SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE**

1. For the fiscal year ended **31 December 2009**

2. SEC Identification Number: **AS094-006430**

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. **21/F The World Centre**
   330 Sen. Gil J. Puyat Avenue
   Makati City, Philippines 1227
   Address of principal office

8. **(632) 867-8351 to 55**
   Issuer's telephone number, including area code

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

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

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

    Yes [x] No [ ]

    Philippine Stock Exchange **Common Shares**

10. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC 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.

    Yes [x] No [ ]

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

Yes [x] No [ ]

11. Aggregate Market Value of Voting Stock held by Non-Affiliates as of 31 March 2010 is Php1,005,076,511.76 based on the closing price of P0.24.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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 31, 2009, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); 73% in Laguna BelAir School, Inc. (LBAS); 80% in Suntrust Properties, Inc. ("SPI") (formerly Empire East Properties, Inc.); 100% in Valle Verde Properties, Inc. ("VVPI"); 60% in Sonoma Premier Land, Inc. ("SPLI") formerly, Galleria Corsini Holdings, Inc.; 100% in Empire East Communities, Inc. ("EECI") and 100% in Sherman Oak Holdings, Inc.("SOHI").

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 2004, the Company subscribed to shares of SPI using a portion of its outstanding advances to SPI as full payment for the subscriptions. The Company subsequently assigned some of the shares to Suntrust Home Developers, Inc., retaining 40% interest in SPI after the assignment. 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. This transaction resulted to an increase in the Company's ownership in SPI from 40% to 80%.

VVPI was incorporated on October 13, 2006 and has not yet started commercial operations as of December 31, 2009. In 2006, the Company acquired 33% ownership interest in VVPI. In 2008, additional shares were acquired by the Company through assignment of shares from a stockholder. This has increased the Company's ownership of VVPI to 100%.

SPLI was incorporated on February 26, 2007 and started its commercial operations in 2008. In 2007, the Company subscribed to 100 million common shares of SPLI thereby acquiring 20% ownership therein. In 2008, additional 200 million shares were acquired by the Company which increased its ownership to 60%.

SOHI was incorporated on February 2, 2007 and has not yet started commercial operations as of December 2009. In January 2008, the Company acquired 100% ownership of SOHI through assignment of shares from another stockholder.

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

In 2007, the Company sold its 100% ownership in Gilmore Property Marketing Associates Inc. (GPMAI) to a related party and acquired an additional 65 million common shares of LBAS, a company incorporated on February 13, 1996 and presently operating a school for primary and secondary education, thereby increasing its ownership from 23% to 73% in 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.

Business of Issuer and Subsidiaries

Principal Products, Services and Markets

The Company's principal business is real estate development. The Company develops and sells residential units varying from high-rise condominiums in the central business districts, mid-rise developments in other parts of the metropolis to single-detached in the suburbs. An affiliate handles the lease of the Company's commercial, industrial, parking and residential spaces. The Company provides housing opportunities to its market through its pre-selling and ready-for-occupancy programs.

For several years, the Company has pioneered breakthrough housing concepts such as, but not limited to, "live-work-play" communities and township developments. These innovative concepts set new trends in the industry and made the Company the leading player in its market niche. The Company's latest innovation that set a new trend in the Philippine real estate industry is its transit-oriented development (TOD) concept. The projects are strategically situated along the main thoroughfare and have direct access to mass transit systems. Aside from their accessibility via major transport systems, the projects of the Company are centrally located in the heart of Metro Manila.

The Company has integrated into its projects market requirements such as: malls, supermarkets, and convenience stores. These commercial establishments plus their excellent amenities provide convenient city-living solutions to homebuyers.

For the past years, the Company has devised pricing schemes that offer affordable monthly amortizations and flexible payment schedules to accommodate early turnover of completed units to its buyers. Alongside these, after-sales service and buyer-friendly programs complement the professional service of its property administration and customer relations.

Contribution to Sales and Revenues

In 2009, the income from sales of various condominium units and house-and-lot packages accounted for 46% of total revenues. Interest income, the bulk of which came from in-house financing of units sold to buyers, accounted for 24%. The commission income of a subsidiary of the Company realized from marketing of real properties of related parties, rentals and other business related sources accounted for the remaining 30% of total revenues. Foreign sales contributed minimally to the Group's consolidated sales and revenues for the year 2009.

The percentage of contribution to revenues of the above products and services differs from their percentage of contribution to net income since certain revenues do not have corresponding expenses and some expenses are not identifiable with projects.

Distribution Methods

The Company is intensively studying movements in its market. It continuously provides in-depth evaluation of its market by way of direct communication with its homebuyers. It makes use of its in-house sales force in determining market needs and in promoting the Company projects. Its two sales divisions, Empire East Elite and Empire East Communities operate on different sales strategies and provide healthy competition to each other. Each division has its own set of organization composed of Sales Directors, Sales Managers and Real Estate Consultants.

In recent years, the Company regards its projects as fast-moving consumer products as evident in the non-traditional marketing strategies such as use of graphic billboards, LED displays, lamp post banners, directional signage, posters, transit top-ads and magazine ads. Traditional media such as broadsheets are utilized regularly. The Company is recognized for its on-site and off-site high-end showrooms. The off-site showrooms are situated in the leading malls in the key cities.

Aside from its in-house sales groups, the Company establishes tie-up arrangements with private institutions and organizations for the purpose of providing housing opportunities to its members or employees. To secure international and nationwide networks, external brokers and satellite offices are commissioned to establish the Company's active presence in various selected areas.

The Company has engaged the services of First Oceanic Property Management, Inc. (FOPMAI) to handle the management and maintenance of most of its projects. Aside from property management functions, FOPMAI also handles lease/sale of ready for occupancy (RFO) units and parking slots.

Update on Projects

In 2009, the Company and a subsidiary spent P1.27 billion for construction and development activities.

Pioneer Woodlands, the Company's first transit-oriented development located along EDSA corner Pioneer Street in Mandaluyong City and physically connected to MRT Line 3 Boni Ave. station. The constructions of its first two towers is in full swing resulting in a significant increase in sales at the end of the year.

Little Baguio Terraces is a four-tower project strategically located between two major roads, and sits on the boundary of two cities, San Juan and Quezon City. Clearing operations and initial stages of construction were implemented upon closing of year 2009.

San Lorenzo Place is regarded as a high-end residential condominium project because of its price, value, location and amenities. Residential towers sit on a podium that is linked directly to the Magallanes Station of MRT Line 3. The project is located at the corner of

EDSA corner Chino Roces Avenue, Makati City. The first two towers have been made available to the buyers in 2009.

Laguna BelAir. Approximately 45 minutes away from the Makati central business district by car and within five kilometers of Laguna's various industrial parks is the Laguna BelAir project consisting of several residential phases. In October 2009, the Laguna BelAir Southdrive, catering to a stretch of residential homes and commercial spaces, was turned over to its respective owners.

The turnover of this 156-hectare project has reached 71% development comprising of about 6,100 residential units and commercial spaces.

The Cambridge Village, a 28-cluster community in Pasig-Cainta area is a showcase of the Company's large-scale development. Clusters 1 to 12 and 16 to 19 and the parking building have been successfully completed.

The Company's portfolio includes Ready-for-Occupancy (RFO) units in various high-rise residences, such as California Garden Square in Libertad Street, Mandaluyong City and Greenhills Garden Square in Col. Bonny Serrano Avenue, Quezon City.

The Company's subsidiary, **Suntrust Properties, Inc. (SPI)** caters to the affordable housing segment which has proven to be very resilient despite investment jitters created by the 2008-2009 global economic slowdown. SPI has various on-going projects, as follows:

Governor's Hills in General Trias, Cavite, is an 89-hectare township project. Land development is 90% completed. It has completed the construction of its clubhouse and has started the land development of a 2-hectare commercial area.

The Gentri Heights, a 40-hectare rolling terrain community development along Governor's Drive in Gen. Trias, Cavite was launched in 2008. It features modern Asian-inspired houses which blend with the serene environment of Gen. Trias. Land development is 72% completed and it has started the rehabilitation of its clubhouse in 2009 which is expected to be completed in 2010.

Sta. Rosa Heights in Silang, Cavite is a 25-hectare development featuring Spanish Mediterranean homes at very affordable prices. Its land development is 98% completed. The sprawling clubhouse, viewing deck and infinity pool are located in its 2-hectare amenities area. A basketball court, jogging path and picnic areas will be completed in 2010.

Suntrust Adriatico Gardens, a three-tower mid-rise condominium project along Adriatico Street beside Harrison Plaza in Manila, was launched in 2008. The Structural work is 20% completed as of March 2010.

Cybergreens, a 7-hectare development adjacent to Sunrise Hills, offers modern community living features such as wi-fi ready gazebo, CCTV-camera enabled guard house and right-at-your-doorstep pocket parks, the first of its kind in Cavite. Land development is 70% completed.

Cyberville, a 10-hectare development adjacent to Cybergreens was launched in March 2009 to ride on the success of Cybergreens. It features modern duplex bungalows at prices below P1 Million per unit. Initial land development works has also started in 2009.

Competition

In the last quarter of 2009, several new projects of Megaworld and Alveo were launched, signaling an increase in market demand. The tremendous market demand is evident in the sales performance of the Company's three (3) newest transit-oriented development (TOD) projects. The Company's pre-selling projects are regarded as luxury residential condominiums an account of their selling price, which have set a new price trend in the industry. SM has launched some projects which have closely adopted the same price range and terms of payment.

Construction of most residential condominium projects is in full swing. Most projects launched in 2007 and 2008 are under construction. The Company started construction of Pioneer Woodlands in the last quarter of the year. DMCI, Polar Mines and New San Jose Builders have not launched new projects but concentrated on project construction and selling.
The Company maintained a steady lead in the market in 2009 despite the new pricing trend that it has set. It is the combination of product concept and project location that gives the Company an edge over competition.

Sources and Availability of Raw Materials/Suppliers

The Company has a broad base of suppliers of materials and services and is not dependent on any one supplier.

Dependence on Certain Customers

The Company has a broad customer base and is not dependent on a single customer or few customers.

Transactions with and/or Dependence on Related Parties

The Company paid a management/leasing fee of P3.7 million to an affiliate for the management/leasing of the Central Business Park complex, an office-warehouse building located in Pasig City and some other projects. Some units of the warehouse are being leased to other affiliate companies. In 2009, total rental earned from its leasing operations in the Central Business Park complex amounted to P22.6 million. Additional information on related party transactions is provided in Item 18 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.

Patents, Trademarks and Copyrights

The Group's operations are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement.

Need for Government Approval of Principal Products and Services//Effect of Existing or Probable Government Regulations

Philippine land use laws regarding subdivisions and condominiums include zoning laws, which regulate land use, laws which specify standards and technical requirements for the development of subdivisions and laws requiring a license to be obtained before subdivided lots can be sold.

The municipal or city authority determines whether the plans of a proposed development comply with the applicable standards and conducts a preliminary inspection of the site. Local authorities are required to monitor the progress of subdivision projects and to inspect projects following their completion to determine whether or not they comply with the approved plans.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some of the construction standards. Other subdivisions must comply with Presidential Decree No. 957, which sets out standards for lower density developments. Both types of subdivision must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes, the length of the housing blocks and house construction.

Under Presidential Decree No. 957, which covers subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes, the HLURB, together with local government units, has jurisdiction to regulate the real estate trade and business. All subdivision plans are required to be filed with and approved by the local government unit concerned, while condominium project plans are required to be filed with and approved by HLURB. Approval of such plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. Development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes and house construction.

Owners or dealers of real estate projects are required to obtain licenses to sell before making sales or other disposition of lots or real estate projects.

In general, developers of residential subdivisions are required to submit project descriptions to regional offices of the Department of Environment and Natural Resources ("DENR"). This description sets out the background of the proposed project and identifies any significant environment risks and possible alternative sites. In environmentally critical projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not cause an unacceptable environmental impact.

The Company routinely secures the required governmental approvals for its projects during the planning, construction and marketing stages of project development. The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

Research and Development Costs

Expenses incurred for research and development activities are minimal and do not amount to a significant percentage of revenues.

Costs and Effects of Compliance with Environmental Laws

Expenses incurred by the Group for purposes of complying with environmental laws consist primarily of payments for government regulatory fees that are standard in the industry and are minimal.

Manpower

As of December 31, 2009, the Group employed a total of 444 employees. The Group will hire additional employees if and when the present workforce becomes inadequate to handle the growing operations of the Group. The Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations in the Group. Aside from complying with the minimum compensation standards mandated by law, the Group makes available to qualified personnel supplemental benefits such as health insurance, retirement, housing plans and car plans.

Business Risks

The real estate industry is highly dependent on the performance of the national economy as the growth of the industry has a direct correlation with the state of the national income and effective disposal income of the people. As disposable income increases, expenditures on housing will increase proportionately. Furthermore, a stable economy brings about liquidity in the financial system, thus increasing the sources of funding for housing.

The growth and profitability of the Company are influenced by the general political and economic situation. Any political instability in the future may have a material effect on the financial results of the Company.

Increase in interest rates and unavailability of affordable financing options affect the demand for housing. The Company caters to middle income market, a market which primarily considers the affordability of monthly amortizations through long term in-house or bank financing schemes.

The Company is engaged primarily in the development of land and construction of housing /condominium units. Its business is dependent on the availability of large tracts of land with potential for development. As major players and new ones continue to take advantage of the bullish condition of the real estate industry, prime properties may become less available to the Company.

Other risks related to property development are fluctuation in prices and availability of construction materials, changes in government regulations, increase in taxes and fees and intense competition.

The Company remains vigilant to factors affecting its business, such as fluctuations in interest rates on borrowings and end-buyers' financing, increasing costs of construction materials, labor and administrative expenses which may affect overall demand for housing**.** Fluctuations in foreign exchange have no adverse effect since the Company has very minimal importations of construction-related materials and has no foreign currency denominated loans.

The Company continuously monitors trends in the industry and regularly checks economic indicators. It constantly explores ways and means on how to be more cost effective and implements reasonable price increases to maintain certain profit margins while keeping its products competitive. To maintain the marketability of its products, it provides quality projects in convenient locations, keeps the price affordable, offers a variety of flexible payment terms for in-house financing and continues to maintain strong tie-ups with various banks for the financing requirements of its buyers.

