(66,609)		295,672		295,672
Cacho, Evelyn	30,693	818,000	(328,009)		520,684		520,684
Chan, Ermanric	209,909		(85,979)		123,930		123,930
Danenberg, Mercedes	137,344		(92,883)		44,461		44,461
Domingo, Ma. Visitacion	142,967		(63,686)		79,281		79,281
Edaño, Dennis	33,655		(33,655)		-		-
Gregorio, Ricardo	116,244		(116,244)		-		-
Llaga, Jhoanna Lyndelou	929,154	-	(204,490)		724,664		724,664
Llantada Jr. , Antonio	106,586	567,500	(114,719)		559,367		559,367
Llena, Jose Arnel	130,861		(63,473)		67,388		67,388
Libago, Ricky S.	249,628		(150,759)		98,869		98,869
Lim, Robert Edwin	43,915	556,350	(76,051)		524,214		524,214
Madridejos, Arminus	176,017		(76,833)		99,184		99,184
Manalac, Michael	207,713		(76,619)		131,094		131,094
Ramos, Franemil	222,610		(86,623)		135,987		135,987
	3,193,986	1,941,849	(1,720,238)	-	3,415,597	-	3,415,597

Note: Please refer to Schedule C for Amounts Receivable from Related parties.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2012

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.	99,589,280	153,037,732
Laguna Bel Air School, Inc.	71,981,358	63,217,474
Valle Verde Properties, Inc.	62,225,188	62,461,212
Sherman Oak Holdings Inc.	16,048,239	17,083,015
Sonoma Premier Land Inc.	7,356,147	7,360,647
TOTAL	**1,574,006,994**	**1,619,966,862**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2012

			Deduction			
Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	P 78,326,757	-	-	-	-	P 78,326,757

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Long-Term Debt
December 31, 2012

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-term Debt" in related Statement of Financial Position
Loans	**389,883,462**	**152,989,611**	**236,893,851**

Loans are payable up to 2017and bear interest at annual average rate of 7.8% 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, 2012

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Megaworld Corporation	P 813,835,391	P 2,324,428,182
Gilmore Property Marketing Association	-	387,202,164
Others	87,319,734	76,463,001
	P 901,155,125	P 2,788,093,347

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2012

				Number of Shares Held by		
Title of Issue	**Number of Shares Authorized**	**Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption**	**Number of Shares Reserved for Options, Warrants, Conversion and Other Rights**	**Related Parties**	**Directors, Officers and Employees**	**Others**
Preferred shares	**2,000,000,000**	-				
Common shares	**31,495,200,000**	**13,476,199,167 ***		**10,590,421,438**		

** Number of shares issued and outstanding net of 127,256,071 Treasury Shares.*

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
For the years ended December 31, 2012 and 2011
(Amounts in Philippine Pesos)

	2012	2011	2012	2011
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	P 21,979,496,671	P 17,067,397,200	3.10	4.07
Total Current Liabilities	7,099,359,427	4,193,111,816		
b. Quick Ratio				
(Cash and Cash Equivalents + Marketable Securities+Trade and Other Receivables)	5,623,811,913	3,059,700,916	0.79	0.73
Total Current Liabilities	7,099,359,427	4,193,111,816		
II. Solvency ratios				
a. Solvency Ratio				
(Earnings Before Interest and Taxes)	394,065,627	272,379,262	0.04	0.04
Total Liabilities	9,711,621,001	6,655,467,068		
b. Debt-to-Equity Ratio				
Total Liabilities	9,711,621,001	6,655,467,068	0.44	0.35
Total Equity	22,267,128,859	19,055,425,444		
III. Asset-to-equity ratio				
Total Assets	31,978,749,860	25,710,892,512	1.44	1.35
Total Equity	22,267,128,859	19,055,425,444		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	394,065,627	272,379,262	3.08	2.18
Interest Expense	127,988,279	125,002,679		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	235,348,575	186,122,832	16%	17%
Revenues	1,462,074,602	1,090,226,804		
b. Return on Equity				
Net profit	235,348,575	186,122,832	1%	1%
Average Equity	20,661,277,152	19,292,956,097		
c. Return on Assets				
Net profit	235,348,575	186,122,832	1%	1%
Average Assets	28,844,821,186	26,756,924,474		

