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

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

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

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

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

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

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

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

8. **09 June 2009, 9:00 a.m., McKinley Information Center (Showroom)**
   Upper McKinley Road, McKinley Hill, Fort Bonifacio
   Taguig City, Metro Manila, Philippines
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **18 May 2009**

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

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

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

    Yes [X] **No [ ]**

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

Empire East

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS
Empire East Land Holdings, Inc.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Empire East Land Holdings, Inc. will be held on 09 June 2009, 9:00 a.m., at the McKinley Information Center Showroom, Upper McKinley Road, McKinley Hill, Fort Bonifacio, Taguig City, Metro Manila, Philippines, with this agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Annual Meeting
4. Annual Report of Management
5. Appointment of External Auditors
6. Ratification of Acts and Resolutions of the Board of Directors, Executive Committee and Management
7. Election of Directors
8. Adjournment

Stockholders of record as of 13 April 2009 will be entitled to notice of, and to vote at, the Annual Meeting.

We are not soliciting your proxy. However, if you would like to appoint proxies to represent you in the Annual Meeting, you may submit your proxy instruments on or before 29 May 2009 to the office of the Corporate Secretary, 15/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City. Validation of proxies will be held on 04 June 2009, 9:00 a.m. Sample proxy forms are enclosed for your convenience. For questions, please call Ms. Rhodora Victorino-Edangalino at Tel. No. +632 8678826 loc. 363 for assistance.

Makati City, Philippines, 11 May 2009.

ENRIQUE SANTOS L. SY
Corporate Secretary

PROXY FORM
(2009 Annual Stockholders' Meeting)

I/We hereby nominate and constitute

____
or in his/her absence, the Chairman of the meeting, as my/our proxy at the Annual Stockholders' Meeting of Empire East Land Holdings, Inc. to be held at McKinley Information Center (Showroom), Upper McKinley Road, McKinley Hill, Fort Bonifacio, Taguig City on 09 June 2009, at 9:00 a.m. or at any postponement or adjournment thereof. Granting my/our proxy full power and authority to act on my/our behalf and hereby ratifying and confirming all that he/she may do in my/our stead.

____
Signature of Stockholder/s
Date:

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual meeting of stockholders of the Company will be held on 09 June 2009, 9:00 a.m., at the McKinley Information Center (Showroom) located at Upper McKinley Hill, Fort Bonifacio, Taguig City, Metro Manila, Philippines.

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

Copies of this information statement will be sent on or before 18 May 2009 to all stockholders on record as of 13 April 2009.

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

Dissenters' Right of Appraisal

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

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

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

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

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

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

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

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

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of Shares Outstanding

As of 13 April 2009, the Company had 10,495,236,253 outstanding shares of common stock. Each common share shall be entitled to one (1) vote.

Record Date of Meeting

All owners on record of the Company's common shares as of 13 April 2009 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

Cumulative Voting Rights

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

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of March 31, 2009

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 PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	Megaworld Corporation Megaworld Corporation, a client of a participant of PCD Nominee Corporation (Filipino)	Filipino	5,022,770,249 54,486,000 5,077,256,249	47.8576% 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	2,531,898,200[2]	24.1243%

[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% 8.2036611 0.3713%

Security Ownership of Management as of March 31, 2009

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	George T. Yang	4,259,348(direct)	Filipino	0.04058363%
Common	Evelyn G. Cacho	35,240(direct)	Filipino	0.00033577%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Five Most Highly Compensated Executive Officers				
Common	Anthony Charlemagne C. Yu	1(direct)	Filipino	0.00000001%
Common	Rodulfo A. Quintana, Jr.	40,429(direct)	Filipino	0.00038521%
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
Common	Robert Edwin C. Lim	0	Filipino	n/a
Other Executive Officers				
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00011331%
Common	Dennis E. Edaño	0	Filipino	n/a

[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	Giovanni C. Ng	0	Filipino	n/a
Common	All directors and executive officers as a group	29,353,497	Filipino	0.27968394%

Voting Trust Holders of 5% or More

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

Changes in Control

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

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. Only six directors currently hold office. Except for Ms. Evelyn G. Cacho who was elected director on February 20, 2009 to serve the unexpired term of Ms. Monica T. Salomon who resigned from the Board on the same date, all directors were elected during the annual meeting of stockholders held on 10 June 2008 for a term of one year and until their successors are elected and qualified.

Information concerning the background of the directors and executive officers of the Company is provided in pages 5 to 9 of the Company's Annual Report to Stockholders.

Procedure for Nomination and Election of Independent Directors

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

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

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

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

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

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

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

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

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

Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Nomination Committee composed of Gerardo C. Garcia as Chairman, and George T. Yang and Enrique Santos L. Sy[1] as voting members and the Human Resource Head as non-voting member accepts nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

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

Independent Directors

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

[1] Resigned as of 23 December 2008.

Significant Employees

The business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Nominee for director, Katherine L. Tan and chairman, Andrew L. Tan are spouses.

Material Pending Legal Proceedings

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

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

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

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

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

Related Transactions

The Company, 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, 2008. 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 19 of the Notes to the Audited Consolidated Financial Statements of the Company and its subsidiaries as of December 31, 2008 and 2007.

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

Resignation/Disagreement

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

Compensation of Directors and Executive Officers

Compensation of Certain Executive Officers

The total annual compensation paid to the President and five most highly compensated executive officers of the Company amounted to Php7,061,188 in 2007 and Php7,125,880 in 2008. The projected total annual compensation of the named executive officers for the current year is Php7,666,982.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2008, the Company paid a total of Php600,000 for directors' per diem. For 2009, 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 of Compensation Table

The following table identifies the President and the five most highly compensated executive officers of the Company and summarizes their aggregate compensation in 2007, 2008 and 2009:

Name and Principal Position	Year	Salary	Bonus	Others	Total Annual Compensation
Anthony Charlemagne C. Yu, President					
Rodulfo A. Quintana, Jr., VP for Project Management					
Antonio E. Llantada, Jr., VP for Audit and Management Services					
Evelyn G. Cacho, VP for Finance					
Robert Edwin C. Lim, VP for Corporate Planning and Landbanking					
Ricardo B. Gregorio, VP for HR, General & Admin Services					
President and 5 Most Highly Compensated Officers					
	2007	5,462,358	702,833	895,997	7,061,188
	2008	5,776,077	493,850	855,953	7,125,880
	2009	6,238,163	533,358	895,461	7,666,982
All Other Officers and Directors as a Group					
	2007	4,022,422	544,556	1,654,486	6,221,464
	2008	5,412,804	469,097	1,132,064	7,013,965
	2009	5,508,350	674,779	1,280,570	7,463,699

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

Executive officers are appointed by the Board of Directors to their respective offices. The Company does not enter into formal 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 a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are no outstanding warrants or options held by the Company's President, the named executive officers, and all officers and directors as a group.

Independent Public Accountants

The Company, upon the recommendation of the Audit Committee of the Board of Directors composed of Gerardo C. Garcia as Chairman and Alejo L. Villanueva, Jr. and Enrique Santos L. Sy[1] as members, has approved the engagement Punongbayan & Araullo as external auditors of the Company for 2009 and will submit such engagement to its stockholders for ratification. Punongbayan & Araullo was also the external auditor of the Company for 2005, 2006, 2007 and 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.

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

Information Incorporated by Reference

Financial Statements of the Company and its subsidiaries as of 31 December 2008 and 2007 and Interim Financial Statements of the Company and its subsidiaries as of 31 March 2009, as well as the Management's Discussion and Analysis of Results of Operations and Financial Condition for the corresponding periods are included in the Company's Annual Report to Stockholders and are incorporated herein by reference.

[1] Resigned as of 31 December 2008.

OTHER MATTERS

Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 10 June 2008 will be submitted to the Company's stockholders for approval. The Minutes will refer to the adoption of stockholders' resolutions pertaining to the following matters:

1. Approval of Minutes of the 2007 Annual Meeting of Stockholders
2. Appointment of External Auditors
3. Ratification of Acts and Resolutions of the Board of Directors, Executive Committee and Management for the period covering 01 January 2007 through 31 December 2007
4. Election of Directors

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

Other Proposed Action

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Executive Committee and Management adopted during the period covering 1 January 2008 through 31 December 2008.

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

1. Appointment of Contract Signatories;
2. Appointment of Representatives to Homeowners' Associations;
3. Application for Permits and Licenses for Projects;
4. Registration of Master Deeds and Restrictions of Projects;
5. Operation of Bank Accounts and other Bank Transactions;
6. Consolidation and Subdivision of Lots and Titling of Projects;
7. Development and Operation of Projects;
8. Property Acquisitions, Dispositions, Leases and Joint Ventures.

Voting Procedures

Vote Required

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

For all other matters proposed to be acted upon by the stockholders, the vote of a majority of the outstanding common capital stock will be needed for approval.

Method of Counting of Votes

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

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

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

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 11, 2009.

EMPIRE EAST LAND HOLDINGS, INC.

By:

EVELYN G. CACHO
Vice President for Finance

ANNUAL REPORT TO STOCKHOLDERS

Business Development

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

As of December 31, 2008, 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, 2008. 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 has not yet started commercial operations as of December 31, 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 1, 2007 and has not yet started commercial operations as of December 2008. 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.

General Nature and Scope of Business

The Company's core business is the construction and development of residential communities and marketing of real estate. Its products are classified into three major categories – high rise condominiums, mid-rise residences and horizontal or house and lot communities. The Company's subsidiaries are directly engaged in offering commercial, industrial, parking and residential spaces for lease all over Metro Manila.

For the past years, the Company has executed well-planned developments through its "work, live and play" innovative concepts. It has created trends in real estate and has established itself to be the leader of breakthrough housing concepts. The Company is the first in the country to initiate the transit-oriented development concept. The introduction of this trend is evident in the birth of the Company's newest products in early 2008. All new projects are centrally located in three high growth cities of the Metro that includes Quezon City, San Juan and Makati. These projects are situated along the veins of EDSA and have direct physical connection to the MRT and LRT stations. Their accessibility and proximity to business and leisure hubs give the Company an edge over other real estate developments. Another pioneering concept for its high-rise condominium is the centralized and organized amenity area located at a specified floor atop several levels of podium. There is also an integration of commercial establishments in the lower levels. These schemes aim to provide a fully effective city living.

For years, the Company has developed efficient strategies that provide benefits to its market by offering affordable prices and monthly amortizations in projects that are set in highly strategic locations, boast of superb amenities, and provide well-planned residential units with first-rate customer relations services and property administration.

Update on On-Going Developments

In 2008, the Company spent P800M for its construction and development activities. Three new projects were introduced in the market. In June 2008, the Company marked the grand opening of the MRT-Pioneer Woodlands Interlink Bridgeway that symbolically gave birth to the Company's transit-oriented project scheme. In August, after the brisk sales of Pioneer Woodlands' Tower 1, the second tower, having a total number of 427 units was launched. It was also during this time that combined units were introduced to provide clients an option for bigger units. By the end of the year, more than 60% of Tower 1 has been sold out.

The San Lorenzo Place, a 4-tower condominium cluster project located in the corner of EDSA and Chino Roces Avenue, Makati, has been provided a showroom for clients' first hand viewing. In December, Tower 4, with 860 residential units, was launched. By the end of the year, 22% of the tower has been sold.

Little Baguio Terraces, a project atop a hill in San Juan and located a few meters away from LRT Gilmore Station, has been 33% sold by the end of the year. In the same year, the access way that bridges Aurora Boulevard and N. Domingo Street was completed.

Cambridge Village, a 28-cluster community, is a showcase of the Company's brand of large-scale development. Residential units in towers 1 to 10 are ready for occupancy; the next 4 towers are scheduled for turn over while the 11 other phases are ongoing construction. All of the amenities are fully operational and functional --- the residents of Cambridge Village are now enjoying the services of retail establishments at the ground level. Currently, total units sold for Cambridge Village stand at 79%.

The Company has in its portfolio, "Ready for Occupancy" units or "RFO" units in California Garden Square and Laguna BelAir. Out of 25 residential towers in California Garden Square, all except three towers have yet to be turned over to the buyers. With 93% sales take-up and 80% unit acceptance, the project is set to be 100% completed and turned over before the end of 2009. Improvements and rehabilitations of recreational areas and access roads were also undertaken. For its horizontal developments, the Laguna BelAir communities from phase 1 to 4, have proven to be the most saleable development in the South, with only 570 units left out of 5991 residential units. The Company has completed the community clubhouse and a pavilion with bowling, theater and billiard facilities. Its lap and free-form pools, gazebo, basketball and tennis courts, putting green and multi-purpose hall have been offered for use to the residents.

As for the projects of SPI, the Company's subsidiary, the following are the updates for 2008: the construction of the clubhouse in Governor Hills has been completed and land development of a 2-hectare commercial area has started; land development works continue for Sta. Rosa Heights and Sunrise Hills; while development works for Cyber Greens has started. SPI constructed a total of 872 housing units in its four projects which accounted for 78% accomplishment versus its target for the year.