The Company remains prudent in managing its financial resources and has taken measures in controlling its available funds. Generally, the Company utilizes its internally generated funds for its operations and partly uses bank financing for purposes of acquiring properties with strong economic potential and meeting urgent development requirements. By identifying the risk areas and employing appropriate risk management tools, the Company believes that the related business risks could be managed properly.

Item 2. Properties

Description of Principal Properties

The principal properties of the Group are as follows:

Property	Location	Limitations on Ownership
Completed Projects:		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Pasadena Heights	General Trias, Cavite	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Eastwood City	Bagumbayan, Quezon City	Owned
Kingswood Tower	Makati City	Joint Venture
Citibank Square	Eastwood, Quezon City	Joint Venture
Gilmore Heights	Gilmore Ave. cor. N. Domingo Sts., Quezon City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, QuezonCity	Owned
Central Business Park 2	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
Regal Homes	Imus, Cavite	Owned
UN Gardens	Manila	Joint Venture
Sunrise Hills	Dasmarinas Cavite	Owned
On-Going Projects:		
California Garden Square	Libertad St., Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
The Cambridge Village	Cainta, Rizal	Owned
Laguna BelAir 4	Don Jose, Sta. Rosa, Laguna	Joint Venture
Little Baguio Terraces	San Juan, Metro Manila	Owned
Pioneer Woodlands	Mandaluyong City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
Governor Hills	Gen. Trias, Cavite	Joint Venture
Cyber Greens	Gen. Trias Cavite	Owned

Cyberville	Gen. Trias, Cavite	Owned
Sta. Rosa Heights	Silang, Cavite	Joint Venture
Suntrust Adriatico Gardens	Adriatico, Manila	Joint Venture
Upcoming Projects:		
The Rochester	Pasig City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
Sta. Rosa Hills	Silang, Cavite	Joint Venture
The Mandara	Silang, Cavite	Joint Venure

Most projects are for sale with the exception of Central Business Park 2, which is an office-warehouse complex for lease. It has a total of 9,870 square meters of leasable area with lease rate of P120 per square meter. Lease terms range from 1 to 3 years. All units are currently occupied.

Certain assets of the Company with a total carrying value of ₱ 2.4 billion are used as collateral to secure the payment of loans obtained from creditors.

Future acquisition of properties may be financed through in-house collections, bank financing or from equity capital. Another option of the Company is to enter into joint venture arrangements with the landowners to minimize cash outlay.

Item 3. Legal Proceedings

Description of Material Pending Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party or of which any of their property is the subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of 2009 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

M**arket Information**

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
2008 High	.64	.61	.47	.37
Low	.60	.42	.32	.19
2009 High	.34	.47	.52	.49
Low	.21	.24	.36	.41
2010 High	.43			
Low	.35			
3/31/10 Close	.41			

Holders

As of 31 March 2010, there were 13,973 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2010.

Rank	Name of Holder	Number of Shares	Percentage of Ownership
1	Megaworld Corporation	5,077,256,249	48.3768%
2	PCD Nominee Corporation (Filipino)	2,277,318,050	21.6986%
3	Calypso Management Worldwide S.A.	1,205,107,484	11.4824%
4	First Centro, Inc.	1,088,494,500	10.3713%
5	PCD Nominee Corporation (Non-Filipino	265,969,514	2.5342%
6	The Andresons Group, Inc.	138,133,820	1.3162%
7	Conrado Chua, Sr.	27,255,000	0.2597%
8	Andrew L. Tan	24,277,777	0.2313%
9	Basilio Barretto	16,704,900	0.1592%
10	Simon Lee Sui Hee	16,685,206	0.1590%
11	Ramon Uy Ong	14,950,000	0.1424%
12	Ana Go and/or Go Kim Pa	11,000,000	0.1048%
13	Lucio W. Yan	10,350,000	0.0986%
14	Samuel Chua Ng &/or Jocelyn Ngo Ng ITF-Steven Samuel Ngo Ng	7,015,000	0.0668%
15	Union Properties, Inc.	6,157,808	0.0587%
16	Lily L. Tan	5,646,500	0.0538%
17	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0423%
18	Evangeline R. Abdullah	4,324,000	0.0412%
	Ye Se Sze	4,324,000	0.0412%
19	Valentin T. Khoe	4,207,434	0.0401%
20	George T. Yang	3,675,400	0.0350%

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

Dividends

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

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

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

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

Recent Sales of Unregistered or Exempt Securities

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

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

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Top Five (5) Key Performance Indicators

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

Increase in Revenues

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

Ability to repay loan obligations

Loans were promptly settled. The Group maintains its loan obligations within manageable level. It has established 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

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

Continuous development of projects

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

Landbanking

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

RESULTS OF OPERATION

Review of 2009 versus 2008

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

<u>Real Estate Sales</u>

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

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

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

<u>Other Revenues</u>

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

Operating Expenses

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

FINANCIAL CONDITION

Review of December 31, 2009 versus December 31, 2008

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

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

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

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

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

Balance Sheets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Top Five (5) Key Performance Indicators for 2008

The Group considers the following as the top key performance indicators for 2008:

Increase in Cash and Cash Equivalents

The Company has adequate resources to fund the construction of its upcoming projects and acquisition of additional properties.

Ability to repay loan obligations

The loan obligations were promptly settled in accordance with repayment schedules. The Group maintains good credit standing with creditor banks and has considerable credit facilities which can be utilized for urgent capital requirements.

Increase in reservation sales

The reservation sales increased due to extensive efforts in selling new projects which were launched last year and early this year. The Company's new projects are connected to mass transit systems and are conveniently located in business districts of Metro Manila.

Continuous development of projects

The Company continuously undertakes construction and development activities and is committed to deliver its projects within the projected timetable.

Landbanking

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

RESULTS OF OPERATION

Review of 2008 versus 2007

For the twelve-month period, the Group registered a consolidated net income of P215.54 million or a 30% drop from the previous year's net income of P307.98 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues likewise posted a decrease of 37% from P3.14 billion in 2007 to P1.98 billion in 2008.

<u>Real Estate Sales</u>

The Group registered Real Estate Sales of P915.46 million for twelve months ended December 31, 2008 compared with P1.80 billion in 2007. The sales were derived from completed and ongoing projects of the Company namely, California Gardens Square, Xavier Hills, The Cambridge Village and Laguna Bel Air 4; and projects of subsidiaries namely, Sta. Rosa Heights, Governor Hills, Cyber Greens, UN Gardens and Sunrise Hills. Included are sales are some units from newly launched projects such as Pioneer Woodlands, San Lorenzo Place and Little Baguio Terraces.

The Cost of Sales amounting to P755.22 million in 2008 and P1.58 billion in 2007, as a percentage of Real Estate Sales, was 82% and 88%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P160.23 million during the nine months of 2008 and P221.98 million in 2007, or 18% and 12% 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 19% and 14% amounting to P177.76 million and P252.08 million in 2008 and 2007, respectively.

Other Revenues

For 2008 and 2007, the other major revenue contributor was interest income amounting to P442.47 million and P712.58 million respectively, derived mostly from accounts under in-house financing and which corresponds to 22% and 23% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals from office-warehouse units in Central Business Park complex and lease of some residential/commercial units and parking slots located in various projects, and those obtained from other sources.

Operating Expenses

Total operating expenses decreased from P1.224 billion in 2007 to P955.9 million in 2008. The decrease was due to the net effect of adjustment in income tax expense, additional expenses in promoting and marketing new projects, additional manpower employed to support the operations, general increase in prices of commodities and expenses of the new subsidiaries.

FINANCIAL CONDITION

Total resources of the Group as of December 31, 2008 and December 31, 2007 amounted to P26.02 billion and P22.65 billion respectively. Cash and Cash Equivalents increased from P942.7 million to P1.63 billion. The Group remained liquid with Total Current Assets of P7.4 billion in 2008 and P6.01 billion in 2007, which accounted for 28% and 27% of the Total Assets for years 2008 and 2007, while its Total Current Liabilities amounted to P4.83 billion in December 31, 2008 as compared with P3.89 billion in December 31, 2007.
Equity increased to P17.5 billion in 2008 from P15 billion of the previous years due to the net effect of income for the twelve-month period, increase in capital stock and revaluation reserves.

Both in 2007 and 2008, the Group sourced its major cash requirements from internally generated funds, stockrights proceeds and partly from the discounting of its installment contract receivables.

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

Some significant changes in balance sheet and income statement accounts are due to inclusion of former associates (now subsidiaries) in the consolidation.

Material Changes in the 2008 Financial Statements
(Increase/decrease of 5% or more in the 2008 Financial Statements)

Balance Sheets

- 73% increase in Cash and Cash Equivalents
  Mainly due to receipt of proceeds from stock rights offer

- 15% increase in Property Development Cost
  Mainly due to construction/development costs of a new subsidiary

- 51% decrease in Advances to Related Parties
  Due to settlement of certain obligations with related parties and consolidation of account of new subsidiaries

- 122% increase in Prepayments and Other Current Assets
  Due to increase in prepaid taxes related to transfer of titles and input vat on various purchases

- 172% increase in Advances to Landowners and Joint Venture
  Mostly due to payments made by new subsidiaries for new properties

- 69% decrease in Available-for-sale Financial Asset
  Primarily due to decrease in fair market value of investment held by a subsidiary

- 100% decrease in Investment in Associates
  Due to acquisition of entire and/ or majority of shares of former associates

- 104% increase in Land for Future Development
  Mainly attributed to properties of new subsidiaries

- 9% increase in Property and Equipment (Net)
  Mainly due to inclusion of properties of new subsidiaries

- 148% increase in Other Non-current Assets
  Due to goodwill recognized from the acquisition of new subsidiary

- 7% increase in Interest-bearing Loans and Borrowings
  Mainly due to loans of new subsidiary

- 13% increase in Trade and Other Payables
  Mainly due to payables of new subsidiaries

- 43% decrease in Income Tax Payable
  Due to payment of previous year tax liability

- 28% increase in Deferred Gross Profit on Real Estate Sales
  Primarily refers to deferred gross profit of new subsidiary

- 39% increase in Customers' Deposit
  Due to increase in collections and reservation sales and consolidation of new subsidiary

- 83% increase in Advances from Related Parties
  Mainly due to advances of new subsidiaries

- 33% increase in Other Current Liabilities
  Primarily due to other payables of new subsidiaries

- 6% decrease in Reserve for Property Development
  Due to increase in construction accomplishment of various projects

- 73% increase in Estimated Liability for Retirement Fund
  Pertains to accrual of retirement benefits and inclusion of account of new subsidiary

- 17% decrease in Deferred Tax Liabilities –Net
  Attributed to change in income tax rate

- 16% increase in Equity
  Primarily due to increase in capital stock as a result of stock rights offer and the net income realized for the period

Income Statements

- 49% decrease in Real Estate Sales
  Primarily due to payment terms of buyers that affect the timing of sales recognition. Some accounts have not reached the required 25% collection threshold to qualify as sales

- 18% increase in Realized Gross Profit on Prior Year Sales
  Due to construction accomplishment of ongoing projects

- 38% decrease in Interest Income
  Primarily due to accounts which are either under 0% interest scheme or those with lesser application to interest

- 100% decrease in Equity Net Earnings/Losses of Associates
  Mainly due to additional investment in associates which are now subsidiaries

- 12% decrease in Commission Income
  Mainly due to decrease in commission realized by a subsidiary

- 12% increase in Rental Income
  Due to escalation in rental rates of properties for lease

- 19% increase in Other Income
  Primarily due to other revenues of subsidiary

- 52% decrease in Cost of Sales
  Primarily due to decrease in sales

- 81% increase in Deferred Gross Profit on Current Year Sales
  Pertains to account of new subsidiary

- 23% decrease in Finance Cost
  Due to settlement of some loans and interest bearing advances

- 48% increase in Operating Expenses
  Due to increase in marketing and selling expenses related to new projects, additional manpower, other general administrative costs and expenses of new subsidiaries

- 100% decrease in Impairment Loss on Available-for-sale of Financial Assets
  Mainly due to sale of a subsidiary in prior year

- 100% decrease in Pre-acquisition Income
  Mainly due to acquisition of a subsidiary

- 100% decrease in Transfer of Change in Fair Value of Available For Sale Financial Asset
  Mainly due to sale of a subsidiary in prior year

- 100 % decrease in Unrealized Foreign Exchange Losses
  Due to foreign exchange gain of the current year

- 188% decrease in Tax Expense
  Attributed to adjustment in income tax rate

In 2009, the Company believes that the expected collections of P2.0 billion, in addition to the existing cash balance, will be sufficient to cover the construction and development of project, acquisition of properties and settlement of obligations/ operating overhead.

Although the global economic slowdown generally affects business activities, the Company maintains its positive outlook in the industry. It remains aggressive in marketing its products particularly the new projects which were launched in 2007 and 2008. 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. Further, its marketing force has been increased to be able to reach a broader market base.

The Company acquires interest in properties either through joint venture or outright purchase. This is to ensure that the Company will undertake continuous development activities within 5 to 10 years.

The Company closely monitors increasing costs of construction materials and labor and if necessary, implements reasonable price increases for its products purposely to maintain certain profit margin without sacrificing the quality and competitiveness of the products.

Further, the Company implements a rigid selection process in purchasing goods and services. This is to ensure the quality, promptness of delivery, leniency of payment terms and reasonableness of prices. Its commitments to its contractors and suppliers are settled within the trade terms or within a reasonable period of time.

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 materials 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 management that would have a material impact on the reported financial information and the normal operations of the Group.

There are no known trends or demands, commitments, events or uncertainties that will result in increasing and decreasing the Company's liquidity. Likewise, there are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues and net income.

The nature of all revenues and expenses disclosed in the income statement 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 balance sheet.

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.

Item 7. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php 1,265,000 in 2009 and Php 1,150,000 in 2008 exclusive of VAT, in fees for professional 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 2009 and 2008 .

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2009 and 2008.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Audit Committee, the Board of Directors and 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.

Item 8. Financial Statements

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SEC Memorandum Circular No. 8, Series of 2003, and the Company's Manual on Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier. The Company's Board of Directors approved, on 25 March 2004, the designation of Mr.

Gregorio S. Navarro, one of the Audit and Assurance Partners and the Managing Partner and Chief Executive Officer of Punongbayan and Araullo, as the new handling partner for the audit of the financial statements of the Company beginning the year ending 31 December 2004 up to 2005. Ms. Mailene Sigue – Bisnar, one of the Audit and Assurance Partner handles the audit of the Company's financial statements starting 2006. Punongbayan & Araullo, the current external auditor of the Company, was also the auditor of the Company for 2008.