EMPIRE EAST LAND HOLDINGS, INC.
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2012

Unappropriated Retained Earnings at Beginning of Year	P 2,622,693,737
Prior Years' Outstanding Reconciling Items, net of tax	
Deferred tax asset	25,823,469
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	2,648,517,206
Net Profit Realized during the Year	
Net profit per audited financial statements	225,812,285
Non-actual/unrealized income, net of tax	
Deferred tax income	7,486,938
	233,299,223
Retained Earnings Restricted for Treasury Shares	(102,106,658)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P 2,779,709,771**

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

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		♋		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		♋		
Practice Statement Management Commentary			♋	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	♋		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters**	♋		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	♋		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	♋		
	Amendments to PFRS 1: Government Loans* *(effective January 1, 2013)*			♋
PFRS 2	Share-based Payment			♋
	Amendments to PFRS 2: Vesting Conditions and Cancellations			♋
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			♋
PFRS 3 (Revised)	Business Combinations	♋		
PFRS 4	Insurance Contracts			♋
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	♋		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	♋		
PFRS 6	Exploration for and Evaluation of Mineral Resources			♋
PFRS 7	Financial Instruments: Disclosures	♋		
	Amendments to PFRS 7: Transition	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	♋		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	♋		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	♋		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2013)*			♋
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective January 1, 2015)*			♋
PFRS 8	Operating Segments	♋		
PFRS 9	Financial Instruments *(effective January 1, 2015)*			♋
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective January 1, 2015)*			♋
PFRS 10	Consolidated Financial Statements* *(effective January 1, 2013)*			♋
	Amendments to PFRS 10: Transition Guidance* *(effective January 1, 2013)*			♋
	Amendments to PFRS 10: Investment Entities* *(effective January 1, 2013)*			♋
PFRS 11	Joint Arrangements* *(effective January 1, 2013)*			♋
	Amendments to PFRS 11: Transition Guidance* *(effective January 1, 2013)*			♋
PFRS 12	Disclosure of Interests in Other Entities* *(effective January 1, 2013)*			♋
	Amendments to PFRS 12: Transition Guidance* *(effective January 1, 2013)*			♋
	Amendments to PFRS 12: Investment Entities* *(effective January 1, 2013)*			♋
PFRS 13	Fair Value Measurement* *(effective January 1, 2013)*			♋