Market Price of and Dividends on Common Equity

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

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007	High	.99	.94	.89	.91
	Low	.53	.76	.65	.70
2008	High	.64	.61	.47	.37
	Low	.60	.42	.32	.19
2009	High	.34			
	Low	.21			
5/11/09	Close	.40			

Holders

As of 31 March 2009, there were 14,126 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2009.

Rank	***Name of Holder***	***Number of Shares***	***Percentage of*** Ownership
1	Megaworld Corporation	5,077,256,249	48.3768%
2	PCD Nominee Corporation (Filipino)	2,531,898,200	24.1243%
3	Calypso Management Worldwide S.A.	1,205,107,484	11.4824%
4	First Centro, Inc.	1,088,494,500	10.3713%
5	The Andresons Group, Inc.	138,133,820	1.3162%
6	Conrado Chua, Sr.	27,255,000	0.2597%
7	Andrew L. Tan	24,277,777	0.2313%
8	Basilio Barretto	16,704,900	0.1592%
9	Simon Lee Sui Hee	16,685,206	0.1590%
10	Ramon Uy Ong	14,950,000	0.1424%
11	Lucio W. Yan	10,350,000	0.0986%
12	Samuel Chua Ng &/or Jocelyn Ngo Ng ITF-Steven Samuel Ngo Ng	7,015,000	0.0668%
13	Union Properties, Inc.	6,157,808	0.0587%
14	Lily L. Tan	5,646,500	0.0538%
15	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0423%
16	Evangeline R. Abdullah	4,324,000	0.0412%
	Ye Se Sze	4,324,000	0.0412%
17	Valentin T. Khoe	4,207,434	0.0401%
18	George T. Yang	3,675,400	0.0350%
19	Zheng Chang Hua	3,220,000	0.0307%
20	Tiong C. Rosario	3,138,791	0.0299%

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, 2007 and 2008. On the other hand, 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 08 August 2006, the Company issued 1,036,737,805 new common shares to all stockholders on record as of 13 July 2006 representing the 15% stock dividend declared by the Board of Directors of the Company on 15 March 2006 and ratified by stockholders owning at least two-thirds of the outstanding capital stock of the Company on 13 June 2006. The stock dividend shares were issued out of the unissued portion of the Company's authorized capital stock for a consideration of Php1.00 per share, which was paid out of the unrestricted retained earnings of the Company.

Relative to the Company's stock dividend declaration, 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 (d) 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 distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus.

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

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

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. Only six directors currently hold office. All incumbent directors were elected during the annual meeting of stockholders held on 10 June 2008 and will hold office for one (1) year and/or until their successors are elected and qualified. With the exception of George T. Yang, all the incumbent directors together with Enrique Santos L. Sy and Katherine L. Tan have been nominated for election to the Board of Directors of the Company for the ensuing calendar year.

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

The table sets forth each member of the Company's Board and its executive officers as of 31 March 2009.

Name	Present Position
Andrew L. Tan……………………	Chairman of the Board
George T. Yang………………….	Director
Anthony Charlemagne C. Yu…..	Director/President
Gerardo C. Garcia………………	Independent Director/Vice Chairman
Alejo L. Villanueva, Jr………….	Independent Director
Evelyn G. Cacho[1]…………………	Director/Vice President for Finance
Rodulfo A. Quintana, Jr…………	Vice President for Project Management
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
Enrique Santos L. Sy……………	Corporate Secretary
Dennis E. Edaño…………..	Assistant Corporate Secretary
Giovanni C. Ng………………….	Treasurer

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 59 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., 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., Megaworld Newport Property Holdings, Inc., Richmonde Hotel Group International Limited, The Andresons Group, Inc., Raffles & Co., Consolidated Distillers of the Far East, 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.

George T. Yang
Director

Mr. Yang, 69 years old, Filipino, was first elected as director of the Company in April 1996 and served as such until April 1998. He resumed his post in June 1999 and has since then been part

[1] Ms. Cacho was elected director on February 20, 2009 to serve the unexpired term of Ms. Monica T. Salomon who resigned from the Board on the same date.

of the Company's Board of Directors. Mr. Yang has extensive experience in real estate development, the fast food chain business and marketing of consumer products. He sits in the board of Megaworld Corporation as Vice Chairman. He is also President and Chairman of the boards of HAVI Food Services Philippines, Inc., First Georgetown Ventures, Inc., Fun Characters, Inc., and Fun Characters International Pte. Ltd. (Marketing Licensee for Walt Disney Company for Asean countries). He is Chairman of the Board of Golden Arches Development Corporation (McDonald's Philippines), Ronald McDonald House Charities (Philippines), Trojan Computer Forms, Inc., Construction Strategies & Management Corporation and GEC Land Development Corporation. Mr. Yang is also Director of Prime Gaming Management Corporation, a Member of the Board of Governors of The Tower Club and Honorary Consul of the State of Eritrea. He graduated Cum Laude from De La Salle College, Manila with the degree of Bachelor of Science in Business Administration and holds a Master Degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 46 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 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 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. 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 the Chairman of the Board and President of the Laguna BelAir School, Inc. and sits in the boards of the El Nido Foundation as well as the ERDA Tech Foundation, Inc.

Evelyn G. Cacho
Director/Vice President for Finance

Ms. Cacho, 47 years old, Filipino, was elected to the Board of Directors of the Company on February 20, 2009 to serve the unexpired term of Monica T. Salomon who resigned from the Board on the same date. 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 Suntrust Home Developers, Inc. and the Company's subsidiaries, Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. Prior to joining the Company, she gained 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.

Gerardo C. Garcia
Independent Director

Mr. Garcia, 67 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.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 67 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.

Enrique Santos L. Sy
Nominee for Director
Corporate Secretary

Mr. Sy, 59 years old, Filipino, has served as Corporate Secretary of the Company since July 1994. Mr Sy served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. 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.

Katherine L. Tan
Nominee for Director

Ms. Tan, 57 years old, Filipino, is a director of Megaworld Corporation. She served as director of the Company from 1994 to 1996. She is concurrently Director and Treasurer of Alliance Global Group, 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.

Rodulfo A. Quintana, Jr.
Vice President for Project Management

Mr. Quintana, 55 years old, Filipino, has served as Vice President for Project Management of the Company since January 1997. He joined the Company in September 1995 as Assistant Vice President for Project Management and served as such until December 1996. Prior to joining the Company, he was Engineering Manager in Megaworld Corporation from January 1995 to August 1995. Previously, he served as Technical Services Manager of Regatta Properties, Inc., Resident Engineer of Forte Realty Corporation, Consultant of Turath Engineering Consultants in Riyadh, Saudi Arabia, Senior Project Evaluation Officer of the National Development Company, Material Testing Engineer of the Saudi Services Operating Company and Planning Officer of the National Housing Authority. Mr. Quintana obtained his bachelor's degree in Civil Engineering from the Central Philippine University in 1975.

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

Mr. Llantada, 53 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, 52 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, 46 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 SantoTomas.

Dennis E. Edaño
Assistant Corporate Secretary

Mr. Edaño, 32 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, 35 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.

Corporate Governance

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

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the principles of good corporate governance in the entire organization. Pursuant to the Manual, the Board of Directors of the Company has constituted, in addition to the existing Executive Committee, three board committees: the Nomination Committee, Compensation and Remuneration Committee and the Audit Committee.

The Executive Committee is authorized to act on matters within the competence of the Board, except in those instances where 1) approval of any action for which stockholders' approval is also required; (2) filling of vacancies in the Board, (3) amendment or repeal of by-laws or adoption of new by-laws, (4) amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable, (5) distribution of cash dividends to stockholders. The Executive Committee is composed of three (3) members of the Board of Directors who were appointed by the Board.

The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with qualifications prescribed by law and the Manual. The Compensation and Remuneration Committee is charged with 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 Audit Committee has the responsibility of 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. Each of the Nomination Committee, Compensation and Remuneration Committee, and Audit Committee has three (3) voting members and is chaired by an independent director.

In 2005, the Board of Directors and executives of the Company attended a Corporate Governance Training/Seminar facilitated by the Institute of Corporate Directors (ICD). 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, in compliance with SEC Memorandum Circular No. 6, 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.

Also 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.

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 2008, 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

The Company is committed to good corporate governance and continues to improve and enhance its evaluation system for purposes of determining the level of compliance by the Company with its Manual on Corporate Governance. Among measures undertaken by the Company in order to fully comply with the provisions of the leading practices on good corporate governance adopted in its Manual on Corporate Governance is the periodic monitoring and evaluation of the internal control system for corporate governance.

Financial Information

Financial Statements of the Company and its subsidiaries (the "Group") as of 31 December 2008 and 2007 and Interim Financial Statements as of 31 March 2008 are attached hereto and incorporated herein by reference.

Management's Discussion of Financial Condition and Results of Operations

Top Five (5) Key Performance Indicators

For 2008, the following are the top key performance indicators of the Group:

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 subsidiarys namely, Sta. Rosa Heights, Governor Hills, Cyber Greens, UN Gardens and Sunrise Hills. Included are sales of 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.

Top Five (5) Key Performance Indicators for 2007

The Group considers the following as the top key performance indicators for 2007:

Increase in Revenues

Sales increased due to aggressive selling activities, continuous construction and development of projects, types of products being offered and flexible in-house financing schemes available to buyers. Income generated from rental, commission and other related sources contributed favorably in achieving better revenues.

Increase in Reservation Sales

The reservation sales increased due to extensive marketing efforts and suitability of projects being offered to buyers.

Ability to Repay Loan Obligations

The loan obligations were promptly settled in accordance with repayment schedules.

Continuous Development and Delivery of Projects

The Group continuously develops/constructs projects and is committed to deliver its projects within the projected timetable.

Landbanking

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

RESULTS OF OPERATIONS

Review of 2007 versus 2006

The consolidated net income of the Group posted a 25% increase from P246.81 million in 2006 to P307.98 million in 2007. Revenues derived from real estate sales, rental income, interest income, and other related sources increased by 45% from P2.16 billion in 2006 to P3.14 billion in 2007.

Real Estate Sales

The Group registered Real Estate Sales of P1,801 million for the twelve months ended December 31, 2007 compared with P1,197 million in 2006. The sales generated were derived from California Gardens Square, Xavier Hills, Greenhills Garden Square and The Cambridge Village, Laguna Bel Air projects and from the sale of undeveloped property.

Cost of Sales amounting to P1,579 million in 2007 and P1,047 million in 2006, as a percentage of Real Estate Sales, was 88% and 87%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P221.9 million during the twelve months of 2007 and P150.6 million in 2006, or 12.0% and 12.6% 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 registered a 44% increase from P174.7 million in 2006 to P252 million in 2007. This was due to increase in sales and construction accomplishment of various projects.

Other Revenues

The major revenue contributor for 2007 and 2006 was interest income amounting to P712.6 million and P597.8 million, respectively, derived mostly from accounts under in-house financing and which corresponds to 23% and 28%, respectively, of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals from office-warehouse units in the Central Business Park complex and commercial units in various projects, and those obtained from other sources.

Operating Expenses

Operating expenses increased from P826.4 million in 2006 to P1,224 million in 2007. The 48% growth was generally due to recognition of change in fair value of financial assets, additional manpower employed, and other expenses related to marketing and administrative operations.

FINANCIAL CONDITION

Total resources of the Group as of December 31, 2007 amounted to P22.65 billion, posting a slight decrease from P23.35 billion in 2006. Cash and Cash Equivalents increased from P928 million to P943 million due to increase in collections from sales and other sources. The Group remained liquid with Total Current Assets of P15 billion in 2007 and P13.6 billion in 2006, accounting for 66% and 58% respectively, of Total Assets. Total Current Liabilities, on the other hand, amounted to P3.76 billion in 2007 compared with P4.84 billion in 2006.

Equity increased to P15 billion in 2007, from P13.8 billion of the previous years mainly due to the increase in capital stock, fair value gains of marketable securities of a subsidiary and net income.

Both in 2006 and 2007, the Group sourced its major cash requirements mostly from internally generated funds and partly from the discounting of its installment contract receivables.