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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. All directors were elected during the annual meeting of stockholders held on 09 June 2009 for a term of one year and until their successors are elected and qualified.

Name	Present Position
Andrew L. Tan……………………	Chairman of the Board
Katherine L. Tan…………………	Director
Anthony Charlemagne C. Yu…..	Director/President
Gerardo C. Garcia………………	Independent Director/Vice Chairman
Alejo L. Villanueva, Jr………….	Independent Director
Evelyn G. Cacho…………………	Director/Vice President for Finance
Enrique Santos L. Sy……………	Director/Corporate Secretary
Ricky S. Libago…………………..	SVP 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
Dennis E. Edaño…………..	Assistant Corporate Secretary
Giovanni C. Ng…………………	Treasurer

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

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 60 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 is concurrently Chairman of the Board and President of Megaworld Corporation and Chairman of the Board of Alliance Global Group, Inc., Alliance Global Brands, Inc., Emperador Distillers, Inc. and Yorkshire Holdings, Inc. Mr. Tan serves in the boards of other companies engaged in real estate, marketing and distillery, among which are Eastwood Cyber One Corporation, Gilmore Property Marketing Associates, Inc., Megaworld Land, Inc., Megaworld Globus Asia, Inc., Megaworld Cayman Islands, Inc., Megaworld Central Properties, Inc., Forbes Town Properties & Holdings, Inc., Townsquare Development, Inc., Megaworld Newport Property Holdings, Inc., Richmonde Hotel Group International Limited, The Andresons Group, Inc., Raffles & Co., Consolidated Distillers of the Far East, Inc., The Bar Beverage, Inc. and Andresons Global, Inc. He also serves as Chairman of the Board of Travellers International Hotel Group, Inc. and Megaworld Foundation, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with the degree of Bachelor of Science in Business Administration. In recognition of Mr. Tan's role in spurring economic and societal development of the City of Taguig through the investments and development projects of Megaworld Corporation, the City of Taguig, in April 2005, conferred on him the Forward Taguig Award in the Field of Business and Entrepreneurship. In 2004, the Quezon City government named Mr. Tan "Businessman of the Year" in recognition of his "visionary leadership" in transforming Eastwood City into a "magnet for investments" and the "most dynamic growth center in Quezon City". In 2003, he was also named Most Outstanding Alumnus of the University of the East.

Anthony Charlemagne C. Yu
Director/President-CEO

Mr. Yu, 47 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 is also the President and Director of Megaworld Central Properties, Inc. 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 then Secretary of Health, Juan Flavier. He was a member of the College Faculty of the Ateneo de Manila University for eight (8) years, from 1985 to 1993 and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Atty. Yu has also served as a Law Professor in the College of Law. He likewise served as Consultant at the Philippine Senate. He was Philippine Delegate to the Philippines-China Business Council held in Beijing, China in 1996 and the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu is a member of the United Nations Development Program's Regional Network of Legal Experts on Marine Pollution and the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir School, Inc. and sits as a Member of Board of Trustees of the El Nido Foundation as well as the ERDA Tech Foundation, Inc. Mr. Yu is also the Chairman and President of Empire East Communities, Inc. and the President and Director of Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Megaworld Central Properties, Inc. and Valle Verde Properties, Inc., He also sits as a Director of Megaworld Newport Property Holdings, Inc.

Katherine L. Tan
Director

Ms. Tan, 58 years old, Filipino, was elected to the Board on 9 June 2009. Previously, she 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., and Alliance Global Brands, Inc. and Director and President of The Andresons Group, Inc., Choice Gourmet Banquet, Inc., Consolidated Distillers of the Far East, Inc., Andresons Global Inc., Raffles & Co., Inc., Emperador Brandy, Inc., Emperador Distillers, Inc. and Yorkshire Holdings, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Gerardo C. Garcia
Independent Director

Mr. Garcia, 68 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 and Megaworld Land, Inc. as independent director. He is a director of Philippine Tech. & Development Ventures, Inc. Prior to joining the Company, Mr. Garcia was Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration, both from the University of the Philippines.

Enrique Santos L. Sy
Director/ Corporate Secretary

Mr. Sy, 60 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 has been the Corporate Secretary of the Company since July 1994. Mr. Sy is concurrently Vice President for Corporate Communications & Advertising Division of Megaworld Corporation and sits in the boards of First Oceanic Property Management, Inc., Andresons Global, Inc., Asia Finest Cuisine, Inc. and Eastin Holdings, 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 a bachelor's degree in Communication Arts.

Evelyn G. Cacho
Director/Vice President for Finance

Ms. Cacho, 48 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 also holds the position of Treasurer/Director of Suntrust Home Developers, Inc., Megaworld Central Properties, Inc., and Newport Property Holdings, 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, 68 years old, Filipino, is an independent director of the Company. He is concurrently an independent director of Alliance Global Group, Inc. 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, 45 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 (subsidiary of Megaworld), Ayala Property Management Corporation (subsidiary of Ayala Land, Inc.), Makati Development Development (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, 54 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, 53 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, 47 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.

Dennis E. Edaño
Assistant Corporate Secretary

Mr. Edaño, 33 years old, Filipino, is the Assistant Corporate Secretary of the Company and has held such post since February 20, 2009. Mr. Edaño also serves as Assistant Vice President of the Legal & Corporate Affairs Department of the Company and has worked for the Company since September 2003. 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 worked as a Junior Associate at the Siguion Reyna Montecillo Ongsiako Law Offices and as Legal Manager at the Yats International Ltd. He obtained his Bachelor of Laws degree 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.

Giovanni C. Ng
Treasurer

Mr. Ng, 36 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also Finance Director of Megaworld Corporation. He serves as director in Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, 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.

Significant Employees

The business of the Company is not highly dependent on the services of certain key personnel who are not executive officers.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

Involvement in Certain Legal Proceedings

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

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

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

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

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 11. Executive Compensation

Compensation of Certain Executive Officers

The total annual compensation paid to the President and five most highly compensated executive officers of the Company amounted to Php7,125,880 in 2008 and Php9.319,594 in 2009. The projected total annual compensation of the named executive officers for the current year is Php10,231,554.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2009, the Company paid a total of Php600,000 for directors' per diem. For 2010, the Company has allocated approximately Php700,000 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 COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Others	Total Annual Compensation
Anthony Charlemagne C. Yu, President					
Ricky S. Libago SVP for Property Development					
Rodulfo A. Quintana Jr.[1], VP for Project Management					
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 5 Most Highly Compensated Officers	2008	5,776,077	493,850	855,953	7,125,880
	2009	7,514,181	644,280	1,161,133	9,319,594
	2010	8,265,600	708,708	1,257,246	10,231,554
All Other Officers and Directors as a Group	2008	5,412,804	469,097	1,132,064	7,013,965
	2009	4,050,488	354,770	858,966	5,264,224
	2010	4,455,536	390,247	904,862.	5,750,645

Employment Contracts and Change-in-Control Arrangements

Executive officers are appointed by the Board of Directors to their respective offices. The Company does not enter into employment contracts with its executive officers.

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 from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

[1] Transferred to an associate company effective 01 March 2010.

Outstanding Warrants and Options

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of March 31, 2010

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 J. Puyat Avenue, Makati City	Megaworld Corporation	Filipino	5,022,770,249	47.8576%
	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	Megaworld Corporation, a client of a participant of PCD Nominee Corporation (Filipino)		54,486,000 5,077,256,249	0.5191% 48.3768%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Filipino	2,277,318,050[2]	21.6986%

[1] Megaworld Corporation is an associate of the Company. The Board of Directors of Megaworld normally authorizes its Chairman of the Board and President or in his absence the President of the Company, to vote Megaworld's common shares in the Company.

[2] This includes 54,486,000 shares beneficially owned by Megaworld Corporation and 86,100,000 shares beneficially owned by FCI.

Common	Calypso Management Worldwide S.A. Portcullis Trustnet Chambers, P.O. Box 3444 Road Town, Tortola, British Virgin Islands	Calypso Management Worldwide S.A.	British Virgin Islands	1,205,107,484	11.4824%
Common	First Centro, Inc.[1] 20/F IBM Plaza Bldg., Eastwood City, E. Rodriguez, Jr. Ave. Bagumbayan, Quezon City PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	First Centro, Inc. (FCI) FCI, a client of a participant of PCD Nominee Corporation (Filipino).	Filipino	1,002,394,500 86,100,000 1,088,494,500	9.55096% 8.203661% 10.3713%

Security Ownership of Management as of March 31, 2010

Title of Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777(direct)	Filipino	0.23132187%
Common	Gerardo C. Garcia	636,277(direct)	Filipino	0.00606253%
Common	Anthony Charlemagne C. Yu	1(direct)	Filipino	0.00000001%
Common	Katherine L.Tan	1(direct)	Filipino	0.00000001%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00011331%
Common	Evelyn G. Cacho	35,240(direct)	Filipino	0.00033577%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Four Most Highly Compensated Executive Officers				

[1] The Board of Directors of FCI has the power to vote its shareholdings in the Company. The power to vote FCI's holdings in the Company and to issue proxies has been delegated to its Vice President for Finance, Cherryll L. Yu.

Common	Anthony Charlemagne C. Yu	1(direct)	Filipino	0.00000001%
Common	Ricky S. Libago	0	Filipino	n/a
Common	Antonio E. Llantada, Jr.	92,532(direct)	Filipino	0.00088166%
Common	Evelyn G. Cacho	35,240(direct)	Filipino	0.00033577%
Common	Ricardo B. Gregorio	0	Filipino	n/a
Other Executive Officers				
Common	Robert Edwin C. Lim	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	All directors and executive officers as a group	25,053,721	Filipino	0.23871516%

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.

Item 13. Certain Relationships and Related Transactions

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 Schedule D of the SEC Supplementary Schedules as of December 31, 2009. 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. Related party transactions of the Company are discussed in more detail in Item 18 of the Notes to the Audited Consolidated Financial Statements of the Company and its subsidiaries as of December 31, 2009 and 2008.

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

PART IV – CORPORATE GOVERNANCE

Item 14. 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 corporate governance manual, the Company's Board of Directors created each of the following committees and appointed board members thereto:

Audit Committee

The Company's Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. The Company's 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 Company's Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, as well as providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment. The Company's Compensation and Remuneration Committee consists of three members, including at least one independent director.

Nomination Committee

The Company's Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with qualifications prescribed by Philippine law and the Company's Manual on Corporate Governance. The Company's Nomination Committee has three voting 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.

Evaluation System

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 to measure or determine the level of compliance by the Company with its Manual.

Deviations from Manual and Sanctions Imposed

In 2009, 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.

Plan to Improve Corporate Governance

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

PART V – EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2009 and 2008

The Company did not file any report on SEC Form 17-C during the last six-month period of 2009.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati, Philippines on this 30th day of April 2010.

EMPIRE EAST LAND HOLDINGS, INC.

By:

ANTHONY CHARLEMAGNE C. YU
President
(Principal Executive Officer
and Principal Operating Officer)

EVELYN G. CACHO
Vice President for Finance
(Principal Financial Officer,
Comptroller and Principal
Accounting Officer)

ENRIQUE SANTOS L. SY
Corporate Secretary

APR 3 0 2010

SUBSCRIBED AND SWORN to before me this _____ day of April 2010, affiants exhibiting to me their Tax Identification Numbers and Community Tax Certificates, as follows:

NAMES	TIN NOS.	CTC NO.	DATE / PLACE OF ISSUE
Anthony Charlemagne C. Yu	132-173-451	12211050	01/06/10/Makati
Evelyn G. Cacho	127-326-686	12208925	01/05/10/Makati
Enrique Santos L. Sy	125-960-296	02154685	01/11/10/Manila

Doc. No. 201;
Page No. 42;
Book No. 193;
Series of 2010.

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2011
PTR O.R. No. 2087649 - Makati 01/04/10
IBP O.R. No. 803499 - Pasig City 12/21/09
TIN 212-965-989
Roll No. 28757

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 all information and representations contained in the Group's consolidated financial statements as of December 31, 2009 and 2008 and each for three years in the period ended December 31, 2009. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, the management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Group's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Group.