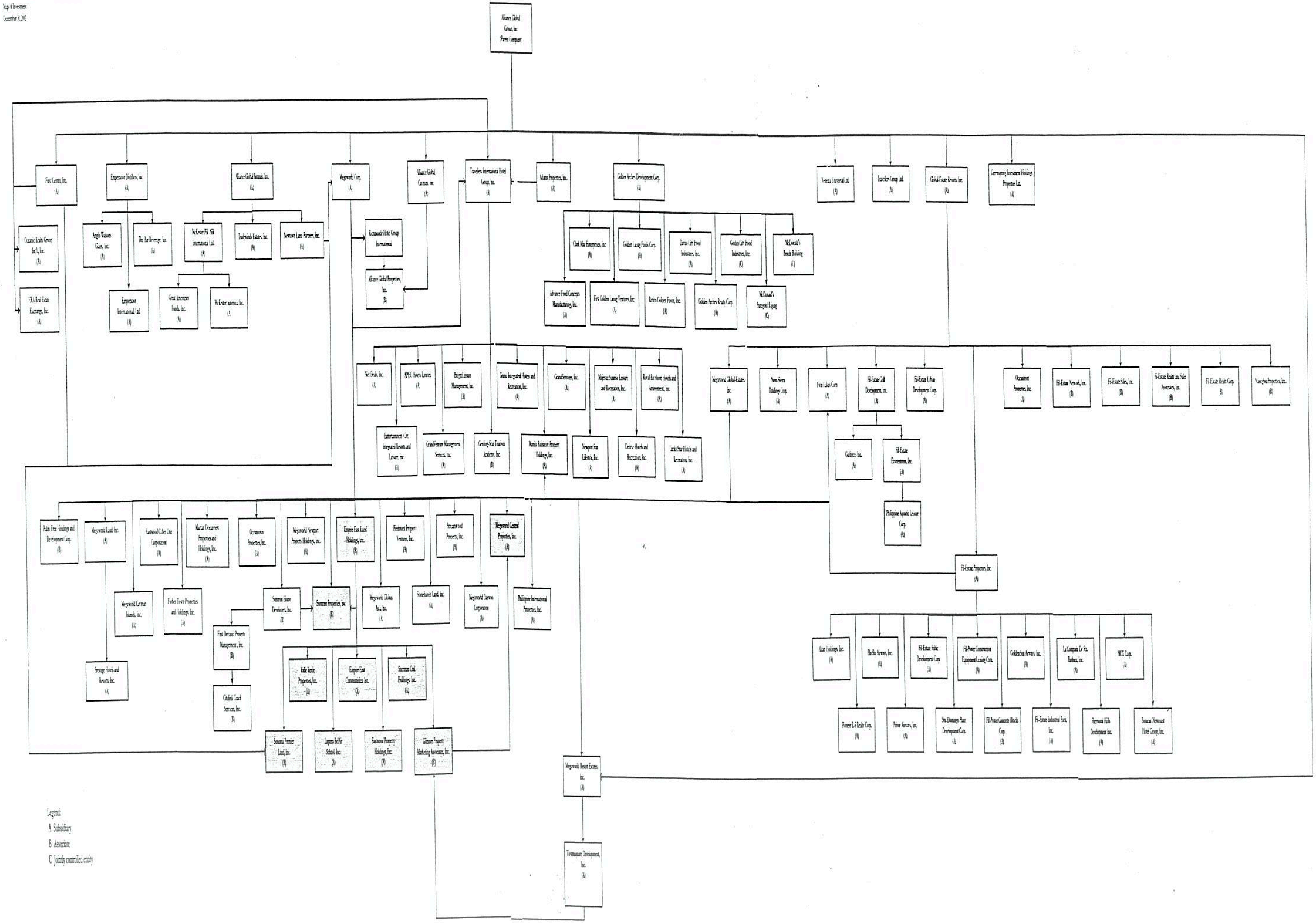
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	♋		
PAS 2	Inventories	♋		
PAS 7	Statement of Cash Flows	♋		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	♋		
PAS 10	Events after the Reporting Period	♋		
PAS 11	Construction Contracts	♋		
PAS 12	Income Taxes	♋		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	♋		
PAS 16	Property, Plant and Equipment	♋		
PAS 17	Leases	♋		
PAS 18	Revenue	♋		
PAS 19	Employee Benefits	♋		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	♋		
PAS 19 (Revised)	Employee Benefits* *(effective January 1, 2013)*			♋
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			♋
PAS 21	The Effects of Changes in Foreign Exchange Rates	♋		
	Amendment: Net Investment in a Foreign Operation			♋
PAS 23 (Revised)	Borrowing Costs	♋		
PAS 24 (Revised)	Related Party Disclosures	♋		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	♋		
PAS 27	Consolidated and Separate Financial Statements	♋		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate	♋		
PAS 27 (Amended)	Separate Financial Statements* *(effective January 1, 2013)*			♋
	Amendments to PAS 27 (Amended): Investment Entities* *(effective January 1, 2013)*			♋
PAS 28	Investments in Associates	♋		
PAS 28 (Amended)	Investments in Associates and Joint Ventures* *(effective January 1, 2013)*			♋
PAS 29	Financial Reporting in Hyperinflationary Economies			♋
PAS 31	Interests in Joint Ventures	♋		
PAS 32	Financial Instruments: Presentation	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 32: Classification of Rights Issues	♋		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			♋
PAS 33	Earnings per Share	♋		
PAS 34	Interim Financial Reporting			♋
PAS 36	Impairment of Assets	♋		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	♋		
PAS 38	Intangible Assets	♋		

PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities**	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions**	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
	Amendment to PAS 39: Eligible Hedged Items**	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine* *(effective January 1, 2013)*			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives **	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2012 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map of Investment
December 31, 2012