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

Material Changes in the 2007 Financial Statements
(increase/decrease of 5% or more in the 2007 Financial Statements)
Balance Sheets

- 8% decrease in Current & Non-current Portion of Accounts & Notes Receivable
  Due to increase in collection of trade receivables

- 10% increase in Property Development Cost
  Mainly due to continuous development/construction activities

- 12% increase in Current and Non-current Portion of Advances to Related Parties
  Due to exclusion of advances of a former subsidiary in the consolidation of accounts

- 95% increase in Prepaid Expenses & Other Current Assets
  Mainly due to prepaid taxes and Input VAT on various purchases

- 18% increase in Advances to Land Owners and Joint Venture
  Mainly due to payments to land owners and joint venture, for new properties/projects

- 50% decrease in Available-for-Sale Financial Assets
  Primarily due to a sale of a subsidiary

- 45% decrease of Land for Future Development
  Due to a sale of property

- 354% increase in Investment in Associates
  Due to new /additional investments in an associate/subsidiary and equity in net earnings of a sold subsidiary

- 521% increase in Property and Equipment-net
  Mainly due to consolidation of accounts of LBAS as majority-owned subsidiary of the Company in 2007

- 674% increase in Other Non-Current Assets
  Primarily due to goodwill recognized from acquiring additional shares of a subsidiary

- 7% decrease in Interest-Bearing Loans and Borrowings
  Primarily due to payment of loan obligations

- 18% decrease in Trade & Other Payables
  Due to exclusion of a former subsidiary in the consolidation of accounts

- 67% decrease in Income Tax Payable
  Due to net effect of current year’s income tax payable and payment of previous year’s tax liability

- 30% decrease in Current and Non-current Portion of Deferred Income on Real Estate Sales
  Primarily due to construction accomplishment of projects

- 9% increase in Customers Deposit
  Due to increase in reservation sales

- 79% decrease in Advances from Affiliates
  Due to payments of various advances

- 32% decrease in Other Current Liabilities
  Primarily due to settlement of various payables

- 9% increase in Deferred Tax Liabilities
  Mainly due to increase in revenues

- 42% increase in Estimated Liability for Retirement Fund
  Due to accrual of retirement obligation for 2007

Income Statements

- 50% increase in Real Estate Sales
  Due to various accounts recognized as sales

- 51% increase in Cost of Real Estate Sales
  Basically attributed to increase in sales

- 44% increase in Realized Gross Profit
  Attributed to increase in sales and construction accomplishment of on-going projects

- 19% increase in Interest Income
  Primarily due to increase in sales under long-term in-house financing

- 27% increase in Commission Income
  Due to the continuous marketing efforts of a subsidiary

- 12% increase in Rental Income
  Due to annual escalation in rental rates

- 989% increase in Equity Net Earnings of Associates Other Income
  Mainly due to net earnings realized on a sold associate

- 171% increase in Other Income
  Due to increase in income from other related sources

- 12% increase in Operating Expenses
  Due to increase in marketing/selling expenses to aggressively boost sales, increase in manpower and other general administrative expenses

- 11% increase in Finance Costs
  Due to payment of interest on outstanding loans and advances

- 218% decrease in Fair Value of Available-for-sale Financial Asset
  Due to transfer of change in fair value of Available-for-sale Financial Assets from revaluation reserve to profit and loss

- 100% decrease in Dividend Income
  Due to sale of a former subsidiary

- 100% decrease in Dividend on Preferred Shares
  Basically due to full redemption of Series C preferred

Equity

- 8% increase in Capital Stock
  This pertains to the increase in capital stocks, a portion of the subscribed capital stock of which has been paid up

- 7% increase in Treasury Shares
  Due to buy back of the Company's common shares

- 65% decrease in Revaluation Reserves
  Due to transfer of change in fair value of Available-for-Sale Financial Assets to profit and loss

- 19% increase in Retained Earnings
  Mainly due to net income recognized in 2007

As the real estate market is currently in the midst of a bullish, upward swing, the Company expects favorable prospects in the years to come. The Company anticipates the demand for housing to grow considering the upward trend in the real estate industry. The demand for housing depends largely on the financial capability of buyers and the type of products available in the market that will satisfy their needs.

The Company will continue its strategy of offering quality projects in convenient locations at affordable prices and easy payment terms. By continually enhancing the marketability of its products, the Company expects to reach a broader customer base.

The acquisition of properties, development/construction and marketing of projects are continuously being undertaken by the Company to maintain its status as a leading developer in the middle market segment.

The Company continues to monitor the increasing costs of construction materials and labor and implements, from time to time, reasonable price increases for its products purposely to remain competitive.

Fluctuations in foreign exchange had no adverse effect on the Company since the Company had very minimal importations of construction-related materials and had no foreign currency denominated loans.

For 2008, the Company believes that the expected collections of trade receivables amounting to P2.3 billion will be sufficient to cover the Company's expected construction and development activities, repayment of loans and operating overhead. The considerable standby bank credit facilities of the Company and equity funds raised early this year through its rights offer could partly finance the future acquisition of properties and development/construction of new projects.

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

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to the management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to 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 net sales and revenues or income.

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

The revenues and expenses disclosed in the income statement are all business related transactions that arose from the Company's continuing operations.

There are no seasonal aspects that had a material effect on the financial condition of the Company or results of its operations.

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 1,150,000 in 2008 and Php1,050,000 in 2007 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 2008 and 2007 .

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2008 and 2007.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Audit Committee, and the stockholders of the Company. The professional fees of the Company's external auditors are approved by the Company's Audit Committee.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which 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 2007.

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

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

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

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, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2008, 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, 2008 and 2007, and of their consolidated financial performance and cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner
CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 1566068, January 5, 2009, Makati City
SEC Accreditation No. 0396-A
BIR AN 08-002511-20-2006 (Sept. 8, 2006 to 2009)

March 2, 2009

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2009 TIES
RECEIVED
LURLEEN C. CRISOSTOMO

Empire East

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Empire East Land Holdings, Inc. (the Company) is responsible for all information and representations contained in the Company's consolidated financial statements as of December 31, 2008, 2007 and each for three years in the period ended December 31, 2008. 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, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external 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 Company.

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2009
RECEIVED

EVELYN G. CACHO
Chief Financial Officer

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 07 2009 of 2009 affiant exhibiting to me their Community Tax Certificate as follows:

Andrew L. Tan	08221605	January 08, 2009	Quezon City
Anthony Charlemagne C. Yu	12345054	January 05, 2009	Makati City
Evelyn G. Cacho	12345052	January 08, 2009	Makati City

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Book No. IX
Series of 2009

Celeste J. Sioson
Celeste J. Sioson
Notary Public
Until December 31, 2009
PTR No. 1573067; 01.08.09; Makati City
IBP No. 767610; 01.05.09; Quezon City
Roll No. 48369; 03.24.03
MCLE Compliance No. II - 0005410
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 15 2009 TIES
RECEIVED
LURLEEN C. CRISOSTOMO

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes		2008		2007
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**1,634,996,697**	P	942,700,183
Trade and other receivables - net	6		**2,838,198,318**		2,696,986,913
Property development costs	2, 12		**1,890,849,979**		556,843,675
Advances to related parties	19		**814,058,862**		1,714,336,247
Prepayments and other current assets			**226,361,552**		102,179,784
Total Current Assets			**7,404,465,408**		6,013,046,802
NON-CURRENT ASSETS					
Trade and other receivables - net	6		**2,773,143,199**		3,067,457,554
Advances to related parties - net	19		**53,701,861**		52,984,674
Property development costs	2,12		**9,129,029,574**		9,025,334,200
Advances to landowners and joint ventures	7		**2,331,376,897**		857,966,275
Available-for-sale financial assets	8		**239,424,000**		770,560,000
Land for future development	2		**3,008,581,254**		1,477,289,640
Investments in associates	9		**-**		420,031,058
Investment property - net	10		**709,345,816**		735,167,529
Property and equipment - net	11		**154,475,967**		141,221,750
Other non-current assets	1		**219,902,319**		88,720,183
Total Non-current Assets			**18,618,980,887**		16,636,732,863
TOTAL ASSETS		**P**	**26,023,446,295**	P	22,649,779,665

Forward

	Notes		2008		2007
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	12	**P**	**1,423,572,321**	P	1,294,724,513
Trade and other payables	13		**868,507,847**		762,547,039
Income tax payable			**7,995,434**		14,141,082
Deferred gross profit on real estate sales	2		**128,014,224**		68,357,307
Customers' deposits	2, 14		**1,645,361,202**		1,181,892,877
Advances from related parties	19		**262,502,182**		287,644,504
Reserve for property development	2		**310,156,596**		132,168,160
Other current liabilities	15		**181,038,161**		150,094,547
Total Current Liabilities			**4,827,147,967**		3,891,570,029
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	12		**1,388,611,727**		1,332,421,570
Trade and other payables	13		**19,686,757**		25,918,670
Reserve for property development	2		**644,631,779**		756,555,104
Deferred tax liabilities - net	18		**1,190,076,074**		1,433,373,379
Deferred gross profit on real estate sales	2		**166,213,307**		161,757,521
Advances from related parties - net	19		**262,950,766**		-
Retirement benefit obligation	17		**68,524,149**		42,937,019
Total Non-current Liabilities			**3,740,694,559**		3,752,963,263
Total Liabilities			**8,567,842,526**		7,644,533,292
EQUITY					
Capital stock	20		**10,908,215,404**		8,940,358,607
Additional paid-in capital			**4,281,564,705**		4,281,564,705
Treasury shares, at cost	20	**(**	**102,106,658)**	(	102,106,658)
Revaluation reserves	8	**(**	**631,026,000)**	(	99,890,000)
Retained earnings	20		**2,146,639,927**		1,926,096,562
Equity attributable to parent company's shareholders			**16,603,287,378**		14,946,023,216
Minority interest			**852,316,391**		59,223,157
Total Equity			**17,455,603,769**		15,005,246,373
TOTAL LIABILITIES AND EQUITY		**P**	**26,023,446,295**	P	22,649,779,665

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes	2008	2007	2006
REVENUES				
Real estate sales	2	**P 915,460,491**	P 1,801,175,617	P 1,197,183,668
Realized gross profit on prior years' sales - net	2	**69,497,554**	58,875,773	65,813,990
Interest income	5, 6	**442,474,999**	712,582,938	597,781,713
Commissions	19	**153,785,771**	175,343,592	138,554,737
Rental income	10	**95,056,005**	84,799,986	75,956,121
Unrealized foreign currency gains - net		**8,745,956**	-	-
Preacquisition loss of a subsidiary	8	**7,348,523**	-	-
Equity in net earnings of associates	9	**-**	66,098,671	-
Transfer of change in fair value of available-for-sale financial assets from revaluation reserves		**-**	-	137,438,160
Gain from sale of available-for-sale financial assets	8	**-**	-	18,440,723
Dividend income	8	**-**	-	4,639,277
Other income	16	**286,535,056**	241,147,676	88,894,790
		1,978,904,355	3,140,024,253	2,324,703,179
COSTS AND EXPENSES				
Real estate sales		**755,228,464**	1,579,196,546	1,046,556,082
Deferred gross profit on current year's sales		**51,969,579**	28,774,163	41,693,479
Commissions		**213,289,079**	124,337,965	113,826,055
Finance costs - net	12	**175,753,157**	227,671,014	205,454,725
Salaries and employee benefits	17	**163,588,875**	105,585,916	78,530,446
Advertising and promotion		**130,127,996**	76,378,016	74,158,822
Travel and transportation		**108,726,944**	77,179,544	79,292,489
Depreciation and amortization	10, 11	**72,107,024**	67,574,251	46,733,612
Taxes and licenses	10	**45,984,705**	38,084,715	27,431,884
Marketing events and awards		**23,188,428**	20,094,456	22,329,711
Impairment loss on available-for-sale financial assets	8	**-**	4,750,000	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	-
Unrealized foreign currency losses - net		**-**	10,540,393	-
Dividend on preferred shares	20	**-**	-	90,718,025
Equity in net losses of associates		**-**	-	7,434,749
Other operating expenses	16	**184,479,345**	125,341,967	126,337,574
Tax expense (income)	18	**(161,084,732)**	182,094,391	112,649,117
		1,763,358,864	2,832,043,113	2,077,896,770
NET INCOME		**P 215,545,491**	P 307,981,140	P 246,806,409
Attributable to:				
Parent company's shareholders		**P 220,543,365**	307,258,044	246,806,409
Minority interest		**(4,997,874)**	723,096	-
		P 215,545,491	P 307,981,140	P 246,806,409
EARNINGS PER SHARE				
Basic	21	**P 0.021**	P 0.036	P 0.029
Diluted	21	**P 0.020**	P 0.035	P 0.028

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, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes	2008	2007	2006
CAPITAL STOCK	20			
Balance at beginning of year		P 8,940,358,607	P 8,284,406,341	P 7,247,668,536
Paid-up capital on additional subscription		1,967,856,797	655,952,266	-
Stock dividends		-	-	1,036,737,805
Balance at end of year		10,908,215,404	8,940,358,607	8,284,406,341
ADDITIONAL PAID-IN CAPITAL				
Balance at the beginning of the year		4,281,564,705	4,315,884,564	4,315,884,564
Direct costs on increase in authorized capital stock		-	(34,319,859)	-
Balance at end of year		4,281,564,705	4,281,564,705	4,315,884,564
TREASURY SHARES, AT COST	20			
Balance at beginning of year		(102,106,658)	(95,181,558)	(34,857,237)
Additional acquisitions during the year		-	(6,925,100)	(60,324,321)
Balance at end of year		(102,106,658)	(102,106,658)	(95,181,558)
REVALUATION RESERVES				
Balance at beginning of year		(99,890,000)	(284,316,202)	94,275,038
Fair value gains (losses)	8	(531,136,000)	21,640,222	(241,153,080)
Transfer of change in fair value of available-for-sale financial assets to profit or loss	8	-	162,785,980	(137,438,160)
Balance at end of year		(631,026,000)	(99,890,000)	(284,316,202)
RETAINED EARNINGS				
Balance at beginning of year		1,926,096,562	1,618,838,518	2,408,769,914
Net income		220,543,365	307,258,044	246,806,409
Stock dividends	20	-	-	(1,036,737,805)
Balance at the end of the year		2,146,639,927	1,926,096,562	1,618,838,518
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		16,603,287,378	14,946,023,216	13,839,631,663
MINORITY INTEREST				
Balance at beginning of year		59,223,157	-	-
Additions		798,091,108	58,500,061	-
Share in net income		(4,997,874)	723,096	-
Balance at end of year		852,316,391	59,223,157	-
TOTAL EQUITY		P 17,455,603,769	P 15,005,246,373	P 13,839,631,663
Net Gains (Losses) Recognized Directly to Equity		(P 531,136,000)	P 21,640,222	(P 241,153,080)