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

Signed under oath by the following:

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 SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
DATE APR 14 2010 SDS
RECEIVED
TERESITA C. ISON

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 12 2010 of 2010 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	18139724	January 05, 2010	Quezon City
Anthony Charlemagne C. Yu	11211050	January 06, 2010	Makati City
Evelyn G. Cacho	12208925	January 05, 2010	Makati City

Doc. No. 271
Page No. 55
Book No. XXV
Series of 2010

Dennis E. Edaño
Notary Public
Until 31 December 2010
PTR No. 2092025; 01.06.10; Makati City
IBP No. 805258; 01.05.10; Zambales
Roll No. 45311; 05.08.00
MCLE Compliance No. II – 005413; 07.16.08
24/F The World Centre Building
330 Sen. Gil Puyat Ave., Makati City
Telephone No. 867-8016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
DATE APR 14 2010 SDS
RECEIVED
TERESITA C. ISON

Punongbayan & Araullo

Report of Independent Auditors

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

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www.punongbayan-araullo.com

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
DATE APR 14 2010 SDS
RECEIVED
TERESITA C. ISON

The Board of Directors and Stockholders
Empire East Land Holdings, Inc.
and Subsidiaries
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 (the Group), which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009, and notes to consolidated financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 of December 31, 2009 and 2008, and of their consolidated financial performance and cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner
CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 2087616, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0396-AR-1
BIR AN 08-002511-20-2009 (Sept. 16, 2009 to 2012)

Firm BOA/PRC Cert. of Reg. No. 0002
Firm SEC Accreditation No. 0002-FR-2

March 15, 2010

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
DATE APR 14 2010 SDS
RECEIVED
TERESITA C. ISON

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes		2009		2008
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**1,371,012,930**	P	1,634,996,697
Trade and other receivables - net	6		**2,914,750,953**		2,838,198,318
Property development costs	2, 11		**1,803,599,197**		1,890,849,979
Advances to related parties	18		**842,607,850**		814,058,862
Prepayments and other current assets			**299,396,076**		226,361,552
Total Current Assets			**7,231,367,006**		7,404,465,408
NON-CURRENT ASSETS					
Trade and other receivables - net	6		**2,538,063,264**		2,773,143,199
Advances to related parties - net	18		**55,095,386**		53,701,861
Property development costs	2, 11		**9,090,651,852**		9,129,029,574
Advances to landowners and joint ventures	7		**2,066,760,928**		2,331,376,897
Available-for-sale financial assets	8		**571,040,000**		239,424,000
Land for future development	2		**3,224,861,712**		3,008,581,254
Investment property - net	9		**252,771,806**		709,345,816
Property and equipment - net	10		**152,547,910**		154,475,967
Other non-current assets	1		**218,589,975**		219,902,319
Total Non-current Assets			**18,170,382,833**		18,618,980,887
TOTAL ASSETS		**P**	**25,401,749,839**	P	26,023,446,295

	Notes	2009	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	**P 518,882,043**	P 1,423,572,321
Trade and other payables	12	**343,406,495**	868,507,847
Income tax payable		**3,030,691**	7,995,434
Deferred gross profit on real estate sales	2	**118,024,176**	128,014,224
Customers' deposits	2, 13	**2,029,106,481**	1,645,361,202
Advances from related parties	18	**615,196,734**	262,502,182
Reserve for property development	2	**349,460,846**	310,156,596
Other current liabilities	14	**134,396,027**	181,038,161
Total Current Liabilities		**4,111,503,493**	4,827,147,967
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	**1,016,154,484**	1,388,611,727
Trade and other payables	12	**132,994,732**	19,686,757
Reserve for property development	2	**761,076,943**	644,631,779
Deferred tax liabilities - net	17	**1,148,314,315**	1,190,076,074
Deferred gross profit on real estate sales	2	**197,873,211**	166,213,307
Advances from related parties - net	18	**13,523,648**	262,950,766
Retirement benefit obligation	16	**78,053,821**	68,524,149
Total Non-current Liabilities		**3,347,991,154**	3,740,694,559
Total Liabilities		**7,459,494,647**	8,567,842,526
EQUITY			
Capital stock	19	**10,908,215,404**	10,908,215,404
Additional paid-in capital		**4,281,564,705**	4,281,564,705
Treasury shares, at cost	19	**(102,106,658)**	(102,106,658)
Revaluation reserves	8	**(299,410,000)**	(631,026,000)
Retained earnings	19	**2,294,989,630**	2,146,639,927
Equity attributable to parent company's shareholders		**17,083,253,081**	16,603,287,378
Non-controlling interest		**859,002,111**	852,316,391
Total Equity		**17,942,255,192**	17,455,603,769
TOTAL LIABILITIES AND EQUITY		**P 25,401,749,839**	P 26,023,446,295

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	2009	2008	2007
REVENUES				
Real estate sales	2	P 998,618,017	P 915,460,491	P 1,801,175,617
Realized gross profit on prior years' sales - net	2	59,857,938	69,497,554	58,875,773
Interest income	5, 6	522,529,865	442,474,999	712,582,938
Commissions	18	118,925,507	153,785,771	175,343,592
Rental income	9	82,421,687	95,056,005	84,799,986
Foreign currency gains - net		-	8,745,956	-
Preacquisition loss of a subsidiary	1	-	7,348,523	-
Equity in net earnings of associates	1	-	-	66,098,671
Other income	15	388,883,853	286,535,056	241,147,676
		2,171,236,867	1,978,904,355	3,140,024,253
COSTS AND EXPENSES				
Real estate sales	2	752,900,953	755,228,464	1,579,196,546
Deferred gross profit on current year's sales		81,614,017	51,969,579	28,774,163
Commissions		214,778,430	213,289,079	124,337,965
Finance costs	11	150,338,043	175,753,157	227,671,014
Salaries and employee benefits	16	164,769,377	163,588,875	105,585,916
Advertising and promotion		162,451,590	130,127,996	76,378,016
Travel and transportation		103,462,992	108,726,944	77,179,544
Depreciation and amortization	9, 10	59,855,978	72,107,024	67,574,251
Taxes and licenses	9	54,287,860	45,984,705	38,084,715
Marketing events and awards		21,786,885	23,188,428	20,094,456
Impairment loss on available-for-sale financial assets	8	-	-	4,750,000
Preacquisition income of a subsidiary		-	-	1,653,796
Transfer of change in fair value of available-for-sale financial assets from revaluation reserves	8	-	-	162,785,980
Foreign currency losses - net		-	-	10,540,393
Other operating expenses	15	194,317,627	184,479,345	125,341,967
Tax expense (income)	17	55,637,692	(161,084,732)	182,094,391
		2,016,201,444	1,763,358,864	2,832,043,113
NET PROFIT		155,035,423	215,545,491	307,981,140
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gains (losses) on available-for-sale financial assets		331,616,000	(531,136,000)	21,640,222
TOTAL COMPREHENSIVE INCOME (LOSS)		P 486,651,423	(P 315,590,509)	P 329,621,362
Net profit attributable to:				
Parent company's shareholders		P 148,349,703	P 220,543,365	P 307,258,044
Non-controlling interest		6,685,720	(4,997,874)	723,096
		P 155,035,423	P 215,545,491	P 307,981,140
EARNINGS PER SHARE				
Basic	20	P 0.014	P 0.021	P 0.036
Diluted	20	P 0.014	P 0.020	P 0.035

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philipine Pesos)

	Notes	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 210,673,115	P 54,460,759	P 490,075,531
Adjustments for:				
Interest income	5, 6	(522,529,865)	(442,474,999)	(712,582,938)
Finance costs	11	150,338,043	175,753,157	227,671,014
Depreciation and amortization	9, 10	59,855,978	72,107,024	67,574,251
Gain on sale from sale of property and equipment	10	(442,000)	-	-
Dividend income		(331,899)	-	-
Transfer of change in fair value of available-for-sale financial assets to profit or loss		-	-	162,785,980
Equity in net earnings of associates		-	-	(66,098,671)
Impairment loss on available-for-sale financial assets	8	-	-	4,750,000
Operating profit (loss) before working capital changes		(102,436,628)	(140,154,059)	174,175,167
Decrease in trade and other receivables		309,258,667	646,117,074	701,547,150
Decrease (increase) in advances to related parties		(174,515,774)	1,182,473,276	(183,163,722)
Increase in property development costs		(535,075,639)	(678,955,541)	(838,793,681)
Increase in prepayments and other current assets		(73,034,524)	(79,031,905)	(66,191,691)
Increase in advances to landowners and joint ventures		(41,964,031)	(1,284,367,422)	(132,790,450)
Decrease (increase) in land for future development		90,299,542	(1,325,166,968)	1,199,359,515
Decrease (increase) in other non-current assets		1,644,243	84,572,094	(23,736,104)
Decrease in trade and other payables		(5,948,762)	(45,779,600)	(249,613,829)
Increase (decrease) in advances from related parties		103,267,434	(697,973,275)	(1,109,317,728)
Increase (decrease) in deferred gross profit on real estate sales		21,669,856	(17,528,043)	(98,857,010)
Increase in customers' deposits		383,745,279	255,634,310	98,109,881
Increase (decrease) in other current liabilities		(46,642,134)	30,943,614	(69,357,855)
Increase (decrease) in reserve for property development		155,749,414	(33,058,441)	(421,045,499)
Increase in retirement benefit obligation		9,529,672	17,031,085	12,749,255
Cash from (used in) operations		95,546,615	(2,085,243,801)	(1,006,926,601)
Interest paid		(158,907,455)	(219,955,658)	(227,671,014)
Cash paid for income taxes		(102,364,194)	(78,362,473)	(74,868,623)
Net Cash Used in Operating Activities		(165,725,034)	(2,383,561,932)	(1,309,466,238)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		371,798,498	524,141,991	408,356,641
Additions to investment property		(42,000,000)	-	-
Acquisitions of property and equipment	10	(16,066,383)	(30,821,346)	(11,397,820)
Proceeds from sale of property and equipment	10	550,333	-	252,781
Net movements of investments in associates		-	511,689,836	(280,300,553)
Proceeds from disposal of available-for-sale financial assets		-	-	878,055,301
Acquisition of available-for-sale financial assets	8	-	-	(103,200,000)
Net Cash From Investing Activities		314,282,448	1,005,010,481	891,766,350
Balance carried forward		P 148,557,414	(P 1,378,551,451)	(P 417,699,888)

	Note	2009	2008	2007
Balance brought forward		**P 148,557,414**	(P 1,378,551,451)	(P 417,699,888)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of interest-bearing loans and borrowings		**(422,536,239)**	(603,494,099)	(395,266,862)
Proceeds from interest-bearing loans and borrowings		**9,995,058**	684,613,876	189,158,118
Collection of subscriptions receivable	19	**-**	1,967,856,797	655,952,266
Payment of direct costs on increase in authorized capital stock		**-**	-	(34,319,859)
Acquisition of treasury shares	19	**-**	-	(6,925,100)
Net Cash From (Used in) Financing Activities		**(412,541,181)**	2,048,976,574	408,598,563
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(263,983,767)**	670,425,123	(9,101,325)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,634,996,697**	942,700,183	927,975,945
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**-**	21,871,391	23,825,563
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,371,012,930**	P 1,634,996,697	P 942,700,183

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate properties and other assets (see Notes 7, 10 and 18). Other significant non-cash transactions include the following:

- Capitalization of interest expense as part of Property Development Costs account (see Note 11).
- Assignment of subscription in shares of stock on account and conversion of advances to equity investments (see Note 1).
- Settlement of interest-bearing loan and related accrued interest due to a government institution through conveyance of certain real estate properties (see Notes 7 and 11).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Philippine Pesos)

		Attributable to Parent Company's Shareholders							
	Notes	Capital Stock	Additional Paid-in-Capital	Treasury Shares	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2009	19	**P 10,908,215,404**	**P 4,281,564,705**	**(P 102,106,658)**	**(P 631,026,000)**	**P 2,146,639,927**	**P 16,603,287,378**	**P 852,316,391**	**P 17,455,603,769**
Total comprehensive income for the year	8	**-**	**-**	**-**	**331,616,000**	**148,349,703**	**479,965,703**	**6,685,720**	**486,651,423**
Balance at December 31, 2009		**P 10,908,215,404**	**P 4,281,564,705**	**(P 102,106,658)**	**(P 299,410,000)**	**P 2,294,989,630**	**P 17,083,253,081**	**P 859,002,111**	**P 17,942,255,192**
Balance at January 1, 2008	19	P 8,940,358,607	P 4,281,564,705	(P 102,106,658)	(P 99,890,000)	P 1,926,096,562	P 14,946,023,216	P 59,223,157	P 15,005,246,373
Transactions with owners									
Paid-up capital on additional subscription	19	1,967,856,797	-	-	-	-	1,967,856,797	-	1,967,856,797
Additions to non-controlling interest		-	-	-	-	-	-	798,091,108	798,091,108
		1,967,856,797	-	-	-	-	1,967,856,797	798,091,108	2,765,947,905
Total comprehensive income for the year	8	-	-	-	(531,136,000)	220,543,365	(310,592,635)	(4,997,874)	(315,590,509)
Balance at December 31, 2008		P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 631,026,000)	P 2,146,639,927	P 16,603,287,378	P 852,316,391	P 17,455,603,769
Balance at January 1, 2007		P 8,284,406,341	P 4,315,884,564	(P 95,181,558)	(P 284,316,202)	P 1,618,838,518	P 13,839,631,663	P -	P 13,839,631,663
Transactions with owners									
Paid-up capital on additional subscription	19	655,952,266	-	-	-	-	655,952,266	-	655,952,266
Direct costs on increase in authorized capital stock	19	-	(34,319,859)	-	-	-	(34,319,859)	-	(34,319,859)
Acquisition of treasury	19	-	-	(6,925,100)	-	-	(6,925,100)	-	(6,925,100)
Additions to non-controlling interest		-	-	-	-	-	-	58,500,061	58,500,061
		655,952,266	(34,319,859)	(6,925,100)	-	-	614,707,307	58,500,061	673,207,368
Reclassification to profit or loss		-	-	-	162,785,980	-	162,785,980	-	162,785,980
Total comprehensive income for the year	8	-	-	-	21,640,222	307,258,044	328,898,266	723,096	329,621,362
Balance at December 31, 2007		P 8,940,358,607	P 4,281,564,705	(P 102,106,658)	(P 99,890,000)	P 1,926,096,562	P 14,946,023,216	P 59,223,157	P 15,005,246,373

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009, 2008 AND 2007
(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 either in the form of condominium communities or house and lot packages and, to a limited extent, commercial and mixed-use complexes. The Company also sells land and leases out commercial and industrial properties.

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

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2009	2008	2007
Eastwood Property Holdings, Inc. (EPHI)		**100%**	100%	100%
Valle Verde Properties Inc. (VVPI)	(a)	**100%**	100%	33%
Sherman Oak Holdings, Inc, (SOHI)	(b)	**100%**	100%	-
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	-
Suntrust Properties, Inc. (SPI)	(d)	**80%**	80%	40%
Laguna BelAir School Inc. (LBASI)	(e)	**73%**	73%	73%
Sonoma Premier Land, Inc.(SPLI)	(f)	**60%**	60%	20%

(a) Subsidiary incorporated in 2006; has not yet started commercial operations as of December 31, 2009. Additional shares were acquired in November 2008 through assignment of shares from First Everest Crown Properties, Inc.
(b) Subsidiary incorporated in 2007; has not yet started commercial operations as of December 31, 2009. Shares acquired through assignment of shares from Yorkshire Holdings, Inc. in January 2008.
(c) Subsidiary incorporated in 2008 to primarily engage in purchase, development, sale and lease of real properties.
(d) Change in percentage ownership in 2008 occurred through conversion of the parent company's advances to shares of stock at par. Formerly known as Empire East Properties, Inc. (EEPI), until it changed its name in April 2008.
(e) Subsidiary incorporated in 1996; additional shares acquired in 2007 which resulted in increase in ownership to 73%.
(f) Subsidiary incorporated in 2007. Additional shares acquired from First Centro, Inc. in March and June 2008. Formerly known as Galleria Corsini Holdings, Inc. (GCHI). SPLI started commercial operations on May 23, 2008.

The above entities were incorporated in the Philippines. They operate within the country and engaged in the business of real estate development and related transactions, except for LBASI which is engaged in operating a school for primary and secondary education.