Legend:
A Subsidiary
B Associate
C Jointly controlled entity

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Summary of Application of SRO Proceeds
December 31, 2012

	BASED ON IPO PROSPECTUS		BASED ON ACTUAL	
SRO Proceeds	**P**	**2,695,239,834**	**P**	**2,695,239,834**
Less: SRO related expenses		**5,239,834**		**5,239,834**
Net proceeds		**2,690,000,000**		**2,690,000,000**
Less: Disbursements				
Construction Site Development		**1,800,000,000**		**-**
Pioneer Woodlands		800,000,000		-
San Lorenzo Place		700,000,000		-
The Rochester		300,000,000		-
Landbanking		**890,000,000**		**-**
Total Disbursements		**2,690,000,000**		**-**
Remaining Balance of Proceeds, as at December 31, 2012			**P**	**2,690,000,000**

Supplementary information on the Summary of Application of SRO Proceeds

There are no utlization of available funds because work program on the use of proceeds starts in 2013.

EMPIRE EAST LAND HOLDINGS, INC.
INTERIM FINANCIAL STATEMENTS
AS OF 31 MARCH 2013

SEC
Central Receiving and Records Division
HRAD
MAY 15 2013
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

10

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **31 March 2013**

2. Commission Identification Number: **ASO94-006430**

3. BIR Tax Identification No. **003-942-108**

4. **EMPIRE EAST LAND HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

5. **Metro Manila**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code

7. **21st Floor, The World Centre**
   330 Sen. Gil J. Puyat Avenue
   Makati City, Philippines 1227
   Address of issuer's principal office

8. **(632) 867-8351 to 59**
   Issuer's telephone number, including area code

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

Title of Class	Number of Shares of Common Stock Outstanding
Common	**13,476,199,167**

10. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] **No [ ]**

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

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

11. Indicate by check mark whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).

    Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 6 hereof and incorporated herein by reference:

Exhibit 1 – Consolidated Statements of Financial Position as of December 31, 2012 and March 31, 2013
Exhibit 2 - Consolidated Statements of Comprehensive Income as of March 31, 2012 and March 31, 2013
Exhibit 3 - Comparative Statements of Changes in Equity as of March 31, 2012 and March 31, 2013
Exhibit 4 - Comparative Consolidated Statements of Cash Flows as of March 31, 2012 and March 31, 2013
Exhibit 5 - Notes to Financial Statements
Exhibit 6 - Aging of Accounts Receivable as of March 31, 2013

Item 2. Management's Discussion of Financial Condition and Results of Operations

Please refer to Exhibit 7 hereof.

Item 3. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMPIRE EAST LAND HOLDINGS, INC.
Issuer

By: Ecacho

EVELYN G. CACHO
Vice President for Finance (Principal Financial Officer) and Duly Authorized Officer
May 15, 2013

EXHIBIT 1

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(In Thousands)			
	Unaudited		Audited	
	31-Mar-13		31-Dec-12	
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**1,928,359**	P	3,033,223
Trade and other receivables - net		**2,679,935**		2,590,589
Residential and Condominium unit for sale		**11,754,816**		11,342,431
Property development costs		**2,710,496**		2,659,617
Advances to Related Party		**1,736,082**		1,687,392
Prepayments		**177,502**		154,130
Other current assets		**608,469**		512,115
Total Current Assets		**21,595,659**		21,979,497
NON-CURRENT ASSETS				
Trade and other receivables - net		**2,239,506**		2,194,359
Advances to landowners and joint ventures		**819,439**		822,585
Available-for-sale financial assets		**2,381,490**		1,887,176
Land for future development		**3,753,926**		3,662,752
Investment in associates		**996,125**		970,146
Investment property - net		**198,156**		202,357
Property and equipment - net		**166,420**		171,066
Goodwill		**78,327**		78,327
Deferred tax assets		**4,066**		4,066
Other non-current assets		**6,370**		6,419
Total Non-current Assets		**10,643,825**		9,999,253
TOTAL ASSETS	**P**	**32,239,484**	P	31,978,750