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philipine Pesos)

	Notes	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 54,460,759	P 490,075,531	P 359,455,526
Adjustments for:				
Interest income	5, 6	(442,474,999)	(712,582,938)	(597,781,713)
Finance costs - net	12	243,361,553	227,671,014	205,454,725
Depreciation and amortization	10, 11	72,107,024	67,574,251	46,733,612
Transfer of change in fair value of available-for-sale financial assets to profit or loss		-	162,785,980	(137,438,160)
Equity in net losses (earnings) of associates		-	(66,098,671)	7,434,749
Impairment loss on available-for-sale financial assets	8	-	4,750,000	4,750,000
Dividend income	8	-	-	(4,639,277)
Dividend on redeemable preferred shares	20	-	-	90,718,025
Gain from sale of available-for-sale financial assets	8	-	-	(18,440,723)
Operating income (loss) before working capital changes		(72,545,663)	174,175,167	(43,753,236)
Decrease (increase) in trade and other receivables		646,117,074	701,547,150	(12,842,344)
Decrease (increase) in advances to related parties		1,182,473,276	(183,163,722)	286,956,082
Increase in property development costs		(678,955,541)	(838,793,681)	(132,453,503)
Increase in prepayments and other current assets		(124,548,847)	(66,191,691)	(38,760,576)
Increase in advances to landowners and joint ventures		(1,284,367,422)	(132,790,450)	(76,639,818)
Decrease (increase) in land for future development		(1,325,166,968)	1,199,359,515	(98,039,173)
Decrease in other non-current assets		84,572,094	(23,736,104)	1,512,303
Increase (decrease) in trade and other payables		(45,779,600)	(249,613,829)	47,725,199
Increase (decrease) in advances from related parties		(697,973,275)	(1,109,317,728)	374,111,845
Increase (decrease) in deferred gross profit on real estate sales		(17,528,043)	(98,857,010)	(116,289,597)
Increase (decrease) in customers' deposits		255,634,310	98,109,881	(13,440,843)
Increase (decrease) in other current liabilities		30,943,614	(69,357,855)	10,520,022
Increase (decrease) in reserve for property development		(33,058,441)	(421,045,499)	(18,850,929)
Increase in retirement benefit obligation		17,031,085	12,749,255	5,671,916
Cash generated from (used in) operations		(2,063,152,347)	(1,006,926,601)	175,427,348
Interest paid		(287,564,054)	(227,671,014)	(200,665,212)
Cash paid for taxes		(32,845,531)	(74,868,623)	(17,528,764)
Net Cash Used in Operating Activities		(2,383,561,932)	(1,309,466,238)	(42,766,628)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		524,141,991	408,356,641	521,154,823
Net movements of investments in associates		511,689,836	(280,300,553)	(10,312,500)
Acquisitions of property and equipment	11	(30,821,346)	(11,397,820)	(13,060,524)
Proceeds from disposal of available-for-sale financial assets		-	878,055,301	895,969,363
Acquisition of available-for-sale financial assets	8	-	(103,200,000)	(724,200,793)
Proceeds from sale of property and equipment	11	-	252,781	1,457,222
Dividend received		-	-	4,639,277
Net Cash From Investing Activities		1,005,010,481	891,766,350	675,646,868
Balance carried forward		(P 1,378,551,451)	(P 417,699,888)	P 632,880,240

	Note	2008	2007	2006
Balance brought forward		**(P 1,378,551,451)**	(P 417,699,888)	P 632,880,240
CASH FLOWS FROM FINANCING ACTIVITIES				
Collection of subscriptions receivable	20	**1,967,856,797**	655,952,266	-
Proceeds from interest-bearing loans and borrowings		**684,613,876**	189,158,118	996,050,597
Payments of interest-bearing loans and borrowings		**(603,494,099)**	(395,266,862)	(304,067,638)
Payment of direct costs on increase in authorized capital stock		**-**	(34,319,859)	-
Redeemed treasury shares	20	**-**	(6,925,100)	(60,324,321)
Redemption of preferred shares	20	**-**	-	(950,000,000)
Payment of cash dividends on redeemable preferred shares	20	**-**	-	(90,718,025)
Net Cash From (Used in) Financing Activities		**2,048,976,574**	408,598,563	(409,059,387)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**670,425,123**	(9,101,325)	223,820,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**942,700,183**	927,975,945	704,155,092
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 1,634,996,697**	P 942,700,183	P 927,975,945

Supplemental Information on Noncash 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 19). Other significant non-cash transactions include the following:

- Capitalization of interest expense as part of Property Development Costs account (see Note 12); and
- Assignment of subscription in shares of stock on account (see Note 1).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007, AND 2006
(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 office space 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 2008	2007	2006
Eastwood Property Holdings, Inc. (EPHI)		100%	100%	100%
Valle Verde Properties Inc. (VVPI)	(a)	100%	33%	33%
Sherman Oak Holdings, Inc, (SOHI)	(b)	100%	-	-
Empire East Communities, Inc. (EECI),	(c)	100%	-	-
Suntrust Properties, Inc. (SPI)	(d)	80%	40%	40%
Laguna BelAir School Inc. (LBASI)	(e)	73%	73%	23%
Sonoma Premiere Holdings, Inc.(SPLI)	(f)	60%	20%	-
Gilmore Property Marketing Associates, Inc. (GPMAI)	(g)	-	-	100%
Megaworld Central Properties, Inc. (MCPI)	(h)	-	-	100%

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

(b) Subsidiary incorporated in 2007; has not yet started commercial operations as of December 31, 2008. 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 during the year 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 1996; additional shares acquired in 2007 which resulted in increase in ownership to 73%.

(f) Subsidiary incorporated in 2007; has not yet started commercial operations as of December 31, 2008. Additional shares acquired from First Centro Inc. in March and June 2008. Formerly Galleria Corsini Holdings, Inc. (GCHI).

(g) In October 2007, the Company sold its 100% ownership in shares of stock of GPMAI to Townsquare Development, Inc., a related party (see also Note 9).

(h) An associate of GPMAI; sold in October 2007 as part of sale of investment in GPMAI (see explanatory note g).

The above entities were incorporated in the Philippines and 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 non-current assets in the consolidated balance sheets, 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 an associate of Megaworld Corporation (Megaworld), also a publicly-listed domestic corporation. Megaworld owns 48.37% interest in the Company as of December 31, 2008.

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, 2008 (including comparatives for the years ended December 31, 2007 and 2006) were authorized for issue by the Company's Board of Directors (BOD) on March 2, 2009.

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 (PFRS)*

The consolidated financial statements of the Group have been prepared in accordance with PFRS. PFRS are adopted by the Financial Reporting Standards Council (FRSC), formerly the Accounting Standards Council, 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) *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 (see Note 2.13).

(c) *Reclassification of Accounts*

Certain accounts in the 2007 and 2006 financial statements have been reclassified to conform to the 2008 presentation and classification.

2.2 Impact of New Standards, Amendments and Interpretation to Existing Standards

(a) Effective in 2008 that are relevant to the Group

There were a number of amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after January 1, 2008. Of these amendments and interpretations, the Group adopted PAS 39 (Amendments), *Financial Instruments: Recognition and Measurements*, and PFRS 7 (Amendments), *Financial Instruments: Disclosures,* which are the only amendments relevant to it. The amendments permit an entity to:

- Reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of fair value through profit or loss category in particular circumstances; and

- Transfer from the available for sale category to the loans and receivable category those financial assets that would have met the definition of loans and receivables, provided that the entity has the intention and the ability to hold those financial assets for the foreseeable future.

The amendments are applicable in a partially retrospective manner up to July 1, 2008 provided that the reclassification is made on or before November 15, 2008, the cut-off date set by the FRSC. After the cut-off date, all reclassifications will only take effect prospectively. The Group did not exercise the option to reclassify its financial assets described, hence, it determined that the adoption of these amendments has no impact on its 2008 financial statements.

(b) Effective in 2008 but not relevant to the Group

These interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

Philippine Interpretation IFRIC 11	:	PFRS – Group and Treasury Share Transactions
Philippine Interpretation IFRIC 12	:	Service Concession Arrangements
Philippine Interpretation IFRIC 14	:	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(c) Effective Subsequent to 2008

There are new and amended standards and Philippine Interpretations that are effective for periods subsequent to 2008. The following new standards, effective for annual periods beginning on or after January 1, 2009, are relevant to the Group which the Company will apply in accordance with their transitional provisions.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 23 (Revised 2007)	:	Borrowing Costs
PAS 27 (Amendment)	:	Consolidated and Separate Financial Statements
PAS 32 and PAS 1 (Amendments)	:	Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
PFRS 3 (Revised 2008)	:	Business Combinations
PFRS 8	:	Operating Segments
Philippine Interpretation IFRIC 15	:	Agreements for the Construction of Real Estates
Various Standards	:	2008 Annual Improvements to PFRS

Below is a discussion of the possible impact of these accounting standards.

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single consolidated statement of comprehensive consolidated income or in two statements: a separate consolidated income statement and a consolidated statement of comprehensive income. The consolidated income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The consolidated statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the consolidated statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of consolidated financial statements a statement showing its consolidated financial position (or consolidated balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 consolidated financial statements.

(ii) PAS 23 (Revised 2007), *Borrowing Costs* (effective from January 1, 2009). 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 Group has initially determined that adoption of this new standard will not have significant effects on the financial statements for 2009, as well as for prior and future periods, as the Company's current accounting policy is to capitalize all interest directly related to qualifying assets.

(iii) 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 to transactions with non-controlling interests.

(iv) PAS 32 (Amendment), *Financial Instruments: Presentation* and PAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions. The Group does not expect any impact on its consolidated financial statements when it applies the amendments in 2009.

(v) 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 income statement. 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.

(vi) PFRS 8, *Operating Segments*, (effective from January 1, 2009). 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 will not have a material impact on the Group's consolidated financial statements.

(vii) 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 a single time (i.e., 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.

(viii) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2008*. These amendments become effective in the Philippines in annual periods beginning on or after January 1, 2009. The Group expects the amendments to the following standards to be relevant to the Group's accounting policies:

- 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, this amendment will have no 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 Group's management assessed that this amendment to PAS 19 will have no 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 will be applied by the Group in 2009; however, management expects its effect to be insignificant.

- 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 it has no investments classified as held-for-sale, the Group expects that the application of this amendment will not 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 Group's application of this amendment will result in revisions in the relevant disclosures for interest in joint venture measured at fair value under PAS 39.

- PAS 36 (Amendment), *Impairment of Assets*. Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply this amendment in its 2009 consolidated financial statements.

- 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 initially determined that adoption of this amendment will not have a 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 initially determined that adoption of this amendment will not have a 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.

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

2.3 Consolidation, Investment in Associates 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, 2008, 2007 and for each of the three years in the period ended December 31, 2008 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 from 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 associates 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 balance sheet 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 Minority 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 income statement. 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) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as Investments in Associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are shown as Equity in Net Earnings (Losses) of Associates in the Group's consolidated income statements and therefore affect the net results of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale financial assets, are recognized in the consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Accounting polices of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Interests in Joint Ventures

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

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement.

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 balance sheet date.

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 balance sheet date 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 balance sheet.

(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 balance sheets, except those maturing within 12 months of the balance sheet date.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

(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 balance sheet date.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the consolidated income statement when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in consolidated equity is transferred to the consolidated income statement. Impairment losses recognized in the consolidated income statements on equity securities are not reversed through the consolidated income statements. Losses recognized in prior year consolidated income statements resulting from the impairment of debt instruments are reversed through the consolidated income statement.

Impairment losses recognized on financial assets are presented as part of Finance Costs – net in the consolidated income statement.

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 balance sheet date. 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 income statement line item Finance Costs - net.

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 each balance sheet date.

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 income statement 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 income statement 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 the consolidated income statement under the caption Finance Costs - net.

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.

Redeemable and convertible preferred shares are reclassified as part of financial liabilities upon expiration of the period when these shares may be converted to common shares. All preferred shares outstanding on maturity date shall be redeemed at par value of P1 per share.

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

Financial liabilities are derecognized from the consolidated balance sheet 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 balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. 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. In addition, long term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date 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.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

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 income statement; 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 balance sheet. Collections, which have not met the 25% threshold before a sale is recognized, are initially recorded under the Customers' Deposits account in the consolidated balance sheets. 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 income statement 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 balance sheets. 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 considerably 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 income statement 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 income statement 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 Functional Currency and Foreign Currency Transactions

(a) *Functional and Presentation Currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency.