As mentioned in notes (a), (d) and (e) above, the ownership of the Company on those entities increased. This resulted in the recognition of goodwill which is presented as part of Other Non-current Assets in the consolidated statements of financial position, amounting to P125.2 million in 2008 from the acquisitions of additional interests in SPI and VVPI and P77.3 million in 2007 from acquisition of additional interests in LBASI.

The Company is listed in the Philippine Stock Exchange (PSE) and is an associate of Megaworld Corporation (Megaworld), also a publicly-listed domestic corporation. Megaworld owns 48.38% interest in the Company as of December 31, 2009.

The registered office of the Company is located at the 21st floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City.

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2009 (including comparatives for the years ended December 31, 2008 and 2007) were authorized for issue by the Company's Board of Directors (BOD) on March 15, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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

(b) *Presentation of Financial Statements*

The consolidated financial statements are presented in accordance with PAS 1 (Revised 2007), *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 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 primary economic environment in which the entity operates (the functional currency).

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) *Effective in 2009 that are Relevant to the Group*

In 2009, the Group adopted the following new revisions and amendments to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2009.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 23 (Revised 2007)	:	Borrowing Costs
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures
PFRS 8	:	Operating Segments
Various Standards	:	2008 Annual Improvements to PFRS

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

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements*, requires an entity to present all items of income and expense recognized in the period in a single consolidated statement of comprehensive income or in two statements: a separate consolidated statement of income and a consolidated statement of comprehensive income. Income and expense recognized in profit or loss is presented in the consolidated statement of income in the same way as the previous version of PAS 1. The consolidated statement of comprehensive income includes the profit or loss for the period and each component of income and expense recognized outside of profit or loss or the "non-owner changes in equity", which are no longer allowed to be presented in the consolidated statements of changes in equity, classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations).

The Group's adoption of PAS 1 (Revised 2007) did not result in any material adjustments in its consolidated financial statements as the change in accounting policy only affects presentation aspects. The Group has elected to present a single consolidated statement of comprehensive income (see Note 2.1).

(ii) PAS 23 (Revised 2007), *Borrowing Costs*. Under the revised PAS 23, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed. The adoption of this new standard did not have any significant effect on the 2009 financial statements, as well as for prior periods, as the Group's existing accounting policy is to capitalize all interest directly related to qualifying assets.

(iii) PFRS 7 (Amendment), *Financial Statements Disclosures*. The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. The change in accounting policy only results in additional disclosures (see Note 8).

(iv) PFRS 8, *Operating Segments*. Under this new standard, a reportable operating segment is identified based on the information about the components of the entity that management uses to make decisions about operating matters. In addition, segment assets, liabilities and performance, as well as certain disclosures, are to be measured and presented based on the internal reports prepared for and reviewed by the chief decision makers. The Group identifies operating segments and reports on segment assets, liabilities and performance based on internal management reports, therefore, adoption of this new standard did not have a material impact on the Group's consolidated financial statements.

(v) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2008* which became effective for the annual periods beginning on or after January 1, 2009. Among those improvements, the following are the amendments relevant to the Group:

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. The Group does not have any financial asset that is presently classified as held for trading; hence, adoption of this amendment did not have a material impact in the Group's 2009 consolidated financial statements.

- PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:

  - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.

  - Change in the definition of return on plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires contingent liabilities to be disclosed and not recognized.

The adoption of this amendment to PAS 19 did not have an impact on its 2009 consolidated financial statements.

- PAS 23 (Amendment), *Borrowing Costs*. The amendment clarifies the definition of borrowing costs to include interest expense determined using the effective interest method under PAS 39. This amendment had no significant effect on the 2009 consolidated financial statements.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statement*. When an entity prepares separate financial statements and accounts for investments in subsidiaries, jointly controlled entities and associates in accordance with PAS 39 (rather than at cost), such investments will continue to be measured using PAS 39 even if classified as held-for-sale in accordance with PFRS 5. Investment measured at cost will continue to be re-measured in accordance with PFRS 5 when classified as held-for-sale. However, as the Group has no investments classified as held-for-sale, the application of this amendment did not have any impact the consolidated financial statements.

- PAS 31*, Interests in Joint Ventures*. Where an investment in joint venture is accounted for in accordance with PAS 39, only certain rather than all disclosure requirements in PAS 31 need to made in addition to disclosures required by PAS 32 and PFRS 7. The application of this amendment did not have any impact in the Group's consolidated financial statements as it has no interest in joint venture measured at fair value under PAS 39.

- PAS 38 (Amendment), *Intangible Assets*. The amendment clarifies when to recognize a prepayment asset, including advertising or promotional expenditures. In the case of supply of goods, the entity recognizes such expenditure as an expense when it has a right to access the goods. For services, an expense is recognized on receiving the service. Also, prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group determined that adoption of this amendment had no material effect on its 2009 consolidated financial statements.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Group has no financial instruments classified as held for sale so the adoption of this amendment had no material effect on its 2009 consolidated financial statements.

- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would be able to measure the investment property at fair value. The adoption had no material effect on its 2009 consolidated financial statements as the Group has no property under construction or development for future use as investment property.

Minor amendments are made to several other standards; however those amendments are not also expected to have a material impact on the Group's consolidated financial statements.

(b) *Effective in 2009 but not Relevant to the Group*

The following amendments, interpretations and improvements to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant to the Group's consolidated financial statements:

PAS 32 and PAS 1 (Amendments)	:	PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
PFRS 1 (Amendments)	:	PFRS 1 – First Time Adoption of PFRS and PAS 27 – Consolidated and Separate Financial Statements
PFRS 2 (Amendment)	:	Share-based Payment
Philippine Interpretations		
IFRIC 13	:	Customer Loyalty Programmes
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation

(c) *Effective Subsequent to 2009*

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2009. Among those, management has initially determined the following, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply this revised standard prospectively from January 1, 2010 with respect to transactions with non-controlling interests.

(ii) PFRS 3 (Revised), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs should be expensed. The Group will apply PFRS 3 (Revised) prospectively to all business combinations from January 1, 2010.

(iii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group will apply the standard prospectively starting January 1, 2010.

(iv) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. The Group will apply the amendment in its 2010 financial statements but expects it to have no material impact in the Group's consolidated financial statements.

- PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment will not have a material impact on the consolidated financial statements since only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. Management has initially determined that this will not have a material impact on the consolidated financial statements since, currently, the Group has no lease agreement that includes both land and building.

- PFRS 8 (Amendment), *Operating Segments* (effective from January 1, 2010). It clarifies that a measure of segment assets should be disclosed only if the amount is regularly provided to the chief operating decision maker (CODM). The Company reports total assets for each of its reportable segments as they are regularly provided to the CODM, hence, does not expect any significant effect on the Company's segment reporting.

(v) PAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

(vi) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective on or after July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of financial liability is the consideration paid in accordance with PAS 39;

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

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

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

Management has determined that the adoption of the interpretation will not have a material effect on its consolidated financial statements as it does not normally extinguish financial liabilities through equity swap.

(vii) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). The revised standard introduces an exemption from the disclosure requirements of PAS 24 for transactions with: (a) government that has control, joint control or significant influence over the reporting entity; and (b) government-related entities (entities controlled, jointly controlled or significantly influenced by the same government). Management assessed that the adoption of the revised PAS 24 will not have a significant effect on the Group's consolidated financial statements.

(viii) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective on or before January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19 surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on its consolidated financial statements because it does not usually prepay future contributions to its retirement fund.

(ix) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, (effective from January 1, 2012). 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 will adopt this interpretation in 2012 and is currently evaluating the impact of such adoption in the consolidated financial statements.

(x) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PFRS 9 is the first part of Phase 1 of the project to replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety by the end of 2010. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

PFRS 9 introduces major simplifications of the classification and measurement provisions under PAS 9. These include reduction from four measurement categories into two categories, i.e. fair value and amortized cost, and from several impairment methods into one method.

Management is yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until 2013 when all chapters of the PAS 39 replacement have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

2.3 Consolidation and Interest in Joint Venture

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 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 an impairment are recognized in the consolidated financial statements.

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

The Company accounts for its investments in subsidiaries and interest in joint venture as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. The Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and 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.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. The difference between the acquisition cost and the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition is accounted for as goodwill or negative goodwill.

(b) Transactions with Non-controlling Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity investments to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income. Purchases of equity shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary.

(c) Interests in Joint Ventures

For interests in jointly controlled assets, 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, 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 period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases 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 are initially recognized at fair value and transaction costs are charged as expense and included in the profit or loss.

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

(a) Financial Assets at 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 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 fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the 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 financial assets categorized as loans and receivables include cash and cash equivalents, trade and other receivables, advances to landowners and joint ventures, and advances to related parties account in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(c) 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 consolidated statement of financial position, except those maturing within 12 months from the reporting period, which are presented as part of current assets.

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

(d) 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 available-for-sale financial assets that are measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising form 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 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 Costs - net 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 financial assets is measured. All income and expense relating to financial assets recognized in profit or loss are presented in the consolidated profit or loss line item Finance Costs.

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

2.5 Property and Equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

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

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

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

2.6 Investment Property

Investment property consists of building held for lease and land held for capital appreciation. Investment property is stated at cost less accumulated depreciation and any impairment in value.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

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

2.7 Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings, trade and other payables, advances from related parties and other current liabilities.

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

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

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

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

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

2.8 Provisions

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

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

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

2.9 Revenue and Expense Recognition

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

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

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

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

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

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

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

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

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date and estimated costs to complete the project (see Note 2.10).

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 on an accrual basis (see Note 2.16).

2.10 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land for Future Development account in the consolidated statement of financial position. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs account (see Note 2.16).

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

Property development costs including units for sale are carried at the lower of cost and net realizable value. Considering the pricing policies of the Group, cost is lower than the net realizable value.

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

2.11 Commissions

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

2.12 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 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.

2.13 Foreign Currency Transactions

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

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

2.14 Impairment of Non-financial Assets

The Group's interest in joint ventures, land for future development, investment property and property and equipment 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.

2.15 Employee Benefits

(a) Retirement Benefit Obligation

Pension benefits are provided to employees through a defined benefit plan.

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

The liability recognized in the consolidated statement of financial position for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually (see note 16.2) by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognized as an 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.

2.16 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Property Development Costs account in the consolidated statement of financial position (see Note 2.10). The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

The capitalized interest in 2009, 2008 and 2007 amounted to P77.4 million, P57.9 million and P82.0 million, respectively (see Note 11.3). The accumulated capitalized interest that was included in Property Development Costs amounted to P1.5 billion and P1.4 billion as of December 31, 2009 and 2008, respectively.

2.17 Income Taxes

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

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

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

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

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

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

2.18 Earnings Per Share

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

2.19 Equity

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

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

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

Revaluation reserves comprise the accumulated net gains and losses due to the revaluation of available-for-sale financial assets.

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

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 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 Available-for-sale Financial Assets

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

If the assumptions made regarding the duration that, and extent to which, the fair value is less than its cost, the Group would have revaluation loss of P299.4 million and P631.0 million in the 2009 and 2008 consolidated financial statements, respectively, representing the transfer of the total Revaluation Reserves to profit or loss in the consolidated statement of comprehensive income.

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

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generated 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 production or supply process.

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 production and supply of goods and services 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 portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) *Operating and Finance Lease*

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

Rental expense charged to operations amounted to P41.8 million in 2009, P30.4 million in 2008, and P22.5 million in 2007 (see Note 15.2). Rental income recognized amounted to P82.4 million in 2009, P95.1 million in 2008, and P84.8 million in 2007 (see Note 9).

(d) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.8 and relevant disclosures are presented in Note 21.

3.2 Key Sources of Estimation Uncertainty

The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's consolidated financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2009 and 2008 consolidated financial statements:

(a) Determining Net Realizable Value of Real Estate Properties

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

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

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of investment property and property and equipment are analyzed in Notes 9 and 10, 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 2009 and 2008.

(c) Allowance for Impairment of Trade and Other Receivables

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

Allowance for impairment losses recognized on trade and other receivables as of December 31, 2009 and 2008 amounted to P26.2 million and P26.1 million, respectively (see Note 6). Impairment losses on trade and other receivables, as also shown in Note 6, amounted to P92,028 in 2009 and P1.6 million in 2008.

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

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

Impairment losses on available-for-sale financial assets amounted to P4.8 million in 2007. There were no impairment losses on available-for-sale financial assets recognized in 2009 and 2008 (see Note 8).

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

Investment Property is measured using the cost model. The fair value disclosed in Note 9 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

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

(f) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets amounted to P46.3 million and P39.5 million as of December 31, 2009 and 2008, respectively (see Note 17.1).

(g) Impairment of Non-financial Assets

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.14. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management evaluation, no impairment losses were recognized on interest in joint ventures, land for future development, property and equipment and investment property in 2009, 2008 and 2007 (see Notes 9 and 10).

(h) Retirement Benefits

The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 16.2 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit obligation amounted to P78.1 million and P68.5 million, respectively, as of December 31, 2009 and 2008. The net unrecognized actuarial gain amounted to P9.0 million as of December 31, 2009 and the net unrecognized actuarial loss amounted to P18.5 million as of December 31, 2008 (see Note 16.2).

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

The Group uses the percentage-of-completion method in accounting for its realized gross profit on sales of real estate. Use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project. Should the proportion of the percentage of completed projects to differ by 10% from management's estimates, the amount of revenue recognized in 2009 would have increased by P136.8 million if the proportion of the completed projects were increased, or would have decreased by P165.6 million if the proportion performed were decreased.

4. SEGMENT INFORMATION

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

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

The following tables present the revenue and profit information regarding industry segments for the years ended December 31, 2009, 2008 and 2007 and certain asset and liability information regarding industry segments as of December 31, 2009, 2008 and 2007.