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Interest-bearing loans and borrowings	**P**	**86,406**	P	152,990
Trade and other payables		**400,967**		948,442
Income tax payable		**7,184**		7,053
Deferred gross profit on real estate sales		**71,019**		90,417
Customers' deposits		**2,779,543**		2,739,542
Advances from related parties		**2,898,765**		2,788,093
Reserve for property development		**230,862**		175,551
Other current liabilities		**218,966**		197,271
Total Current Liabilities		**6,693,712**		7,099,359
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings		**208,138**		236,894
Reserve for property development		**976,861**		906,876
Deferred tax liabilities		**1,143,857**		1,128,597
Deferred gross profit on real estate sales		**252,176**		224,930
Retirement benefit obligation		**115,472**		114,965
Total Non-current Liabilities		**2,696,504**		2,612,262
Total Liabilities		**9,390,216**		9,711,621
EQUITY				
Equity attributable to parent company's shareholders		**22,236,021**		21,654,212
Minority interest		**613,247**		612,917
Total Equity		**22,849,268**		22,267,129
TOTAL LIABILITIES AND EQUITY	**P**	**32,239,484**	P	31,978,750
		(0)		**(0)**

EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(In Thousands)	
	Unaudited Jan-March 2013	Unaudited Jan-March 2012
REVENUES		
Real estate sales	**P 557,089**	P 463,951
Realized gross profit on prior years' sales	**40,613**	6,236
Finance Income	**76,212**	120,189
Commissions & other income	**115,682**	109,701
	789,596	700,077
COST & EXPENSES		
Cost of real estate sales	**353,424**	320,011
Deferred gross profit on current year's sales	**48,461**	60,678
Finance costs	**38,715**	29,856
Operating expenses	**282,283**	244,710
Tax expense	**16,388**	17,076
	739,271	672,331
NET PROFIT	**50,325**	27,746
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value gains (losses) on available-for-sale financial assets	**531,814**	344,971
TOTAL COMPREHENSIVE INCOME (LOSS)	**582,139**	372,717
Net profit attributable to:		
Parent company's shareholders	**49,995**	34,705
Minority interes	**330**	(6,959)
	50,325	27,746
Total comprehensive income (loss) attributable to:		
Parent company's shareholders	**581,809**	363,358
Non-controlling interest	**330**	9,359
	582,139	372,717
Earnings Per Share		
Basic	**0.0037**	0.0033
Diluted	**0.0037**	0.0032

EXHIBIT 3

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
COMPARATIVE STATEMENTS OF CHANGES IN EQUITY

	(In Thousands)			
	Unaudited 31-Mar-2013		Unaudited 31-Mar-2012	
CAPITAL STOCK		**P 13,603,455**		P 10,908,216
ADDITIONAL PAID-IN CAPITAL		**4,247,888**		4,281,565
TREASURY SHARES		**(102,107)**		(116,234)
REVALUATION RESERVES				
Balance at beginning of year	**1,016,726**		473,951	
Net Unrealized fair value gains (losses) on available-for-sale financial assets	**531,814**		328,654	
Balance at end of period		**1,548,540**		802,605
RETAINED EARNINGS		**2,938,245**		2,689,019
MINORITY INTEREST		**613,247**		862,973
TOTAL EQUITY		**P 22,849,268**		P 19,428,143

EXHIBIT 4

EMPIRE EAST LAND HOLDINGS, INC. & SUBSIDIARIES
COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In Thousands)	
	Unaudited 31-Mar-13	Unaudited 13-Mar-12
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**66,712**	44,822
Adjustments for:		
Depreciation and amortization	**9,066**	10,254
Finance costs	**38,715**	29,856
Interest & other income	**(76,212)**	(140,833)
Operating income before working capital changes	**38,281**	(55,901)
Net Changes in Operating Assets & Liabilities		
Increase (decrease) in current & non-current assets	**(835,148)**	(666,155)
Increase (decrease) in current & other non-current liabilities	**(359,751)**	315,322
Increase (decrease) in reserve for property development	**125,296**	102,847
Cash used in operations	**(1,031,322)**	(303,887)
Interest received	**32,232**	92,005
Cash paid for income taxes	**(7,997)**	(1,073)
Net Cash Used in Operating Activities	**(1,007,087)**	(212,955)
CASH FLOWS FROM INVESTING ACTIVITIES	**4,835**	33,095
CASH FLOWS FROM FINANCING ACTIVITIES	**(102,612)**	(148,908)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(1,104,864)**	(328,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,033,223**	827,666
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,928,359**	498,898

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 P140.6 million and short-term placements of P1.8 billion.