(b) *Transactions and Balances*

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 the consolidated income statement.

2.14 Impairment of Non-financial Assets

The Group's investments in associates, 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.

An 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 Obligations

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 balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated every two years by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using 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 income statement, 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 balance sheet date. 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 balance sheet (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 accumulated capitalized interest that was included in Property Development Costs amounted to P1.44 billion and P1.38 billion as of December 31, 2008 and 2007, respectively.

2.17 Income Taxes

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 balance sheet date. 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 income statement.

Deferred tax is provided, using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet 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 each balance sheet date 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, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to consolidated equity.

2.18 Earnings Per Share (EPS)

Basic EPS is determined by dividing net income 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 is determined using 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 gains and losses due to the revaluation of certain financial assets.

Retained earnings include all current and prior period results as reported in the consolidated income statement.

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 incur an additional P631.0 million and P99.9 million loss in its 2008 and 2007 consolidated financial statements, respectively, representing the transfer of the total Revaluation Reserves to the consolidated income statement.

(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 portion 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 P30.4 million in 2008, P22.5 million in 2007, and P20.4 million in 2006 (see Note 16.2). Rental income recognized amounted to P95.1 million in 2008, P84.8 million in 2007 and P76.0 million in 2006 (see Note 10).

(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 22.

3.2 Key Sources of Estimation Uncertainty

The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's consolidated financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2008 and 2007 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 property and equipment and investment property are analyzed in Notes 10 and 11, respectively. Actual results, however may vary due to changes in estimates brought about by changes in factors mentioned above. There is no change in estimated useful lives of property and equipment and investment property during the year.

(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 in 2008 and 2007 amounted to P26.1 million and P0.3 million, respectively (see Note 6). Based on management's evaluation no impairment losses on trade and other receivables is necessary to be recognized in 2006.

(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 consolidated equity.

Impairment losses on available-for-sale financial assets amounted to P4.8 million in 2007 and 2006. There were no impairment losses on available-for-sale financial assets recognized in 2008 (see Note 8).

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

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

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 each balance sheet date 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 P39.5 million and P19.2 million as of December 31, 2008 and 2007, respectively (see Note 18).

(g) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. 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 land for future development, property and equipment and investment property in 2008, 2007 and 2006 and on investments in associates in 2007 and 2006 (see Notes 9, 10 and 11).

(h) Retirement Benefits

The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 17.2 and include, among others, discount rates 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 mounted to P68.5 million and P42.9 million, respectively, as of December 31, 2008 and 2007. The net unrecognized actuarial gain amounted to P18.5 million as of December 31, 2008 and the net unrecognized actuarial loss amounted to P24.5 million, as of December 31, 2007 (see Note 17.2).

(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. Were the proportion of the percentage of completed projects to differ by 10% from management's estimates, the amount of revenue recognized in 2008 would have increased by P156.9 million if the proportion of the completed projects were increased, or would have decreased by P189.1 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 tables in the succeeding pages present the revenue and profit information regarding industry segments for the years ended December 31, 2008, 2007 and 2006 and certain asset and liability information regarding industry segments as of December 31, 2008, 2007 and 2006.

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 977,851,832	P 1,155,611,833
Unallocated expenses			(941,492,396)	(941,492,396)
Operating profit				214,119,437
Finance costs – net			(175,753,157)	(175,753,157)
Unrealized foreign currency exchange losses – net			8,745,956	8,745,956
Day 1 loss – net			7,348,523	7,348,523
Income before tax				54,460,759
Tax income			161,084,732	161,084,732
Income before minority interest				215,545,491
Minority interest – share in net income				4,997,874
Net income 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	-	-	7,318826,618	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 – net			(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
Income before tax				490,075,531
Tax expense			(182,094,391)	(182,094,391)
Income before minority interest				307,981,140
Minority interest – share in net income				(723,096)
Net income 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

2006	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external customers	P 749,552,577	P 447,631,091	P 303,405,648	P 1,500,589,316
RESULTS				
Segment results	P 113,420,420	P 61,327,677	P 901,187,361	P 1,075,935,458
Unallocated expenses			(568,640,593)	(568,640,593)
Operating profit				507,294,865
Finance costs – net			(205,454,725)	(205,454,725)
Transfer of change in fair value of available-for-sale financial assets from revaluation reserves			137,438,160	137,438,160
Dividend on preferred shares			(90,718,025)	(90,718,025)
Impairment loss on available-for-sale financial assets			(4,750,000)	(4,750,000)
Gain from disposals of available-for-sale financial assets			18,440,723	18,440,723
Dividend income			4,639,277	4,639,277
Equity in net losses of associates			(7,434,749)	(7,434,749)
Income before tax				359,455,526
Tax expense			(112,649,117)	(112,649,117)
Income before minority interest				246,806,409
Minority interest – share in net income				-
Net income attributable to parent company's shareholders				P 246,806,409
ASSETS AND LIABILITIES				
Segment assets	P 7,335,566,549	P 6,803,076,453	P 945,946,099	P 15,084,589,101
Investments in associates	-	-	92,479,407	92,479,407
Unallocated assets	-	-	8,177,654,248	8,177,654,248
Total assets	P 7,335,566,549	P 6,803,076,453	P 9,216,079,754	P 23,354,722,756
Segment liabilities	P 465,287,941	P 1,173,452,659	P -	P 1,638,740,600
Unallocated liabilities	-	-	7,876,350,493	7,876,350,493
Total liabilities	P 465,287,941	P 1,173,452,659	P 7,876,350,493	P 9,515,091,093
OTHER SEGMENT INFORMATION:				
Capital expenditures			P 42,696,622	P 42,696,622
Depreciation and amortization			46,733,612	46,733,612

5. CASH AND CASH EQUIVALENTS

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

	2008	2007
Cash on hand and in banks	**P 180,658,181**	P 177,515,766
Short-term placements	**1,454,338,516**	765,184,417
	P 1,634,996,697	P 942,700,183

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 37 days in 2008 and up to 37 days in 2007 and earn annual effective interest ranging from 1.0% to 7.0% in 2008 and 1.0% to 6.2% in 2007. Dollar-denominated short-term placements are made for varying periods of up to 62 days in 2008 and up to 63 days in 2007 and earn annual effective interest ranging from 1.0 % to 4.5% in 2008 and 1.00% to 5.3% in 2007.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2008	2007
Current:			
Trade receivables – net	12.1	**P 2,066,170,268**	P 2,052,192,685
Unearned interest income		**(41,249,980)**	(58,333,411)
		2,024,920,288	1,993,859,274
Advances to suppliers		**692,191,356**	650,199,453
Miscellaneous		**134,971,173**	53,188,754
		2,852,082,817	2,697,247,481
Allowance for impairment		**(13,884,499)**	(260,568)
		P 2,838,198,318	P 2,696,986,913
Non-current:			
Trade receivables – net	12.1	**P 2,749,595,387**	P 3,033,397,364
Refundable security deposits		**23,359,886**	22,660,606
Miscellaneous		**12,412,862**	11,399,584
		2,785,368,135	3,067,457,554
Allowance for impairment		**(12,224,936)**	-
		P 2,773,143,199	P 3,067,457,554

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 P1.6 billion and P1.3 billion as of December 31, 2008 and 2007, respectively, and the related liability is presented as part of Interest-bearing Loans and Borrowings (see Note 12.1).

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

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

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2008 and 2007 is shown below.

	2008	2007
Balance at beginning of year	**P 260,568**	P 284,758
Beginning balance of allowance for impairment from SPI	**12,094,138**	-
Impairment losses during the year	**1,645,629**	-
Write-off of receivables	**(115,836)**	-
Recovery of accounts previously written off	**-**	(24,190)
Balance at end of year	**P 13,884,499**	P 260,568

Allowance for impairment on non-current trade and other receivables of P12.2 million at the end of 2008 pertains to allowance for impairment losses recognized by subsidiaries.

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 balance sheets. 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 pre-development expenses such as relocation of existing occupants. Repayments of these advances shall be made upon completion of the project development either in the form of the developed 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:

	2008	2007
Advances to landowners:		
Balance at beginning of year	**P 184,334,696**	P 107,409,949
Additional advances	**878,281,225**	76,924,747
	1,062,615,921	184,334,696
Advances to joint ventures:		
Balance at beginning of year	**673,631,579**	617,765,876
Additional advances	**602,540,920**	92,750,000
Repayments made	**(7,411,523)**	(36,884,297)
	1,268,760,976	673,631,579
	P2,331,376,897	P 857,966,275

The commitment for cash advances under the 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. Most projects are still on its planning and design stage. Hence, the total development and construction costs cannot be determined yet. Likewise, there are minimal expenditures incurred to date.

The Group's interests on jointly controlled operations and projects range from 55% to 82% in both 2008 and 2007. 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, 2008 and 2007, 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 reconciliation of the carrying amounts of available-for-sale financial assets are as follows:

	2008	2007
Balance at beginning of year	**P 770,560,000**	P 1,528,525,079
Fair value gains (losses) - net	**(531,136,000)**	21,640,222
Additions	**-**	103,200,000
Disposals	**-**	(715,269,321)
Impairment losses	**-**	(4,750,000)
Transfer of change in fair value to profit or loss relating to sold portion	**-**	(162,785,980)
Balance at end of year	**P 239,424,000**	P 770,560,000

Available-for-sale financial assets as of December 31, 2007 include equity securities consisting of investments made by EPHI in companies listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in active market.

In 2007, as a result of sale of 100% interest in GPMAI, the Group transferred to the consolidated income statement the P162.8 million fair value loss of GPMAI's Available-for-sale financial assets which was previously shown as part of Revaluation Reserves in the 2007 consolidated statement of changes in equity.

In 2006, GPMAI disposed certain available-for-sale financial assets with fair values of P877.5 million. The disposal resulted into a gain of P18.4 million, presented as Gain from Sale of Available-for-sale Financial Assets in the 2006 consolidated income statement.

Also, in 2006, GPMAI received dividend from equity security investments amounting to P4.6 million. This dividend is presented separately in the 2006 consolidated income statement.

Other equity securities of EPHI that do not have quoted market prices are stated at cost. There is no impairment loss recognized for these securities in 2008 while P4.8 million was recognized in 2007 and 2006 and included as Impairment Loss on Available-for-Sale Financial Assets account in the consolidated income statements.

9. INVESTMENTS IN ASSOCIATES

The Company does not have any investments in associates as of December 31, 2008. As of December 31, 2007, Company's investments in associates (which all became subsidiaries in 2008) are as follows:

	Note	% Interest Held	Amount
Acquisition costs:			
SPI	19.1	40%	P 45,340,004
VVPI		33%	10,312,500
SPLI		20%	320,000,000
			375,652,504
Accumulated equity in net earnings:			
Balance at beginning of year			(7,735,597)
Equity in net earnings for the year			66,098,671
Adjustments for sold associate and associate that became subsidiary during the year			(13,984,520)
Balance at end of year			44,378,554
			P 420,031,058

Equity in net earnings in 2007 includes equity in GPMAI's net earnings from January to October 31, 2007, before its disposal (see Note 1).

The aggregate amounts of assets and liabilities and net income of associates in 2007 and 2006 are as follows:

	Assets	Liabilities	Revenues	Net Income (Loss)
2007:				
SPI	P 2,347,555,641	P 1,636,621,012	P 2,111,987,433	P 18,428,583
VVPI	910,708,228	881,054,280	395	(356,094)
GPMAI	-	-	-	68,822,400
MCPI	-	-	-	(7,760,647)
	P 3,258,263,869	P 2,517,675,292	P 2,111,987,828	P 79,134,242
2006:				
SPI	P 1,957,766,441	P 1,745,221,300	P 86,967,859	P 6,787,823
LBASI	154,563,534	17,478,434	27,893,022	4,022,615
MCPI	22,338,285	14,490,499	136,522	(21,544,212)
VVPI	30,269,266	50,000	83,368	(1,602,409)
	P 2,164,937,526	P 1,777,240,233	P 115,080,771	(P 12,336,183)

MCPI is an associate of GPMAI that was sold in 2007 (see Note 1).

10. INVESTMENT PROPERTY

The Group's investment property pertains to land and building and improvements being leased-out to related parties and third parties and certain lots held for capital appreciation (see Note 19.2). Rental revenues recognized for the years ended December 31, 2008, 2007 and 2006 amounted to P75.2 million, P72.1 million and P62.4 million, respectively. 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 2008, 2007 and 2006 are presented as part of Taxes and Licenses in the consolidated income statements.

The changes to the carrying amounts presented in the consolidated balance sheets as of December 31, are summarized as follows:

	2008	2007
Balance at beginning of year - net	**P 735,167,529**	P 756,892,908
Reclassifications	**28, 718,182**	47,274,139
Disposals	**-**	(14,459,623)
Depreciation charges for the year	**(54,539,895)**	(54,539,895)
Balance at end of year - net	**P 709,345,816**	P 735,167,529

In 2007, the Group reclassified to Investment Property a completed project amounting to P47.3 million that was previously classified as Property Development Cost based on management's intention to hold this asset to earn rentals.