2009

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external Customers	P 510,822,335	P 487,795,682	P 590,231,046	P 1,588,849,062
RESULTS				
Segment results	P 45,705,132	P 178,255,853	P 1,112,760,911	P 1,336,721,896
Unallocated expenses			(975,710,738)	(975,710,738)
Operating profit				361,011,158
Finance costs			(150,338,043)	(150,338,043)
Profit before tax				210,673,115
Tax expense			(55,637,692)	(55,637,692)
Profit before minority interest				155,035,423
Non-controlling interest – share in net profit				P 6,685,720
Net profit attributable to parent company's shareholders				P 148,349,703
ASSETS AND LIABILITIES				
Segment assets	P 7,701,712,687	P 7,071,246,517	P 211,548,789	P 14,984,507,993
Unallocated assets	-	-	10,417,241,846	10,417,241,846
Total assets	P 7,701,712,687	P 7,071,246,517	P 10,628,790,635	P 25,401,749,839
Segment liabilities	P 479,296,432	P 947,138,745	P -	P 1,426,435,177
Unallocated liabilities	-	-	6,033,059,470	6,033,059,470
Total liabilities	P 479,296,432	P 947,138,745	P 6,033,059,470	P 7,459,494,647
OTHER SEGMENT INFORMATION:				
Capital expenditures			P 16,066,383	P 16,066,383
Depreciation and amortization			59,855,978	59,855,978

2008

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external Customers	P 582,610,133	P 332,850,358	P 535,376,831	P 1,450,837,322
RESULTS				
Segment results	P 22,501,748	P 155,258,253	P 985,200,355	P 1,162,960,356
Unallocated expenses			(941,492,396)	(941,492,396)
Operating profit				221,467,960
Finance costs			(175,753,157)	(175,753,157)
Unrealized foreign currency exchange gains – net			8,745,956	8,745,956
Profit before tax				54,460,759
Tax income			161,084,732	161,084,732
Profit before minority interest				215,545,491
Non-controlling interest – share in net profit				4,997,874
Net profit attributable to parent company's shareholders				P 220.543.365
ASSETS AND LIABILITIES				
Segment assets	P 7,872,602,067	P 7,242,868,007	P 665,759,092	P 15,781,229,166
Unallocated assets	-	-	10,242,217,129	10,242,217,129
Total assets	P 7,872,602,067	P 7,242,868,007	P 10,907,976,221	P 26,023,446,295
Segment liabilities	P 435,551,003	P 813,464,905	P -	P 1,249,015,908
Unallocated liabilities	-	-	7,318,826,618	7,318,826,618
Total liabilities	P 435,551,003	P 813,464,905	P 7,318,826,618	P 8,567,842,526
OTHER SEGMENT INFORMATION:				
Capital expenditures			P 30,573,173	P 30,573,173
Depreciation and amortization			72,107,024	72,107,024

2007

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 573,788,382	P 1,227,387,235	P 501,291,255	P 2,302,466,872
RESULTS				
Segment results	P 96,497,361	P 155,583,320	P 1,213,874,193	P 1,465,954,874
Unallocated expenses			(634,576,831)	(634,576,831)
Operating profit				831,378,043
Finance costs			(227,671,014)	(227,671,014)
Unrealized foreign exchange losses - net			(10,540,393)	(10,540,393)
Transfer of change in fair value of available-for-sale financial assets from revaluation reserves			(162,785,980)	(162,785,980)
Impairment loss on available-for-sale on financial assets			(4,750,000)	(4,750,000)
Preacquisition income of a subsidiary			(1,653,796)	(1,653,796)
Equity in net earnings of associates			66,098,671	66,098,671
Profit before tax				490,075,531
Tax expense			(182,094,391)	(182,094,391)
Profit before minority interest				307,981,140
Non-controlling interest – share in net profit				(723,096)
Net profit attributable to parent company's shareholders				P 307,258,044
ASSETS AND LIABILITIES				
Segment assets	P 8,089,269,440	P 5,803,954,138	P 689,217,097	P 14,582,440,675
Investments in associates	-	-	420,031,058	420,031,058
Unallocated assets	-	-	7,647,307,932	7,647,307,932
Total assets	P 8,089,269,440	P 5,803,954,138	P 8,756,556,087	P 22,649,779,665
Segment liabilities	P 329,257,535	P 789,580,557	P -	P 1,118,838,092
Unallocated liabilities	-	-	6,525,695,200	6,525,695,200
Total liabilities	P 329,257,535	P 789,580,557	P 6,525,695,200	P 7,644,533,292
OTHER SEGMENT INFORMATION:				
Capital expenditures			P 97,939,752	P 97,939,752
Depreciation and amortization			67,574,251	67,574,251

5. CASH AND CASH EQUIVALENTS

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

	2009	2008
Cash on hand and in banks	P 212,462,068	P 180,658,181
Short-term placements	1,158,550,862	1,454,338,516
	P 1,371,012,930	P 1,634,996,697

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 45 days in 2009 and up to 37 days in 2008 and earn annual effective interest ranging from 0.9% to 7.8% in 2009 and 1.0% to 7.0% in 2008. Dollar-denominated short-term placements are made for varying periods of up to 90 days in 2009 and up to 62 days in 2008 and earn annual effective interest ranging from 1.0% to 3.5% in 2009 and 1.0 % to 4.5% in 2008.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2009	2008
Current:			
Trade receivables – net	11.1	P 2,110,498,542	P 2,066,170,268
Unearned interest income		(52,033,734)	(41,249,980)
		2,058,464,808	2,024,920,288
Advances to suppliers		741,045,337	692,191,356
Miscellaneous		129,217,335	134,971,173
		2,928,727,480	2,852,082,817
Allowance for impairment		(13,976,527)	(13,884,499)
		P 2,914,750,953	P 2,838,198,318
Non-current:			
Trade receivables – net	11.1	P 2,511,290,271	P 2,749,595,387
Refundable security deposits		23,300,123	23,359,886
Miscellaneous		15,697,806	12,412,862
		2,550,288,200	2,785,368,135
Allowance for impairment		(12,224,936)	(12,224,936)
		P 2,538,063,264	P 2,773,143,199

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

The Group partially finances its real estate projects and other business undertakings through discounting of its trade receivables on a with recourse basis with certain local banks. The discounted trade receivables amounted to P1.3 billion and P1.6 billion as of December 31, 2009 and 2008, respectively, and the related liability is presented as part of Interest-bearing Loans and Borrowings (see Note 11.1).

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

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

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2009 and 2008 is shown below.

	2009	2008
Balance at beginning of year	**P 13,884,499**	P 260,568
Impairment losses during the year	**92,028**	1,645,629
Beginning balance of allowance for impairment from SPI	**-**	12,094,138
Write-off of receivables	**-**	(115,836)
Balance at end of year	**P 13,976,527**	P 13,884,499

Allowance for impairment on non-current trade and other receivables of P12.2 million at the end of 2009 and 2008 pertains to allowance for impairment losses recognized by the subsidiaries. There are no movements in the allowance for impairment on non-current trade and other receivables in 2009 and 2008.

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

7. ADVANCES TO LANDOWNERS AND JOINT VENTURES

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

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

	2009	2008
Advances to landowners:		
Balance at beginning of year	**P 1,062,615,921**	P 184,334,696
Reclassifications made	**(281,580,000)**	-
Additional advances	**61,122,667**	878,281,225
	842,158,588	1,062,615,921
Advances to joint ventures:		
Balance at beginning of year	**1,268,760,976**	673,631,579
Reclassification made	**(25,000,000)**	-
Repayments made	**(24,166,336)**	(7,411,523)
Additional advances	**5,007,700**	602,540,920
	1,224,602,340	1,268,760,976
	P2,066,760,928	P2,331,376,897

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

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

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

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

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

The Group's interests in jointly controlled operations and projects range from 55% to 82% both in 2009 and 2008. The listing of the Group's jointly controlled projects are as follows:

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

As of December 31, 2009 and 2008, the Group has no other contingent liabilities with regard to these joint ventures or the probability of loss that may arise from contingent liabilities is remote.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movements of the carrying amounts of available-for-sale financial assets are as follows:

	2009	2008
Balance at beginning of year	**P 239,424,000**	P 770,560,000
Fair value gains (losses) - net	**331,616,000**	(531,136,000)
Balance at end of year	**P 571,040,000**	P 239,424,000

Available-for-sale financial assets as of December 31, 2009 and 2008 mainly consists of investments made by EPHI 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.

Other investments of EPHI in equity securities that do not have quoted market prices are stated at cost. There is no impairment loss recognized for these securities both in 2009 and 2008 while P4.8 million was recognized in 2007 and presented as Impairment Loss on Available-for-Sale Financial Assets account in profit or loss in the consolidated statements of comprehensive income.

The fair values of these available-for-sale financial assets are categorized into Level 1 amounting to P571.0 million and Level 3 amounting to P12.5 million which is already impaired.

There is no tax benefit recognized on the fair value loss on available-for-sale (AFS) financial assets, presented as Revaluation Reserves in the equity section of the statements of financial position, since, generally, the Company's AFS financial asset is generally not subject to income tax.

9. INVESTMENT PROPERTY

The Group's investment property pertains to a parcel of land and a building and improvements being leased-out to related parties and third parties and certain lots held for capital appreciation (see Note 18.2). Rental revenues recognized for the years ended December 31, 2009, 2008 and 2007 amounted to P58.5 million, P75.2 million and P72.1 million, respectively, and are recorded as part of Rental income in the statements of comprehensive income. Real estate taxes and depreciation charges substantially represent the direct costs in leasing these properties. Real estate tax amounted to P5.3 million was recognized as a related expense in 2009, 2008 and 2007 are presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

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

	2009	2008
Balance at beginning of year - net	**P 709,345,816**	P 735,167,529
Net disposals	**(414,604,139)**	-
Depreciation charges for the year	**(41,969,871)**	(54,539,895)
Reclassifications	**-**	28, 718,182
Balance at end of year - net	**P 252,771,806**	P 709,345,816

In 2009, the Company settled its interest-bearing loan amounting to P961.0 million and related interest through conveyance of certain parcels of land and improvements with carrying value of P1.1 billion (see Note 11.2).

The fair value of Investment Property amounted to P759.5 million as of December 31, 2009 and P2.5 billion as of December 31, 2008, as determined by an independent appraiser. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's-length transaction as at the valuation date.

10. PROPERTY AND EQUIPMENT

As of December 31, 2009 and 2008, 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, excluding land, at the beginning and end of 2009 and 2008 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2009					
Cost	P 48,842,104	P 101,362,271	P 58,073,988	P 42,812,253	P 251,090,616
Accumulated depreciation and amortization	(14,018,904)	(90,295,959)	(38,596,767)	(36,726,076)	(179,637,706)
Net carrying amount	**P 34,823,200**	**P 11,066,312**	**P 19,477,221**	**P 6,086,177**	**P 71,452,910**
December 31, 2008					
Cost	P 39,557,845	P 77,871,868	P 46,253,535	P 40,383,795	P 204,067,043
Accumulated depreciation and amortization	(3,606,526)	(65,015,609)	(29,053,817)	(33,010,124)	(130,686,076)
Net carrying amount	P 35,951,319	P 12,856,259	P 17,199,718	P 7,373,671	P 73,380,967
January 1, 2008					
Cost	P 38,145,090	P 68,503,624	P 34,801,217	P 32,295,759	P 173,745,690
Accumulated depreciation and amortization	(1,777,815)	(56,836,531)	(23,154,587)	(31,850,007)	(113,618,940)
Net carrying amount	P 36,367,275	P 11,667,093	P 11,646,630	P 445,752	P 60,126,750

A reconciliation of the carrying amounts at the beginning and end of 2009 and 2008, of property and equipment is shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 35,951,319	P 12,856,259	P 17,199,718	P 7,373,671	P 73,380,967
Additions	715,977	5,289,493	9,446,457	614,456	16,066,383
Disposals	-	-	(108,333)	-	(108,333)
Depreciation and amortization charges for the year	(1,844,096)	(7,079,440)	(7,060,621)	(1,901,950)	(17,886,107)
Balance at December 31, 2009, net of accumulated depreciation and amortization	**P 34,823,200**	**P 11,066,312**	**P 19,477,221**	**P 6,086,177**	**P 71,452,910**
Balance at January 1, 2008, net of accumulated depreciation and amortization	P 36,367,275	P 11,667,093	P 11,646,630	P 445,752	P 60,126,750
Additions	1,412,755	9,598,024	11,722,531	8,088,036	30,821,346
Depreciation and amortization charges for the year	(1,828,711)	(8,408,858)	(6,169,443)	(1,160,117)	(17,567,129)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P 35,951,319	P 12,856,259	P 17,199,718	P 7,373,671	P 73,380,967

11. INTEREST-BEARING LOANS AND BORROWINGS

At December 31 2009 and 2008, the short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	**2009**	2008
Current:			
Bank loans	6	**P 461,739,186**	P 405,429,464
Commercial/term loan	9	**57,142,857**	1,018,142,857
		P 518,882,043	P 1,423,572,321
Non-current:			
Bank loans	6	**P 844,725,912**	P 1,160,040,298
Commercial/term loans	9	**171,428,572**	228,571,429
		P 1,016,154,484	P 1,388,611,727

11.1 Bank Loans

The bank loans represent secured and unsecured loans from banks. The loans bear annual interest rates ranging from 7.0% to 10.5% in 2009 and 2008. Certain properties with an estimated carrying value of P2.4 billion and P2.5 billion as of December 31, 2009 and 2008, respectively, are used as collateral for the P1.1 billion and P1.5 billion bank loan as of December 31, 2009 and 2008, respectively.

Bank loans also include trade receivables discounted, on a with-recourse basis (see Note 6). Finance costs that are directly attributable to construction of the Company's projects are capitalized as part of Property Development Costs (see Note 11.3). The remaining interest costs are expensed and are presented as part of Finance Costs in the statements of comprehensive income.

11.2 Commercial/Term Loans

Included in the balance of commercial/term loans is the unpaid portion of a P400.0 million loan obtained in 2006 from a government institution. This loan bears annual interest of 10.5% and is secured by certain real estate properties owned by a shareholder (see Note 18.4). 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 subsequent payments due every six months thereafter.

In 2008, the commercial/term loans also included a secured loan obtained from another government institution bearing an annual interest rate of 16.0%. This loan is secured by certain real estate properties shown as part of Investment Property and Property Development Costs accounts in the statements of financial position. In 2009, the said interest-bearing loan was settled through conveyance of the collateralized properties categorized as Investment Property and Property Development Costs with a net carrying amount of P1.1 billion and P435.6 million, respectively, at the date of conveyance (see Note 9). No gain or loss was recognized in the settlement of the loan as the total book value of the conveyed real estate properties approximates the carrying amount of the total loan extinguished.