3) Current Trade and Other Receivables account of P2.7 billion mostly includes receivables from sales transactions. The P2.2 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 P2.7 billion and P11.8 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 P3.6 billion pertain to property acquisition, joint venture and other business related transactions.

6) Available-for-sale Financial Assets accounts totaling P2.4 billion pertain to investments in equity securities of subsidiaries.

7) Land for Future Development account of P3.8 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 P198 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 P166 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 P294.5 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 P71.0 million, customers' deposits/advances of P2.8 billion and other payables/accruals amounting to P3.5 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 P1.2 billion pertains to the remaining costs needed to complete the development/construction of the sold units.

13) Increase in Equity by P582 million is the net effect of three-months net profit, the fair value gains/revaluation of marketable equity securities.

14) Revenues include the following – real estate sales of P557 million, interest income of P76.2 million derived mostly from buyers in-house financing, and commissions and other income totaling to P115.7 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.

17) There were no seasonal aspects that had a material effect on the financial condition or results of operations of the group.

18) There were no issuances, repurchases, and repayments of debt and equity securities on the current interim period.

19) The Company's operating businesses are organized and managed separately according to the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company 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 tables in the succeeding pages present the revenue and profit information regarding industry segments in the quarters ended March 31, 2013 and 2012 and certain asset and liability information regarding industry segments as of March 31, 2013 and December 31, 2012.

March 31, 2013

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 488,470,131	P 68,618,952	P 89,702,681	P 646,791.764
RESULTS				
Segment results	P 175,949,143	P 19,867,572	P 165,914,558	P 361,731,273
Unallocated expenses			(282,283,211)	(282,283,211)
Operating profit				79,448,062
Equity in net earnings of subsidiaries			25,979,164	25,979,164
Finance costs			(38,714,795)	(38,714,795)
Profit before tax				66,712,431
Tax expense			(16,387,775)	(16,387,775)
Profit before minority interest				50,324,656
Non-controlling interest – share in net profit				330,025
Net profit attributable to parent company's shareholders				P 49,994,631
ASSETS AND LIABILITIES				
Segment assets	P 13,084,172,899	P 4,566,667,343	P 164,615,162	P 17,815,455,403
Investment in associates			996,125,410	996,125,410
Unallocated assets	-	-	13,427,902,744	13,427,902,744
Total assets	P 13,084,172,899	P 4,566,667,342	P 14,588,643,316	P 32,239,483,557
Segment liabilities	P 924,512,302	P 606,405,430	P -	P 1,530,917,732
Unallocated liabilities	-	-	7,859,298,312	7,859,298,312
Total liabilities	P 924,512,302	P 606,405,430	P 7,859,298,312	P 9,390,216,044
OTHER SEGMENT **INFORMATION:**				
Capital expenditures			P 1,937,679	P 1,937,679
Depreciation and amortization			9,065,975	9,065,975