The appraised value of Investment Property amounted to P2.5 billion as of December 31, 2008 and 2007, as determined by an independent appraiser.

Investment Property with total carrying value of about P250.0 million in 2008 and 2007, are used as collateral to secure the interest-bearing loans and borrowings obtained from creditor banks (see Note 12.2).

11. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2008 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 2008 and 2007 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
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**

		Building and Other Improvements		Office Furniture and Equipment		Transportation Equipment		Leasehold Improvements		Total
December 31, 2007										
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
December 31, 2006										
Cost	P	-	P	60,411,569	P	30,630,516	P	32,290,684	P	123,332,769
Accumulated depreciation and amortization		-	(	49,506,905)	(	19,572,901)	(	31,504,779)	(	100,584,585)
Net carrying amount	P	-	P	10,904,664	P	11,057,615	P	785,905	P	22,748,184

A reconciliation of the carrying amounts at the beginning and end of 2008 and 2007, of property and equipment is shown below.

		Building and Other Improvements		Office Furniture and Equipment		Transportation Equipment		Leasehold Improvements		Total
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**
Balance at January 1, 2007, net of accumulated depreciation and amortization	P	-	P	10,904,664	P	11,057,615	P	785,905	P	22,748,184
Additions		38,145,090		8,092,055		4,423,482		5,076		50,665,703
Disposals		-		-	(	252,781)		-	(	252,781)
Depreciation and amortization charges for the year	(	1,777,815)	(	7,329,626)	(	3,581,686)	(	345,229)	(	13,034,356)
Balance at December 31, 2007, 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

12. INTEREST-BEARING LOANS AND BORROWINGS

At December 31 2008 and 2007, the short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	2008	2007
Current:			
Bank loans	6	**P 405,429,464**	P 276,581,656
Commercial/term loan	10	**1,018,142,857**	1,018,142,857
		P 1,423,572,321	P 1,294,724,513
Non-current:			
Bank loans	6	**P 1,160,040,298**	P 1,046,707,284
Commercial/term loans	10	**228,571,429**	285,714,286
		P 1,388,611,727	P 1,332,421,570

12.1 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 2008 and 8.8% to 13.2% in 2007. Certain properties with an estimated carrying value of P2.5 billion and P1.5 billion as of December 31, 2008 and 2007, respectively, are used as collateral for the P1.5 billion and P1.32 billion bank loan in 2008 and 2007, respectively.

Bank loans include proceeds of discounted trade receivables, on a with recourse basis, amounting to P1.6 billion and P1.3 billion as of December 31, 2008 and 2007, respectively (see Note 6). Total interest expense related to receivable discounting amounted to P142.3 million, P121.6 million and P127.9 million in 2008, 2007 and 2006, respectively, and are presented as part of Finance Costs in the consolidated income statements.

12.2 Commercial/Term Loans

The commercial/term loans represent secured loans obtained from a government institution bearing an annual interest rate of 16.0% in 2008 and 2007, respectively. This loan is secured by certain real estate properties and property development costs of the Group and of a property owned by a shareholder (see Note 19.4). Total carrying values of property development costs and investment property used as collateral amounted to P673 million in 2008 and 2007 (see Note 10).

Interest expense on these interest-bearing loans and borrowings that are directly attributable to the construction of the Group's projects are capitalized as part of Property Development Cost account in the balance sheets (see Note 2.16). In 2008 and 2007, the capitalized interest expense amounted to P57.8 and P82.0 million, respectively.

13. TRADE AND OTHER PAYABLES

This account consists of:

	2008	2007
Current:		
Accrued interest and other accruals	**P 606,864,710**	P 610,114,011
Trade payables	**155,482,692**	99,845,291
Commissions	**36,677,548**	25,759,017
Taxes payable	**35,258,403**	23,672,701
Others	**34,224,494**	3,156,019
	P 868,507,847	P 762,547,039
Non-current:		
Trade payables	**P 19,686,757**	P 25,918,670

Accrued interest and other accruals mainly pertain to interest related to a commercial loan.

The fair value of short-term trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheets to be a reasonable approximation of fair value.

The fair values of non-current trade payables have been determined by calculating their present values at the balance sheet date using effective market interest rates available to the Company.

14. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2008	2007
Advances from customers	**P 1,426,388,131**	P 1,051,560,483
Other deposits	**218,973,071**	130,332,394
	P 1,645,361,202	P 1,181,892,877

Advances from customers represent collections from the customers for the real estate properties purchased that did not reach 25% of the contract price. Other deposits represent advances by customers for processing of land titles, permits and other taxes.

15. OTHER CURRENT LIABILITIES

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

	2008	2007
Retention payable	**P 105,760,004**	P 77,272,569
Tenant rental deposits	**33,341,670**	30,112,918
Commissions payable	**23,350,811**	23,350,811
Deferred income tax	**16,241,504**	14,113,641
Miscellaneous	**2,344,172**	5,244,608
	P 181,038,161	P 150,094,547

The fair value of other current liabilities has not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the consolidated balance sheets to be a reasonable approximation of the fair value.

16. OTHER INCOME AND OTHER OPERATING EXPENSES

16.1 Other Income

The details of this account are shown below.

	2008	2007	2006
Forfeited payments	**P 184,148,130**	P 164,380,646	P 65,066,742
Marketing fee	**49,118,378**	31,055,228	3,400,019
Tuition fees	**37,279,493**	30,737,792	-
Miscellaneous	**15,989,055**	14,974,010	20,428,029
	P 286,535,056	P 241,147,676	P 88,894,790

16.2 Other Operating Expenses

The breakdown of other operating expenses is shown below.

	Note	2008	2007	2006
Rentals	22.2	**P 30,444,399**	P 22,501,333	P 20,428,010
Utilities		**25,477,809**	18,474,659	15,756,866
Repairs and maintenance		**25,207,756**	9,758,638	7,641,571
Security services		**21,094,761**	11,781,401	9,297,617
Association dues		**19,056,121**	12,922,234	7,048,890
Office supplies		**10,860,818**	5,121,312	4,251,558
Professional fees		**6,946,251**	5,330,340	4,325,668
Training and development		**6,113,608**	886,917	439,595
Representation		**4,361,849**	9,800,253	6,346,652
Documentation		**3,774,528**	5,746,788	8,213,223
Outside services		**2,491,392**	2,646,605	2,546,925
Insurance		**1,840,912**	1,928,060	1,904,350
Miscellaneous		**26,809,141**	18,443,427	38,136,650
		P 184,479,345	P 125,341,967	P 126,337,574

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

17. SALARIES AND EMPLOYEE BENEFITS

17.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	2008	2007	2006
Short-term benefits	**P 146,167,830**	P 92,664,915	P 72,858,530
Retirement - defined benefit plan	**17,421,045**	12,921,001	5,671,916
	P 163,588,875	P 105,585,916	P 78,530,446

17.2 Retirement Benefit Obligation

As of December 31, 2008, the Company and its subsidiaries is yet to formally set up the retirement plan. However, in prior year, the BOD had already approved the establishment of the 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 balance sheets are determined as follows:

	2008	2007
Present value of the obligation	**P 50,029,375**	P 67,409,256
Unrecognized actuarial gains (losses)	**18,494,774**	(24,472,237)
	P 68,524,149	P 42,937,019

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

	2008	2007
Balance at beginning of year	**P 67,409,256**	P 58,817,112
Beginning balances of retirement obligation from SPI	**9,816,775**	-
Current service cost and interest cost	**16,364,823**	11,895,748
Actuarial gains	**(43,561,479)**	(3,303,604)
	P 50,029,375	P 67,409,256

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

	2008	2007	2006
Current service costs	**P 9,995,168**	P 7,198,177	P 2,734,874
Interest costs	**6,777,518**	4,869,317	2,922,842
Net actuarial losses recognized during the year	**648,359**	853,507	14,200
	P 17,421,045	P 12,921,001	P 5,671,916

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

	2008	2007	2006
Parent company			
Discount rates	**13.50%**	8.35%	8.29%
Expected rate of salary increases	**10.00%**	10.00%	10.00%
EPHI			
Discount rates	**11.00%**	8.13%	11.70%
Expected rate of salary increases	**8.00%**	7.52%	7.52%
SPI			
Discount rates	**12.00%**	-	-
Expected rate of salary increases	**10.00%**	-	-

For LBASI, accrual of estimated cost of retirement benefits is based on the required by 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 65 for the parent Company and 60 for SPI is 27 for both males and females. For EPHI, the average age of the employees covered by the plan was 31 and the average years of service was 36.

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.

18. TAXES

18.1 Current and Deferred Taxes

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

	2008	2007	2006
Current tax expense:			
Regular corporate income tax (RCIT) at 35% and 10%	**P 51,365,687**	P 52,186,869	P 62,781,686
Minimum corporate income tax (MCIT) at 2%	**4,067,033**	-	47,359
Final tax at 20% and 7.5%	**18,704,449**	3,560,818	6,183,681
Capital gains tax (at 5% and 10%)	**-**	6,178,046	-
	74,137,169	61,925,733	69,012,726
Deferred tax expense (income):			
Deferred tax relating to origination and reversal of temporary differences	**(35,622,604)**	120,168,658	43, 258,187
Deferred tax relating to reduction in RCIT tax rate	**(199,419,424)**	-	-
Others – net	**(179,873)**	-	378,204
	(235,221,901)	120,168,658	43,636,391
	(P 161,084,732)	P 182,094,391	P 112,649,117

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense (income) in the consolidated income statements is as follows:

	2008	2007	2006
Tax on pretax income At 35%	**P 19,061,266**	P 171,526,437	P 125,809,433
Adjustment for income subjected to lower income tax rates	**18,412,512**	9,629,151	(4,637,760)
Tax effects of:			
Nontaxable income	**(36,153,916)**	(27,566,496)	(56,181,356)
Nondeductible expenses	**36,971,553**	28,615,926	47,516,337
Change in RCIT tax rate	**(199,419,424)**	-	-
Others – net	**43,277**	(110,627)	142,463
Tax expense (income)	**(P 161,084,732)**	P 182,094,391	P 112,649,117

The net deferred tax assets (liabilities) as of December 31 related to the following:

	Consolidated Balance Sheets		Consolidated Income Statements		
	2008	**2007**	**2008**	**2007**	**2006**
Deferred tax assets:					
Retirement benefit obligation	**P 20,557,245**	P 15,027,956	**(P 2,534,671)**	(P 4,462,240)	(P 2,566,275)
Allowance for impairment	**7,747,189**	-	**764,486**	-	-
MCIT	**4,067,033**	-	**(4,067,033)**	-	481,693
Accrued rent	**511,267**	496,461	**(14,807)**	(498,561)	26,359
Unamortized preoperating expense	**507,269**	-	**-**	-	-
Unrealized foreign exchange losses	**-**	3,689,138	**3,689,138**	(2,232,864)	(1,003,293)
NOLCO	**6,064,448**	-	**(6,064,448)**	-	378,205
	39,454,451	19,213,555	**(8,227,335)**	(7,193,665)	(2,683,311)
Deferred tax liabilities:					
Uncollected realized gross profit	**(865,865,941)**	(1,031,653,819)	**(169,726,024)**	120,048,498	45,694,850
Capitalized interest expense	**(361,040,797)**	(420,933,115)	**(59,892,318)**	7,313,825	1,106,545
Unrealized foreign exchange gains	**(2,623,787)**	-	**2,623,787**	-	-
	1,229,530,525	(1,452,586,934)	**(226,994,566)**	127,362,323	46,801,395
Deferred tax expense (income)			**(P 235,221,901)**	P 120,168,658	P 44,118,084
Net Deferred Tax Liabilities	**P1,190,076,074**	P1,433,373,379			

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 P4.1 million in 2008 and P481,693 in 2006; this can be availed within three years up to 2011 and 2009, respectively. No MCIT was reported in 2007 as the RCIT was higher than MCIT in that year.

In 2006, EPHI fully applied its NOLCO recognized in 2005 amounting to P1.1 million against its taxable income. Also, in 2006, EPHI fully applied its MCIT recognized in 2005 amounting to P0.5 million against its RCIT.

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

18.2 Recent Tax Regulations

In accordance with the amended National Internal Revenue Code of 1997, the RCIT rate will be reduced from 35% to 30% and the non-allowable deduction for interest from 42% to 33% beginning January 1, 2009.

On October 10, 2007, Revenue Regulation (R.R.) No. 12 was signed, amending certain provisions of R.R. No. 9-98 relative to the due date within which to pay MCIT imposed on domestic corporations and resident foreign corporations. These revenue regulations require the quarterly payment of the MCIT. The quarterly MCIT payments shall be creditable against the tax that will be due at the end of the taxable year – whether it be RCIT or MCIT. These take effect beginning on the income tax return for fiscal quarter ending September 30, 2007.

In July 2008, Republic Act 9504 became effective 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. In 2008, the Group opted to continue claiming itemized standard deductions.