11.3 Interest

Total interest on these interest-bearing loans and borrowings in 2009, 2008 and 2007 amounted to P165.7 million, P151.0 million and P217.3 million, respectively. Interest expense that are directly attributable to the construction of the Group's projects are capitalized as part of Property Development Costs account in the consolidated statements of financial position (see Note 2.16). In 2009, 2008 and 2007, the capitalized interest expense amounted to P77.4 million, P57.9 million and P82.0 million, respectively. The remaining interest was expensed and is shown as part of Finance Costs in the statements of comprehensive income.

12. TRADE AND OTHER PAYABLES

This account consists of:

	2009	2008
Current:		
Trade payables	**P 215,277,222**	P 155,482,692
Taxes payable	**36,160,038**	35,258,403
Commissions	**29,309,300**	36,677,548
Accrued interest and other accruals	**28,878,165**	606,864,710
Others	**33,781,770**	34,224,494
	P 343,406,495	P 868,507,847
Non-current –		
Trade payables	**P 132,994,732**	P 19,686,757

In 2009, the Group acquired a property in Cavite from a local bank amounting to P140.3 million. The property will be paid on an installment basis with terms ranging from three to six years subject to a fixed interest rate ranging from 10% to 11%. The related liability is included as part of Trade payables, the current portion of which amounted to P30.6 million and non-current portion amounted to P116.9 million as of December 31, 2009. The related intermediary costs amounting to P7.1 million in 2009 were capitalized as part of Property Development Costs account.

Accrued expenses in 2008 mainly include interests related to a commercial loan which was settled in 2009 (see Notes 9 and 11.2).

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

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

13. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2009	2008
Advances from customers	**P 1,786,198,439**	P 1,426,388,131
Other deposits	**242,908,042**	218,973,071
	P 2,029,106,481	P 1,645,361,202

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

14. OTHER CURRENT LIABILITIES

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

	2009	2008
Retention payable	**P 79,837,183**	P 105,760,004
Tenant rental deposits	**36,193,696**	33,341,670
Deferred income	**15,993,758**	16,241,504
Miscellaneous	**2,371,390**	25,694,983
	P 134,396,027	P 181,038,161

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. Return to contractors shall be based on final acceptance of all works.

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

15. OTHER INCOME AND OTHER OPERATING EXPENSES

15.1 Other Income

The details of this account are shown below.

	2009	2008	2007
Forfeited payments	**P 280,338,296**	P 184,148,130	P 164,380,646
Marketing fees	**62,743,549**	49,118,378	31,055,228
Tuition fees	**28,735,552**	37,279,493	30,737,792
Miscellaneous	**17,066,456**	15,989,055	14,974,010
	P 388,883,853	P 286,535,056	P 241,147,676

15.2 Other Operating Expenses

The breakdown of other operating expenses is shown below.

	Note	**2009**	2008	2007
Rentals	21.2	**P 41,759,432**	P 30,444,399	P 22,501,333
Utilities		**27,628,706**	25,477,809	18,474,659
Security services		**22,326,158**	21,094,761	11,781,401
Repairs and maintenance		**17,088,996**	25,207,756	9,758,638
Association dues		**15,645,467**	19,056,121	12,922,234
Office supplies		**12,663,502**	10,860,818	5,121,312
Professional fees		**8,720,512**	6,946,251	5,330,340
Training and development		**7,364,369**	6,113,608	886,917
Documentation		**6,982,109**	3,774,528	5,746,788
Representation		**3,726,394**	4,361,849	9,800,253
Outside services		**2,596,925**	2,491,392	2,646,605
Insurance		**2,248,888**	1,840,912	1,928,060
Miscellaneous		**25,566,169**	26,809,141	18,443,427
		P 194,317,627	P 184,479,345	P 125,341,967

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

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	2009	2008	2007
Short-term benefits	**P 152,355,117**	P 146,167,830	P 92,664,915
Retirement - defined benefit plan	**12,414,260**	17,421,045	12,921,001
	P 164,769,377	P 163,588,875	P 105,585,916

16.2 Retirement Benefit Obligation

As of December 31, 2009, the Company and its subsidiaries are yet to formally set up their retirement plans. However, in 2007, the BOD had already approved the establishment of the Company's retirement plan.

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

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

	2009	2008
Present value of the obligation	**P 74,711,340**	P 50,029,375
Fair value of the assets	**(1,559,015)**	-
Unrecognized past service costs	**(4,074,768)**	-
Unrecognized actuarial gains	**8,976,264**	18,494,774
	P 78,053,821	P 68,524,149

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

	2009	2008
Balance at beginning of year	**P 50,029,375**	P 67,409,256
Current service cost and interest cost	**12,493,486**	16,364,823
Past service cost – non-vested benefits	**4,191,190**	-
Benefits paid	**(935,000)**	-
Beginning balances of retirement obligation of SPI	**-**	9,816,775
Actuarial gains (losses)	**8,932,289**	(43,561,479)
	P 74,711,340	P 50,029,375

The movement in the fair value of plan assets in 2009 is presented below.

Fair value of plan assets, beginning	P -
Contributions paid into the plan	2,500,000
Benefits paid by the plan	(935,000)
Actuarial loss	(5,985)
Fair value of plan assets, ending	P 1,559,015

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

The Company's subsidiary expects to pay P1.2 million in contributions to retirement benefit plans in 2010.

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

	2009	2008	2007
Current service costs	**P 6,401,200**	P 9,995,168	P 7,198,177
Interest costs	**6,476,874**	6,777,518	4,869,317
Past service cost	**116,422**	-	-
Net actuarial gains (losses) recognized during the year	**(580,236)**	648,359	853,507
	P 12,414,260	P 17,421,045	P 12,921,001

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

	2009	2008	2007
Parent company			
Discount rates	**9.28%**	13.50%	8.35%
Expected rate of salary increases	**8.00%**	10.00%	10.00%
EPHI			
Discount rates	**9.00%**	11.00%	8.13%
Expected return on plan assets	**4.00%**	-	-
Expected rate of salary increases	**6.00%**	8.00%	7.52%
SPI			
Discount rates	**9.00%**	12.00%	-
Expected rate of salary increases	**10.00%**	10.00%	-

For LBASI, accrual of estimated cost of retirement benefits is based on the provisions of Republic Act No. 7641 (R.A. 7641), Retirement Law, while 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 life expectancy of an individual retiring at the age of 60 for the parent Company is 28 and for SPI are 34 for both males and females. For EPHI, the average remaining working life of an individual at the age of 65 is 22 for both males and females.

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

17. TAXES

17.1 Current and Deferred Taxes

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

	2009	2008	2007
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10% in 2009 and 35% and 10% in 2008 and 2007	**P 79,008,227**	P 51,365,687	P 52,186,869
Final tax at 20% and 7.5%	**12,179,969**	18,704,449	3,560,818
Minimum corporate income tax (MCIT) at 2%	**6,211,255**	4,067,033	-
Capital gains tax (at 5% and 10%)	**-**	-	6,178,046
	97,399,451	74,137,169	61,925,733
Deferred tax expense (income):			
Deferred tax relating to origination and reversal of temporary differences	**(41,778,123)**	(35,622,604)	120,168,658
Deferred tax relating to reduction in RCIT tax rate	**16,364**	(199,419,424)	-
Others – net	**-**	(179,873)	-
	(41,761,759)	(235,221,901)	120,168,658
	P 55,637,692	(P 161,084,732)	P 182,094,391

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 (income) recognized in profit or loss in the consolidated statements of comprehensive income is as follows:

	2009	2008	2007
Tax on pretax income at 30% in 2009 and 35% in 2008 and 2007	**P 63,201,935**	P 19,061,266	P 171,526,437
Adjustment for income subjected to lower income tax rates	**(6,031,196)**	18,412,512	9,629,151
Tax effects of:			
Nontaxable income	**(13,646,113)**	(36,153,916)	(27,566,496)
Nondeductible expenses	**12,096,702**	36,971,553	28,615,926
Change in RCIT tax rate	**-**	(199,419,424)	-
Others – net	**16,364**	43,277	(110,627)
Tax expense (income)	**P 55,637,692**	(P 161,084,732)	P 182,094,391

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

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2009	2008	2009	2008	2007
Deferred tax assets:					
Retirement benefit obligation	P 23,491,146	P 20,557,245	(P 2,933,902)	(P 2,534,671)	(P 4,462,240)
MCIT	10,278,288	4,067,033	(6,211,255)	(4,067,033)	-
Allowance for impairment	7,747,189	7,747,189	-	764,486	-
Net operating loss carryover (NOLCO)	3,378,637	6,064,448	2,685,811	(6,064,448)	
Unamortized preoperating expense	490,905	507,269	16,364	-	-
Unrealized foreign exchange losses	547,657	-	(547,657)	3,689,138	(2,232,864)
Accrued rent	316,568	511,267	194,700	(14,807)	(498,561)
	46,250,390	39,454,451	(6,795,939)	(8,227,335)	(7,193,665)
Deferred tax liabilities:					
Uncollected realized gross profit	(873,503,430)	(865,865,941)	7,637,489	(169,726,035)	120,048,498
Capitalized interest expense	(321,061,275)	(361,040,797)	(39,979,522)	(59,892,318)	7,313,825
Unrealized foreign exchange gains	-	(2,623,787)	(2,623,787)	2,623,787	-
	1,194,564,705	1,229,530,525	(34,965,820)	(226,994,566)	127,362,323
Deferred tax expense (income)			(P 41,761,759)	(P 235,221,901)	P 120,168,658
Net Deferred Tax Liabilities	P 1,148,314,315	P 1,190,076,074			

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The Group reported MCIT of P6.2 million in 2009 and P4.1 million in 2008; this can be availed by the respective entities within three years up to 2012 and 2011, respectively. No MCIT was reported in 2007 as the RCIT was higher than MCIT in that year.

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 2009 for which the related deferred tax asset has not been recognized amounted to a total of P30.8 million with a total tax effect of P9.3 million. Details of NOLCO and the applicable years it is deductible from taxable income is shown below.

Year Incurred	Amount	Valid Until
2009	P 21,607,274	2012
2008	7,387,847	2011
2007	1,851,437	2010
	P 30,846,558	

17.2 Optional Standard Deduction

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

The Group opted to continue claiming itemized deductions since 2008.

17.3 Change in Applicable Tax Rate

Effective January 1, 2009, in accordance with RA 9337, RCIT rate was reduced from 35% to 30% and nonallowable deductions for interest expense from 42% to 33% of interest income subjected to final tax.

18. RELATED PARTY TRANSACTIONS

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

18.1 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:

	2009	2008
GPMAI	**P 401,945,482**	P 402,909,161
MCPI	**104,803,055**	74,483,430
First Oceanic Property Management, Inc.	**47,035,207**	45,846,035
Other related parties	**343,919,492**	344,522,097
	P 897,703,236	P 867,760,723

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

	2009	2008
Balance at beginning of year	**P 867,760,723**	P 1,767,320,921
Additions	**36,683,255**	44,047,856
Repayments	**(8,134,267)**	(944,325,241)
Amortization of interest	**1,393,525**	717,187
Balance at end of year	**P 897,703,236**	P 867,760,723

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

	2009	2008
Current	**P 842,607,850**	P 814,058,862
Non-current	**55,095,386**	53,701,861
	P 897,703,236	P 867,760,723

Advances to related parties as of December 31, 2009 and 2008 include amount owed by Suntrust Home Developers, Inc. (SHDI, formerly Fairmont Holdings, Inc.), amounting to P25.5 million, which represents the consideration for the P19.7 million SPI shares assigned to SHDI.

The details of advances from stockholders and associates are as follows:

	2009	2008
Advances from a stockholder:		
Balance at beginning of year	**P 457,616,013**	P 262,734,717
Additions	**629,265,435**	912,658,722
Repayments	**(581,124,265)**	(717,777,426)
Balance at end of year	**P 505,757,183**	P 457,616,013
Advances from associates:		
Balance at beginning of year	**P 67,836,935**	P 24,909,787
Additions	**57,324,388**	49,488,329
Repayments	**(2,227,910)**	(6,576,787)
Amortization of interest	**29,786**	15,606
Balance at end of year	**P 122,963,199**	P 67,836,935
Total advances from related parties:		
Balance at beginning of year	**P 525,452,948**	P 287,644,504
Additions	**686,589,823**	962,147,051
Repayments	**(583,352,175)**	(724,354,213)
Amortization of interest	**29,786**	15,606
Balance at end of year	**P 628,720,382**	P 525,452,948

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

	2009	2008
Current	**P 615,196,734**	P 262,502,182
Non-current	**13,523,648**	262,950,766
	P 628,720,382	P 525,452,948

In February 2008, a portion of the advances received from Megaworld was paid through assignment to the latter of the Company's California Garden Square retail units, valued at P410.0 million at the time of the assignment.

These advances to/from stockholders, associates and other related parties are generally collectible/payable 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.

18.2 Rentals

Some properties of the Group are being leased to other related parties (see Note 9). Total rentals earned from this leasing activity amounted to P22.6 million in 2009, P31.4 million in 2008 and P30.5 million in 2007 and are shown as part of Rentals under Revenues in the consolidated statements of comprehensive income. There is no outstanding rental receivable from other related parties as of December 31, 2009 and 2008.

18.3 Commissions

The Group earns marketing fee from the sale of Megaworld's real estate properties. The marketing fee recognized amounted to P118.9 million, P153.8 million and P175.3 million in 2009, 2008 and 2007, respectively. The related receivables arising from commissions are presented as part of Advances to Related Parties in the consolidated statements of financial position.

18.4 Commercial/Term Loan

The Company has an outstanding commercial/term loan from a government institution bearing an annual interest rate of 10.5%. This loan is secured by certain real estate properties owned by a stockholder (see Note 11.2).

18.5 Key Management Personnel Compensation

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

	2009	2008	2007
Short-term benefits	**P 22,499,260**	P 19,857,891	P 9,011,731
Post-employment benefits	**3,397,302**	2,036,211	2,096,716
	P 25,896,562	P 21,894,102	P 11,108,447

These are presented as part of total Salaries and Employee Benefits in consolidated statements of comprehensive income for the years ended December 31, 2009, 2008 and 2007.