March 31, 2012

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 390,059,431	P 73,891,753	P 89,057,270	P 553,008.454
RESULTS				
Segment results	P 76,808,991	P 12,689,125	P 209,245,991	P 298,744,107
Unallocated expenses			(244,709,712)	(244,709,712)
Operating profit				54,034,395
Equity in net earnings of subsidiaries			20,643,890	20,643,890
Finance costs			(29,856,264)	(29,856,264)
Profit before tax				44,822,021
Tax expense			(17,075,756)	(17,075,756)
Profit before minority interest				27,746,265
Non-controlling interest – share in net profit				(6,957,855)
Net profit attributable to parent company's shareholders				P 34,704,120
ASSETS AND LIABILITIES				
Segment assets	P 12,470,671,987	P 4,528,288,193	P 168,225,441	P 17,167,185,621
Investment in an associate			970,146,246	970,146,246
Unallocated assets	-	-	13,841,417,993	13,841,417,993
Total assets	P 12,470,671,987	P 4,528,288,193	P 14,979,789,680	P 31,978,749,860
Segment liabilities	P 808,553,884	P 589,219,928	P -	P 1,397,773,812
Unallocated liabilities	-	-	8,313,847,189	8,313,847,189
Total liabilities	P 808,553,884	P 589,219,928	P 8,313,847,189	P 9,711,621,001
OTHER SEGMENT **INFORMATION:**				
Capital expenditures			P 16,125,846	P 16,125,846
Depreciation and amortization			10,253,958	10,253,958

Exhibit 6

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
As of March 31, 2013
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	3,138,021	3,132,000	4,688	1,099	236	-	-
b) Other Receivables	1,781,421	1,781,421	-	-	-	-	-
Net Receivables	**4,919,442**						

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, 2013 versus March 31, 2012

During the three-month period, the consolidated net profit amounted to P50.3 million, 81% higher than the previous year's net income of P27.7 million. Consolidated revenues, composed of real estate sales, finance income, commissions and other revenues posted an increase of 13% from P789.6 million to P700.1 million.

Real Estate Sales

The Group registered Real Estate Sales of P557.1 million for three months ended March 31, 2013 compared with P464.0 million in 2012. The sales generated were derived from various projects including, San Lorenzo Place, Pioneer Woodlands, Little Baguio Terraces, The Sonoma, The Cambridge Village, California Gardens Square and Laguna Bel Air Projects.

The Cost of Sales amounting to P353.4 million in 2013 and P320.0 million in 2012, as a percentage of Real Estate Sales, was 63% and 69%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P203.7 million during the three months of 2013 and P144.0 million in 2012, or 37% and 31% 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 P195.8 million and P89.5 million in 2013 and 2012, respectively represents 35% and 19% of Real Estate Sales, respectively.

Other Revenues

The finance income amounting to P76.2 million and P120.2 million in 2013 and 2012 respectively, were derived mostly from in-house financing and accounts for 10% and 17% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P115.7 million in 2013 and P109.7 million in 2012, represents 15% and 16% of total revenues, respectively.

Operating Expenses

Operating Expenses posted an increase from P244.7 million in 2012 to P282.3 million in 2013. Other charges/expenses include Finance Cost of P38.7 million and P29.9 million in 2013 and 2012, respectively.

FINANCIAL CONDITION

Review of March 31, 2013 versus December 31, 2012

Total resources of the Group as of March 31, 2013 and December 31, 2012 amounted to P32.2 billion and P32.0 billion respectively. Cash and Cash Equivalents decreased from P3.03 billion to P1.9 billion. The Group remained liquid with Total Current Assets of P21.6 billion in 2013 and P22.0 billion in 2012, which accounted for 67% and 69% of the Total Assets in 2013 and 2012, while its Total Current Liabilities amounted to P6.7 billion in March 31, 2013 as compared with P7.1 billion in December 31, 2012.

Equity increased from P22.3 billion in the previous year to P22.8 billion as of March 31, 2013 due to revaluation of equity investments and net income for the 3-month period.

For the three months of 2013 and previous year 2012, the Group sourced its major cash requirements from internally generated funds, subscription payment on increase in authorized capital stock of the Company and partly from borrowings.

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

Material Changes in the 2013 Interim Financial Statements
(increase/decrease of 5% or more in the 2013 Financial Statements)

Balance Sheets

- 36% decrease in Cash and Cash Equivalents
  Mainly due to construction related payments and acquisition of properties

- 15% increase in Prepayments
  Mainly due to increase in prepaid taxes related to transfer of titles

- 19% increase in Other Current Assets
  Mainly due to increase in input vat on purchases and payments to various contractors

- 26% increase in Available-for-sale Financial Assets
  Primarily due to increase in fair market value of investment in securities held by a subsidiary

- 24% decrease in Interest-bearing Loans and Borrowings
  Due to repayment of loans and borrowings

- 58% decrease in Trade and Other Payables
  Various payments to contractors and suppliers due to increasing construction activities

- 12% increase in Reserve for Property Development
  Pertains to the estimate cost to complete the construction/development of sold units

- 11% increase in Other Current Liabilities
  Due to increase in retention payables to suppliers and contractors

Income Statements

- 20% increase in Real Estate Sales
  Due to aggressive selling of projects

- 551% increase in Realized Gross Profit on Prior Years' Sale
  Primarily due to increase in construction accomplishments of ongoing projects

- 37% decrease in Finance Income
  Primarily due to varying payment terms of accounts under in-house financing

- 5% increase in Commission & Other Income
  Mainly due to increase in equity share in net earnings of associates and other revenues

- 10% increase in Cost of Real Estate Sales
  Mainly due to increase in real estate sales

- 20% decrease in Deferred Gross Profit Current Year's Sales
  Mainly due to completion of some projects

- 30% increase in Finance Cost
  Mainly due to additional construction-related advances

- 15% increase in Operating Expenses
  Primarily due to intensified selling/marketing activities and increase in administrative expenses

For the year 2013, the projected capital expenditures (construction/development) of roughly P4 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 three-month period of 2013, the following are top key performance indicators of the Company and its majority-owned subsidiaries:

1) **Increase in Real Estate Sales**

   The Group's marketing concepts and sales strategies, project location, flexible payment scheme and aggressive selling have contributed to the increase in sales. The Group's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila

2) **Increase in Other Income**

   Other income derived from various source significantly contributed in generating revenues.

3) **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.

4) **Continuous development of projects**

   The Group aggressively 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 P77.5 million as of March 31, 2013.

At March 31, 2013, if the peso had strengthened by 1% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P0.9 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 1% 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, 2013, if general interest rates on dollar and peso-denominated financial assets had been higher by 0.25%, with all other variables held constant, income before tax for the year would have been P3.8 million 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 six 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 Mar. 31,2013	As of Dec. 31, 2012
Cash and cash equivalents	**P 1,928,358,628**	P 3,033,222,982
Trade and other receivables - net	**4,356,025,581**	4,208,570,334
Advances to landowners and joint venture	**819,439,181**	822,584,793
Advances to related parties	**1,736,081,678**	1,687,392,195
	P 8,839,905,067	P 9,751,770,304

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, 2013, 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 86,405,760	P -	P 208,137,575	P -
Trade and other payables	293,390,352	-	-	-
Advances from related parties	2,898,764,733	-	-	-
Other current liabilities	212,156,911	-	-	-
	P3,490,717,575	P -	P 208,137,575	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 170,684,851	P -	P 413,846,258	P -
Trade and other payables	891,315,116	-	-	-
Advances from related parties	2,874,646,777	-	-	-
Other current liabilities	180,245,087	-	-	-
	P4,116,891,831	P -	P 413,846,258	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, 2013, if the quoted stock price for the securities had decreased by 6.92% with all other variables held constant, equity would have been lower by about P164.8

million. The 6.27% 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, 2012.

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 and it plans to conduct a comprehensive study on the fourth quarter of 2014 of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

EXHIBIT 8

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	3/31/2013	12/31/2012
Current ratio	**3.23**	3.10
Quick ratio	**0.69**	0.79
Debt-to-equity ratio	**0.41**	0.44
Interest-bearing debt to total capitalization ratio	**0.01**	0.02
Asset-to-equity ratio	**1.41**	1.44
		3/31/2012
Interest rate coverage ratio	**272%**	250%
Net profit margin	**8%**	6%
Return on assets	**0.17%**	0.11%
Return on equity/investment	**0.22%**	0.14%
Return on equity/investment of owners	**0.22%**	0.19%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilitites

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term-debt.
Debt-to-equity ratio-computed as total liabilities divided by stockholders' equity.
Interest-bearing debt to total capitalization ratio-computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency.
It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.
It is computed as profit before income tax and interest expense ("EBIT") divided by interest.
In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS
Net profit margin - computed as net profit divided by revenues
Return on assets - net profit divided by average total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to owners of the parent company