19. EQUITY

19.1 Capital Stock

Capital stock as of December 31 consists of:

	Shares			**Amount**		
	2009	2008	2007	**2009**	2008	2007
Preferred stock – P1 par value						
Authorized – 2 billion shares						
Issued and outstanding –						
Series B	**285,723,080**	285,723,080	285,723,080	**P 285,723,080**	P 285,723,080	P 285,723,080
Common shares – P1 par value						
Authorized	**21,495,200,000**	21,495,200,000	21,495,200,000			
Issued and outstanding						
Balance at beginning of year	**10,622,492,324**	10,622,492,324	7,998,683,261	**10,622,492,324**	10,622,492,324	7,998,683,261
Subscribed during the year	**-**	-	2,623,809,063	**-**	-	2,623,809,063
Total outstanding	**10,622,492,324**	10,622,492,324	10,622,492,324	**10,622,492,324**	10,622,492,324	10,622,492,324
Subscriptions receivable				**-**	-	(1,967,856,797)
				10,622,492,324	10,622,492,324	8,654,635,527
				P 10,908,215,404	P 10,908,215,404	P 8,940,358,607

The Series B preferred shares are nonredeemable, convertible into common shares and 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 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 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). The increase was subsequently approved by the vote of at least two-thirds of the outstanding capital stock at the stockholders' meeting held on October 12, 2007. Out of the increase in common shares of 10.5 billion, P2.6 billion equivalent to 2.6 billion shares were subscribed by Megaworld, subject to adjustment based on the results of the stock rights offer, and, out of the said subscription, the amount of P656.0 million has been paid by way of subscription to a pre-emptive rights offering to existing stockholders of the Company in proportion to their respective shareholdings.

In January 2008, after the stock rights offer was made to the existing stockholders, 2.6 billion of the stock rights were actually subscribed by Megaworld. The remaining amount of the subscription receivable amounting to P2.0 billion was also paid by Megaworld on January 21, 2008.

19.2 Treasury Shares – at cost

The details of this account are as follows:

	Shares			Amount		
	2009	2008	2007	**2009**	2008	2007
Balance at beginning of year	**127,256,071**	127,256,071	117,356,071	**P 102,106,658**	P 102,106,658	P 95,181,558
Additional acquisitions during the year	**-**	-	9,900,000	**-**	-	6,925,100
Balance at end of year	**127,256,071**	127,256,071	127,256,071	**P 102,106,658**	P 102,106,658	P 102,106,658

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.

19.3 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127.3 million shares held in treasury.

20. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2009	2008	2007
Basic:			
Net profit attributable to parent company's shareholders	**P 148,349,703**	P 220,543,365	P 307,258,044
Divided by the weighted average number of issued and outstanding common shares	**10,495,236,253**	10,495,236,253	8,453,842,937
Basic earnings per share	**P 0.014**	P 0.021	P 0.036
Diluted:			
Net profit available to common shares	**P 148,349,703**	P 220,543,365	P 307,258,044
Divided by the weighted average number of issued and outstanding common shares and potential common shares from assumed conversion of convertible Preferred – Series B shares	**10,780,959,333**	10,780,959,333	8,739,566,017
Diluted earnings per share	**P 0.014**	P 0.020	P 0.035

21. COMMITMENTS AND CONTINGENCIES

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

21.1 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 ten years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P82.4 in 2009 and P94.7 million in 2008.

	2009	2008	2007
Within one year	**P 19,061,709**	P 61,183,462	P 78,079,212
After one year but not more than five years	**22,366,196**	39,763,953	100,708,926
More than five years	**11,261,850**	13,023,590	-
	P 52,689,755	P 113,971,005	P 178,788,138

21.2 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:

		2009		2008		2007
Within one year	**P**	**15,627,816**	P	20,637,022	P	14,822,851
After one year but not more than five years		**17,930,622**		9,620,258		13,701,607
More than five years		**-**		-		-
	P	**33,558,438**	P	30,257,280	P	28,524,458

Total rentals from these operating leases which was charged to Other Operating Expenses amounted to P41.8 million, P30.4 million and P22.5 million in 2009, 2008 and 2007, respectively (see Note 15.2).

21.3 Legal Claims

As of December 31, 2009, the Group is a party to a litigation arising from 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.

21.4 Credit lines

As of December 31, 2009 and 2008, the Company has unused lines of credit amounting to P409.0 million and P300.0 million, respectively.

21.5 Others

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

22. 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 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.

22.1 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 (see Note 5).

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P120.0 million, P73.9 million and P56.1 million as of December 31, 2009, 2008 and 2007, respectively.

At December 31, 2009, 2008 and 2007, if the peso had strengthened by 13.45%, 17.46% and 13.81% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P16.1 million, P12.9 million and P7.7 million, respectively, 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, 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 95% 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 currency risk.

22.2 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 largely arises from cash and cash equivalents, which are subject to variable interest rates. Financial assets at variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities have fixed rates.

At December 31, 2009, 2008 and 2007, if general interest rates on peso-denominated financial assets had been higher by 3.31% in 2009, 3.44% in 2008, and 3.46% in 2007, with all other variables held constant, profit before tax for the year would have been higher by P48.8 million, P83.5 million and P32.4 million, respectively.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 95%-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.

22.3 Credit Risk

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

	Notes	**2009**	2008
Cash and cash equivalents	5	**P 1,371,012,930**	P 1,634,996,697
Trade and other receivables – net	6	**5,452,814,217**	5,611,341,517
Advances to landowners and joint venture	7	**2,066,760,928**	2,331,376,897
Advances to related parties	18	**897,703,236**	867,760,723
		P 9,788,291,311	P 10,445,475,834

The table below shows the credit quality by class of financial assets as of December 31, 2009.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents	P 1,371,012,930	P -	P -	P -	P 1,371,012,930
Trade and other receivables - net	2,914,750,953	2,526,209,564	11,853,700	-	5,452,814,217
Advances to landowners and joint venture	2,066,760,928	-	-	-	2,066,760,928
Advances to related parties	842,607,850	55,095,386	-	-	897,703,236
	P 7,195,132,661	**P 2,581,304,950**	**P 11,853,700**	**P -**	**P 9,788,291,311**

This compares with the credit quality by class of financial assets as of December 31, 2008.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents	P 1,634,996,697	P -	P -	P -	P 1,634,996,697
Trade and other receivables - net	2,861,558,204	2,738,229,428	11,553,885	-	5,611,341,517
Advances to landowners and joint venture	2,331,376,897	-	-	-	2,331,376,897
Advances to related parties	867,760,723	-	-	-	867,760,723
	P 7,695,692,521	P 2,738,229,428	P 11,553,885	P -	P 10,445,475,834

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

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

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

22.4 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 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, 2009, 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 518,882,043	P -	P 1,016,154,484	P -
Trade and other payables	343,406,495	-	132,994,732	-
Advances from related parties	615,196,734	-	13,523,648	-
Other current liabilities	134,396,027	-	-	-
	P 1,611,881,299	**P -**	**P 1,162,672,864**	**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	After 5 Years
Interest-bearing loans and borrowings	P 1,423,572,321	P -	P 1,388,611,727	P -
Trade and other payables	868,507,847	-	19,686,757	-
Advances from related parties	262,502,182	-	262,950,766	-
Other current liabilities	181,038,161	-	-	-
	P 2,735,620,511	P -	P 1,671,249,250	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.

22.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at fair value through profit or loss and available-for-sale 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 50.32% and 75.04% has been observed during 2009 and 2008. If quoted price for these securities increased or decreased by that amount, net profit before tax would have changed by P287.4 million in 2009 and P179.7 million in 2008.

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 available for sale. The Group is not subject to commodity price risk.

23. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Notes	**2009**		2008	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Current:					
Cash and cash equivalents	5	**P 1,371,012,930**	**P 1,371,012,930**	P 1,634,996,697	P 1,634,996,697
Trade and other receivables	6	**2,914,750,953**	**2,914,750,953**	2,838,198,318	2,838,198,318
Advances to related parties	18	**842,607,850**	**842,607,850**	814,058,862	814,058,862
		5,128,371,733	**5,128,371,733**	5,287,253,877	5,287,253,877
Non-current:					
Trade and other receivables	6	**2,538,063,264**	**2,538,063,264**	2,773,143,199	2,773,143,199
Advances to related parties	18	**55,095,386**	**55,095,386**	53,701,861	53,701,861
Advances to land owners and joint ventures	7	**2,066,760,928**	**2,066,760,928**	2,331,376,897	2,331,376,897
Available-for-sale financial assets	8	**571,040,000**	**571,040,000**	239,424,000	239,424,000
		5,230,959,578	**5,230,959,578**	5,397,645,957	5,397,645,957
		P 10,359,331,311	**P 10,359,331,311**	P 10,684,899,834	P 10,684,899,834
Financial Liabilities					
Current:					
Interest-bearing loans and borrowings	11	**P 518,882,043**	**P 518,882,043**	P 1,423,572,321	P 1,423,572,321
Trade and other payables	12	**343,406,495**	**343,406,495**	868,507,847	868,507,847
Advances from related parties	18	**615,196,734**	**615,196,734**	262,502,182	262,502,182
		1,477,485,272	**1,477,485,272**	2,554,582,350	2,554,582,350
Non-current:					
Interest-bearing loans and borrowings	11	**P 1,016,154,484**	**P 1,016,154,484**	P 1,388,611,727	P 1,388,611,727
Trade and other payables	12	**132,994,732**	**132,994,732**	19,686,757	19,686,757
Advances from related parties	18	**13,523,648**	**13,523,648**	262,950,766	262,950,766
		1,162,672,864	**1,162,672,864**	1,671,249,250	1,671,249,250
		P 2,640,158,136	**P 2,640,158,136**	P 4,225,831,600	P 4,225,831,600

See Notes 2.4 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 22.

24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

	2009	2008
Net debt	**P 164,023,597**	P 1,177,187,351
Total equity	**17,942,255,192**	17,455,603,769
Debt-to-equity ratio	**0.01 : 1**	0.07 : 1

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

Punongbayan & Araullo

Report of Independent Auditors to Accompany SEC Schedules filed Separately from the Basic Financial Statements

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

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. (the Company) and subsidiaries and the separate financial statements of the Company for the year ended December 31, 2009, on which we have rendered our reports both dated March 15, 2010. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of the Company and subsidiaries as of December 31, 2009 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Mailene Sigue-Bisnar**
Partner
CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 2087616, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0396-AR-1
BIR AN 08-002511-20-2009 (Sept. 16, 2009 to 2012)

Firm BOA/PRC Cert. of Reg. No. 0002
Firm SEC Accreditation No. 0002-FR-2

March 15, 2010

Empire East Land Holdings, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2009

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EMPIRE EAST LAND HOLDINGS, INC.
Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2009

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at Beginning of period*	*Additions/Transfer 2009*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances to Officers and Employees:							
Albano, Rosalinda	282,826		(67,192)		215,634		215,634
Barrera, Julieta	317,202		(69,866)		247,336		247,336
Cacho, Evelyn	365,058		(104,677)		260,381		260,381
Chan, Ermanric	-	417,864	(48,760)		369,104		369,104
Danenberg, Mercedes	384,872		(77,636)		307,236		307,236
De Guzman, Eric	309,681	(304,023)	(5,658)		0		0
Domingo, Ma. Visitacion		304,023	(44,569)		259,454		259,454
Edaño, Dennis	265,196		(73,074)		192,122		192,122
Gregorio, Ricardo	425,941		(97,076)		328,865		328,865
Llaga, Jhoanna Lyndelou	158,038		(70,220)		87,818		87,818
Llantada Jr. , Antonio	745,517		(229,833)		515,684		515,684
Llena, Jose Arnel		300,000	(53,041)		246,959		246,959
Libago, Ricky S.	651,176		(125,886)		525,290		525,290
Lim, Robert Edwin	402,104		(112,326)		289,778		289,778
Madridejos, Arminus		500,000	(183,447)		316,553		316,553
Manalac, Michael		405,000	(57,144)		347,856		347,856
Quintana, Rodulfo	213,912		(91,068)		122,844		122,844
Ramos, Franemil	39,391	420,800	(79,141)		381,050		381,050
	4,560,914	2,043,664	(1,590,614)	-	5,013,964	-	5,013,964

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

Empire East Land Holdings, Inc. and Subsidiaries
Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2009

Name of Issuing entity and description of Investee	*Number of shares or principal amount of bonds and notes*	*Amount in Peso*	*Equity in earnings (losses) of investee for the period*	*Other*	*Distibution of earnings by investee*	*Other*	*Number of shares or principal amount of bonds and notes*	*Amount in Peso*	*Dividends received from investments not accounted for by the equity method*
Investment in Associates at Equity									
	-	-	-	-	-	-	-	-	-
Other Long-term Investments									
Alliance Global, Inc.	137,600,000	571,040,000	-	-	-	-	-	571,040,000	-

Empire East Land Holdings, Inc. and Subsidiaries
Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates)
December 31, 2009

Name of Related Parties	*Balance at beginning of period*	*Balance at end of period*
Other Related Parties:		
Gilmore Property Management Associates, Inc.	**402,909,161**	**401,945,482**
First Oceanic Property Management, Inc.	**45,846,035**	**47,035,207**
Megaworld Central Properties, Inc.	**74,483,430**	**104,803,055**
Others	**344,522,097**	**343,919,492**
	867,760,723	**897,703,236**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Intangible Assets - Other Assets
December 31, 2009

Description	*Beginning balance*	*Additions at cost*	*Deduction*			*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*	*Other changes additions (deductions)*	
Goodwill	P 202,534,566	-	-	-	-	P 202,534,566

Empire East Land Holdings, Inc. and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2009

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*
Loans	**1,535,036,527**	**518,882,043**	**1,016,154,484**

Loans are payable up to 2017and bear interest at annual average rate of 7.0% to 10.5% per annum, subject to monthly repricing.

Empire East Land Holdings, Inc. and Subsidiaries
Schedule I - Capital Stock
December 31, 2009

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Preferred shares	**2,000,000,000**	**285,723,080**				
Common shares	**21,495,200,000**	**10,495,236,253 ***		**5,077,256,249**		

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

EMPIRE EAST LAND HOLDINGS, INC.
21st Floor, The World Centre Building, 330 Sen Gil Puyat Avenue, Makati City

Schedule J - Reconciliation of Parent Company Retained Earnings for Dividend Declaration
December 31, 2009

UNAPPROPRIATED RETAINED EARNINGS, AS AUDITED AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING			**P**	**2,008,739,418**
Net Income Realized for the Year				
Net Income During the Year Closed to Retained Earnings	P	142,031,976		
Less increase in deferred tax asset during the year		(2,768,042)		**139,263,934**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION			**P**	**2,148,003,352**