19. RELATED PARTY TRANSACTIONS

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

19.1 Advances to and from Related Parties

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

	2008	2007
GPMAI	P 402,909,161	P 404,152,905
MCPI	74,483,430	41,433,835
First Oceanic Property Management, Inc.	45,846,035	45,233,763
SPI	-	853,259,915
VVPI	-	79,614,282
Other related parties	344,522,097	343,626,221
	P 867,760,723	P 1,767,320,921

The movement within the Advances to Related Parties account is shown below.

	2008	2007
Balance at beginning of year	P 1,767,320,921	P 1,584,157,199
Additions	44,047,856	1,099,660,302
Repayments	(944,325,241)	(906,521,632)
Amortization	717,187	(9,974,948)
Balance at end of year	P 867,760,723	P 1,767,320,921

The total advances to related parties are presented in the consolidated balance sheets as follows:

	2008	2007
Current	P 814,058,862	P 1,714,336,247
Non-current	53,701,861	52,984,674
	P 867,760,723	P 1,767,320,921

Advances to related party as of December 31, 2008 and 2007 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 its stockholders and associates are as follows:

	2008	2007
Advances from (to) a stockholder:		
Balance at beginning of year	**P 262,734,717**	P 1,356,830,707
Additions	**912,658,722**	1,121,951,452
Repayments	**(717,777,426)**	(2,216,047,442)
Balance at end of year	**P 457,616,013**	P 262,734,717
Advances from associates:		
Balance at beginning of year	**P 24,909,787**	P 40,131,525
Additions	**49,488,329**	92,264,868
Repayments	**(6,576,788)**	(107,279,138)
Amortization	**15,606**	(207,468)
Balance at end of year	**P 67,836,934**	P 24,909,787
Total advances from related parties:		
Balance at beginning of year	**P 287,644,504**	P 1,396,962,232
Additions	**962,147,051**	1,214,216,320
Repayments	**(724,354,213)**	(2,323,326,580)
Amortization	**15,606**	(207,468)
Balance at end of year	**P 525,452,948**	P 287,644,504

The total advances from related parties are presented in the consolidated balance sheets as follows:

	2008	2007
Current	**P 262,502,182**	P 287,644,504
Non-current	**262,950,766**	-
	P 525,452,948	P 287,644,504

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.

19.2 Rentals

Some properties of the Group are being leased to other related parties (see Note 10). Total rentals earned from this leasing activity amounted to P31.4 million in 2008, P30.5 million in 2007 and P24.6 million in 2006 and are shown as part of Rentals under Revenues in the consolidated income statements. There is no outstanding rental receivable from other related parties as of December 31, 2008 and 2007.

19.3 Commissions

The Group earns commission income from the sale of Megaworld's real estate properties. The commission income recognized amounted to P153.8 million, P175.3 million and P138.6 million in 2008, 2007 and 2006, respectively. The related receivables arising from commissions are presented as part of Advances to Related Parties in the balance sheets.

19.4 Commercial/Term Loan

In 2006, the Company obtained a 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 shareholder (see Note 12.2).

19.5 Key Management Personnel Compensation

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

	2008	2007	2006
Short-term benefits	**P 19,857,891**	P 9,011,731	P 9,643,177
Post-employment benefits	**2,036,211**	2,096,716	1,764,477
	P 21,894,102	P 11,108,447	P 11,407,654

These are presented as part of total Salaries and Employee Benefits in consolidated income statements for the years ended December 31, 2008, 2007 and 2006.

20. EQUITY

20.1 Capital Stock

Capital stock as of December 31 consists of:

	Shares			Amount		
	2008	2007	2006	**2008**	2007	2006
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 Stock – P1 par value						
Authorized	**21,495,200,000**	21,495,200,000	11,000,000,000			
Issued and outstanding						
Balance at beginning of year	**10,622,492,324**	7,998,683,261	6,961,945,456	**10,622,492,324**	7,998,683,261	6,961,945,456
Stock dividends	**-**	-	1,036,737,805	**-**	-	1,036,737,805
Balance at end of year	**10,622,492,324**	7,998,683,261	7,998,683,261	**10,622,492,324**	7,998,683,261	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	7,998,683,261	**10,622,492,324**	10,622,492,324	7,998,683,261
Subscriptions receivable				**-**	(1,967,856,797)	-
				10,622,492,324	8,654,635,527	7,998,683,261
				P10,908,215,404	P8,940,358,607	P8,284,406,341

The Series B preferred shares shall be nonredeemable and 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, a majority of the BOD approved the increase in the Company's authorized capital stock from P13.0 billion (divided into 11 billion common and 2 billion preferred shares both with par value of P1.00 each) to P23.5 billion (divided into 21.5 billion common and 2 billion preferred shares both with par value of P1.00). 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.

On March 15, 2006, the Company's BOD declared a 15% stock dividend (or a total of 1.0 billion shares), valued at par, payable on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

20.2 Preferred Shares

Prior to 2006, the parent company issued 950 million Series C redeemable preferred shares. These shares with par value of P1 are nonvoting, cumulative, and non-participating and entitled to annual dividends unless redeemed by the parent company. Dividends declared and paid on these shares amounted to P90.7 million in 2006 and presented in the 2006 income statement line item Dividend on Preferred Shares. On March 15, 2006, the Group redeemed its 950 million Series C preferred shares at P1 par value each for a total amount of P950 million.

20.3 Treasury Shares – at cost

The details of this account are as follows:

	Shares			**Amount**		
	2008	2007	2006	**2008**	2007	2006
Balance at beginning of year	**127,256,071**	117,356,071	10,356,071	**P 102,106,658**	P 95,181,558	P 34,857,237
Additional acquisitions during the year	**-**	9,900,000	107,000,000	**-**	6,925,100	60,324,321
Balance at end of year	**127,256,071**	127,256,071	117,356,071	**P 102,106,658**	P 102,106,658	P 95,181,558

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

20.4 Retained Earnings

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

21. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2008	2007	2006
Basic:			
Net income attributable to parent company's shareholders	**P 220,543,365**	P 307,258,044	P 246,806,409
Allocated dividend for cumulative Preferred – Series C shares determined at end of year	**-**	-	(18,576,311)
Income available to common shares	**220,543,365**	307,258,044	228,230,098
Divided by the weighted average number of outstanding common shares	**10,495,236,253**	8,453,842,937	7,952,074,623
Basic earnings per share	**P 0.021**	P 0.036	P 0.029

	2008	2007	2006
Diluted:			
Income available to common shares	**P 220,543,365**	P 307,258,044	P 228,230,098
Divided by the weighted average number of outstanding common shares and potential common shares from assumed conversion of convertible Preferred – Series B shares	**10,780,959,333**	8,739,566,017	8,237,797,703
Diluted earnings per share	**P 0.020**	P 0.035	P 0.028

22. COMMITMENTS AND CONTINGENCIES

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

22.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from 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 P94.7 million.

	2008	2007	2006
Within one year	**P 61,183,462**	P 78,079,212	P 75,221,267
After one year but not more than five years	**39,763,953**	100,708,926	140,075,285
More than five years	**13,023,590**	-	31,815,661
	P 113,971,005	P 178,788,138	P 247,112,213

22.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee to a non-cancellable operating lease 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:

	2008	2007	2006
Within one year	**P 20,637,022**	P 14,822,851	P 5,776,102
After one year but not more than five years	**9,620,258**	13,701,607	2,564,712
More than five years	**-**	-	-
	P 30,257,280	P 28,524,458	P 8,340,814

Total rentals from these operating leases which was charged to Other Operating Expenses amounted to P30.4 million, P22.5 million and P20.4 million in 2008, 2007 and 2006, respectively (see Note 16.2).

22.3 Legal Claims

As of December 31, 2008, 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.

22.4 Others

As of December 31, 2008 and 2007, the Company has unused lines of credit amounting to P300 million and P1.3 billion, respectively.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group does not 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.

23.1 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 P73.9 and P56.1 million as of December 31, 2008 and 2007, respectively.

At December 31, 2008 and 2007, if the peso had strengthened by 17.46% and 13.81% against the U.S. dollar with all other variables held constant, income before tax for the year would have been lower by P12.9 million and P7.8 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, income 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 balance sheet date.

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.

23.2 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, 2008 and 2007, if general interest rates on peso-denominated financial assets had been higher by 3.44% in 2008 and 3.46% in 2007, with all other variables held constant, income before tax for the year would have been higher by P83.5 million and P32.4 million.

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 each balance sheet date, with effect estimated from the beginning of the year.

23.3 Credit Risk

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

	Notes	**2008**	2007
Cash and cash equivalents	5	**P 1,634,996,697**	P 942,700,183
Trade and other receivables – net	6	**5,611,341,517**	5,764,444,467
Advances to landowners and joint venture	7	**2,331,376,897**	857,966,275
Advances to related parties	19	**867,760,723**	1,767,320,921
		P 10,445,475,834	P 9,332,431,846

The table below shows the credit quality by class of financial assets as of December 31, 2008.

	Neither Past Due nor Specifically Impaired High Grade	Standard Grade	Substandard Grade	Past Due or Individually Impaired	Total
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**

This compares with the credit quality by class of financial assets as of December 31, 2007.

	Neither Past Due nor Specifically Impaired High Grade	Standard Grade	Substandard Grade	Past Due or Individually Impaired	Total
Cash and cash equivalents	P 942,700,183	P -	P -	P -	P 942,700,183
Trade and other receivables - net	1,617,601,092	4,135,443,791	11,399,584	-	5,764,444,467
Advances to landowners and joint venture	857,966,275	-	-	-	857,966,275
Advances to related parties	1,714,336,247	52,984,674	-	-	1,767,320,921
	P 5,132,603,797	P 4,188,428,465	P 11,399,584	P -	P 9,332,431,846

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

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

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

23.4 Liquidity Risk

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

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, 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, 2008, 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 1,423,572,321	P -	P 1,388,611,727	-
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 -**	**P1,671,249,250**	**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	P1,294,724,513	P -	P1,303,638,178	P 28,783,392
Trade and other payables	762,547,039	-	25,918,670	-
Advances from related parties	287,644,504	-	-	-
Other current liabilities	126,743,736	23,350,811	-	-
	P2,471,659,792	P 23,350,811	P1,329,556,848	P 28,783,392

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the balance sheet dates.

23.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at 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 75.04% and 60.94% has been observed during 2008 and 2007. If quoted price for these securities increased or decreased by that amount, net income before tax would have changed by P179.7 million in 2008 and P469.6 million in 2007.

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

24. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated balance sheets are shown below.

	Notes	2008		2007	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Current::					
Cash and cash equivalents	5	**P 1,634,996,697**	**P 1,634,996,697**	P 942,700,183	P 942,700,183
Trade and other receivables	6	**2,838,198,318**	**2,838,198,318**	2,696,986,913	2,696,986,913
Advances to related parties	19	**814,058,862**	**814,058,862**	1,714,336,247	1,714,336,247
		5,287,253,877	**5,287,253,877**	5,354,023,343	5,354,023,343
Non-current::					
Trade and other receivables	6	**2,773,143,199**	**2,773,143,199**	3,067,457,554	3,067,457,554
Advances to related parties	19	**53,701,861**	**53,701,861**	52,984,674	52,984,674
Advances to land owners and joint ventures	7	**2,331,376,897**	**2,331,376,897**	857,966,275	857,966,275
Available-for-sale financial assets	8	**239,424,000**	**239,424,000**	770,560,000	770,560,000
		5,397,645,957	**5,397,645,957**	4,748,968,503	4,748,968,503
		P 10,684,899,834	**P 10,684,899,834**	P 10,102,991,846	P 10,102,991,846
Financial Liabilities					
Current:					
Interest-bearing loans and borrowings	12	**P 1,423,572,321**	**P 1,423,572,321**	P 1,294,724,513	P 1,294,724,513
Trade and other payables	13	**868,507,847**	**868,507,847**	762,547,039	762,547,039
Due to related parties	19	**262,502,182**	**262,502,182**	287,644,504	287,644,504
		2,554,582,350	**2,554,582,350**	2,344,916,056	2,344,916,056
Non-current -					
Interest-bearing loans and borrowings	12	**P 1,388,611,727**	**P 1,388,611,727**	P 1,332,421,570	P 1,332,421,570
Trade and other payables	13	**19,686,757**	**19,686,757**	25,918,670	25,918,670
Due to related parties	19	**262,950,766**	**262,950,766**	-	-
		1,671,249,250	**1,671,249,250**	1,358,340,240	1,358,340,240
		P 4,225,831,600	**P 4,225,831,600**	P 3,703,256,296	P 3,703,256,296

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

25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

Consistent with 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 balance sheets.

	2008	2007
Net debt	**P 1,177,187,351**	P 1,684,445,900
Total equity	**17,455,603,769**	15,005,246,373
Debt-to-equity ratio	**0.07 : 1**	0.11 : 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, 2008, on which we have rendered our reports both dated March 2, 2009. 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, 2008 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. 1566068, January 5, 2009, Makati City
SEC Accreditation No. 0396-A
BIR AN 08-002511-20-2006 (Sept. 8, 2006 to 2009)

March 2, 2009

Empire East Land Holdings, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2008

Table of Contents

EMPIRE EAST LAND HOLDINGS, INC.

Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2008

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at Beginning of period*	*Additions 2008*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances to Officers and Employees:							
Albano, Rosalinda	348,945.61		(66,119.38)		282,826.23		282,826.23
Barrera, Julieta	5,794.48	387,200.00	(75,792.77)		317,201.71		317,201.71
Cacho, Evelyn	463,656.92		(98,598.68)		365,058.24		365,058.24
Chan, Ermanric	96,580.23		(96,580.23)		-		-
Danenberg, Mercedes	44,124.70	480,000.00	(139,252.88)		384,871.82		384,871.82
De Guzman, Eric	372,765.00		(63,083.98)		309,681.02		309,681.02
Edaño, Dennis	334,024.43		(68,828.46)		265,195.97		265,195.97
Gregorio, Ricardo	517,398.50		(91,457.25)		425,941.25		425,941.25
Llaga, Jhoanna Lyndelou	224,110.52		(66,072.22)		158,038.30		158,038.30
Llantada Jr. , Antonio	848,969.30		(103,452.13)		745,517.17		745,517.17
Libago, Ricky S.		696,500.00	(45,323.66)		651,176.34		651,176.34
Lim, Robert Edwin	507,903.72		(105,799.92)		402,103.80		402,103.80
Quintana, Rodulfo	296,347.28		(82,435.15)		213,912.13		213,912.13
Ramos, Franemil	101,815.37		(62,424.35)		39,391.02		39,391.02
	4,162,436.06	1,563,700.00	(1,165,221.06)	-	4,560,915.00	-	4,560,915.00

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, 2008

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	239,424,000	-	-	-	-	-	239,424,000	-

Empire East Land Holdings, Inc. and Subsidiaries
Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates)
December 31, 2008

Name of Related Parties	*Balance at beginning of period*	*Balance at end of period*
Unconsolidated Subsidiary:		
Empire East Properties, Inc. (80% owned)	**853,259,915**	**0**
Valle Verde Properties, Inc. (100% owned)	**79,614,282**	**0**
Other Related Parties:		
Gilmore Property Management Associates, Inc.	**404,152,905**	**402,909,161**
First Oceanic Property Management, Inc.	**45,233,763**	**45,846,035**
Megaworld Central Properties, Inc.	**41,433,835**	**74,483,430**
Others	**343,626,221**	**344,522,097**
	1,767,320,921	**867,760,723**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Intangible Assets - Other Assets
December 31, 2008

			Deduction			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Goodwill	P 77,347,634	P 125,186,932	-	-	-	P 202,534,566

Empire East Land Holdings, Inc. and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2008

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	**2,812,184,048**	**1,423,572,321**	**1,388,611,727**

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, 2008

				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*

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

Reconciliation of Parent Company Retained Earnings for Dividend Declaration
December 31, 2008

UNAPPROPRIATED RETAINED EARNINGS, AS AUDITED AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING	**P**	**1,922,346,058**
Net Income During the Year Closed to Retained Earnings		188,500,018
Less: Treasury shares		102,106,658
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	**P**	**2,008,739,418**

EMPIRE EAST LAND HOLDINGS, INC
INTERIM FINANCIAL STATEMENTS
AS OF 31 MARCH 2009

EXHIBIT 1

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(In Thousands)	
	Unaudited 31-Mar-09	**Audited 31-Dec-08**
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	**P 1,546,184**	P 1,634,997
Trade and other receivables - net	**2,809,328**	2,838,198
Property development costs	**1,758,670**	1,890,850
Advances to related parties	**829,167**	814,059
Prepayments and other current assets	**254,664**	226,362
Total Current Assets	**7,198,012**	7,404,466
NON-CURRENT ASSETS		
Trade and other receivables - net	**2,793,374**	2,773,143
Advances to related parties	**53,702**	53,702
Property development costs	**9,240,420**	9,129,030
Advances to landowners and joint ventures	**2,315,778**	2,331,377
Available-for-sale financial assets	**214,656**	239,424
Land for future development	**3,023,320**	3,008,581
Investment property - net	**695,711**	709,346
Property and equipment - net	**152,115**	154,476
Other non-current assets	**219,734**	219,901
Total Non-current Assets	**18,708,810**	18,618,980
TOTAL ASSETS	**P 25,906,822**	P 26,023,446

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**P 1,434,795**	P 1,423,572
Trade and other payables	**833,274**	868,508
Income tax payable	**8,169**	7,995
Deferred gross profit on real estate sales	**156,846**	128,014
Customers' deposits	**1,689,084**	1,645,361
Advances from related parties	**263,924**	262,502
Reserve for property development	**263,701**	310,157
Other current liabilities	**161,801**	181,039
Total Current Liabilities	**4,811,594**	4,827,148
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**1,249,294**	1,388,612
Trade and other payables	**19,687**	19,687
Reserve for property development	**672,997**	644,632
Deferred tax liabilities	**1,194,647**	1,190,076
Deferred gross profit on real estate sales	**156,459**	166,213
Advances from related parties	**280,113**	262,951
Retirement benefit obligation	**68,803**	68,524
Total Non-current Liabilities	**3,642,001**	3,740,695
Total Liabilities	**8,453,595**	8,567,843
EQUITY		
Equity attributable to parent company's shareholders	**16,600,143**	16,603,287
Minority interest	**853,084**	852,316
Total Equity	**17,453,227**	17,455,603
TOTAL LIABILITIES AND EQUITY	**P 25,906,822**	P 26,023,446

EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

	(In Thousands)	
	Unaudited Jan-March 2009	**Audited Jan-March 2008**
REVENUES		
Real estate sales	**P 281,054**	P 216,120
Realized gross profit on prior years' sales	**38,396**	17,824
Interest Income	**104,285**	101,815
Commissions & other income	**127,766**	127,913
	551,502	463,672
COST & EXPENSES		
Cost of real estate sales	**209,166**	153,363
Deferred gross profit	**57,474**	7,487
Finance costs	**27,533**	56,417
Operating expenses	**227,344**	159,356
Equity in net earnings (losses) of associates	**-**	2,338
Tax expense	**7,594**	26,206
	529,110	405,167
NET INCOME	**22,392**	58,505
Attributable to:		
Parent company's shareholders	**21,625**	58,207
Minority interest	**767**	298
	22,392	58,505
Earnings Per Share		
Basic	**0.0020**	0.0054
Diluted	**0.0020**	0.0053

EXHIBIT 3

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

(In Thousands)

		Unaudited 31-Mar-2009		Unaudited 31-Mar-2008
CAPITAL STOCK		10,908,216		10,908,216
ADDITIONAL PAID-IN CAPITAL		4,281,565		4,281,565
TREASURY SHARES		(102,107)		(102,107)
REVALUATION RESERVES		(655,794)		(333,810)
RETAINED EARNINGS		2,168,264		1,984,303
MINORITY INTEREST		853,084		59,521.00
TOTAL EQUITY	**P**	**17,453,228**	**P**	**16,797,688**

EXHIBIT 4

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

(In Thousands)

	Unaudited 31-Mar-09	Unaudited 31-Mar-08
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**P 29,984**	**P 84,711**
Adjustments for:		
Depreciation and amortization	18,060	16,734
Finance costs	27,533	56,417
Interest & other income	(104,284)	(101,815)
Equity in net losses of subsidiary	-	2,338
Operating income before working capital changes	(28,707)	58,385
Net Changes in Operating Assets & Liabilities		
Increase in current & non-current assets	7,074	(81,730)
Increase in current & other non-current liabilities	27,193	17,610
Increase (decrease) in reserve for property development	(18,090)	25,787
Cash used in operations	(12,530)	20,052
Interest paid	(27,533)	(56,417)
Cash paid for income taxes	(2,849)	(5,121)
Net Cash Used in Operating Activities	**(42,912)**	**(41,486)**
CASH FLOWS FROM INVESTING ACTIVITIES	**82,194**	**(158,971)**
CASH FLOWS FROM FINANCING ACTIVITIES	**(128,095)**	**1,689,529**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(88,813)**	**1,489,072**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,634,997**	**942,700**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P 1,546,184**	**P 2,431,772**

EXHIBIT 5

EMPIRE EAST LAND HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENTS

1) The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The accounting policies and method of computation have been consistently followed by the Company (and its subsidiaries) and are consistent with those used in the most recent annual audited financial statements.

2) Cash and cash equivalents account is composed of cash on hand/in banks amounting to P111.82 million and short-term placements of P1.43 billion.

3) Current Trade and Other Receivables account of P2.81 billion mostly includes receivables from sales transactions. The P2.79 billion non-current portion of Trade and Other Receivables are those amounts which are not expected to be realized/collected within the one-year period.

4) Property Development Cost account amounting to P11 billion representing various development/construction related expenses.

5) Advances to Related Parties and to Joint Venture and Landowners totaling P3.2 billion pertain to property acquisition, joint venture and other business related transactions.

6) Available-for-Sale Financial Assets account amounting to P214.65 million pertains to investments in equity securities of subsidiary.

7) Land for Future Development of P3.02 billion refers to the properties acquired by the company. Most properties, which are specifically located in Metro Manila and Calabarzon areas, are intended for immediate and future development. This account also includes other expenses related to acquisition.

8) Investment Property account of P695.71 million pertains to land and building and improvements of the Company, being leased-out to related parties and third parties and certain land held for capital appreciation. This account is presented in the interim financial statements net of depreciation.

9) Property and Equipment account of P152.11 million is composed of fixed assets that are being depreciated over its estimated useful lives using a straight-line method. This account is presented in the interim financial statements net of depreciation.

10) Interest-bearing loans and borrowings account with a balance of P2.68 billion mostly includes loans obtained from commercial banks/financial institution and trade receivables discounted with recourse.

11) Current Liabilities account is composed of current portion of deferred gross profit amounting to P157 million, customers' deposits/advances of P1.69 billion and other payables/accruals amounting to P1.27 billion. Other non-current liabilities include non-current portion of deferred tax, unearned revenue and other payables totaling to P1.72 billion.

12) Reserve for Property Development of P936.7 million pertains to the remaining costs needed to complete the development/construction of the sold units.

13) Decrease in Equity by P2.38 million is the net effect of three-month period Net Income of P22.39 million and fair value loss/revaluation of marketable equity securities of subsidiary amounting to P24.77 million.

14) Revenues include the following – real estate sales of P281.05 million, P38.4 million realized portion of the previous years gross profit, interest income of P104.28 million derived mostly from buyers in-house financing, commissions and other income totaling to P127.77 million.

15) There were no changes in estimates of amounts reported in prior interim periods or prior financial years that have material effect in the current interim period.

16) There were no material contingencies and any other events/transactions that have material impact on the current interim period.

EXHIBIT 6

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
As of March 31, 2009
Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current Not Yet Due	1 Month	2-3 Mos.	4-6 Mos.	Above 7 Mos.	Past due accounts & Items in Litigation
a) Trade Receivables	4,005,434,203	3,997,749,011	5,983,587	1,401,141	300,726	-	-
b) Other Receivables	1,597,267,573	1,597,267,573	-	-	-	-	-
Net Receivables	**5,602,701,776**						

2) Accounts Receivable Description

Type of Receivables	Nature/Description	Collection Period
a) Trade Receivables	Sale of residential units/lots	maximum of 15 years
b) Other Receivables	Advances to contractors/suppliers	1 to 2 years

3) Normal Operating Cycle: 3 to 15 years

EXHIBIT 7

EMPIRE EAST LAND HOLDINGS, INC.
MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION

Review of March 31, 2009 versus March 31, 2008

During the three-month period, the consolidated net income amounted to P22.4 million, 61.7% lower than the previous year's net income of P58.5 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues and net earnings of associates posted an increase of 19% from P463.67 million to P551.5 million.

Real Estate Sales

The Group registered Real Estate Sales of P281.05 million for three months ended March 31, 2009 compared with P216.12 million in 2008. The sales generated were derived from various projects namely, California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, The Cambridge Village, Laguna Bel Air 4, Sta. Rosa Heights and Suntrust Adriatico Gardens.

The Cost of Sales amounting to P209.17 million in 2009 and P153.36 million in 2008, as a percentage of Real Estate Sales, was 74% and 71%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P71.89 million during the three months of 2009 and P62.76 million in 2008, or 26% and 29% 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 34% amounting to P52.81 million and P73.09 million in 2009 and 2008, respectively.

Other Revenues

For 2009 and 2008, the other revenue contributor was interest income amounting to P104.28 million and P101.81 million respectively, derived mostly from accounts under in-house financing and which accounts for 19% and 22% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals from office-warehouse units in Central Business Park complex and residential/commercial spaces in various projects, and those obtained from other sources.

Operating Expenses

Operating expenses increased from P159.35 million in 2008 to P227.34 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 the new subsidiary.

FINANCIAL CONDITION

Review of March 31, 2009 versus December 31, 2008

Total resources of the Company as of March 31, 2009 and December 31, 2008 amounted to P25.91 billion and P26.02 billion respectively. Cash and Cash Equivalents decreased from P1.63 billion to P1.54 billion due to payments to contractors and suppliers for the development of projects. The Company remained liquid with Total Current Assets of P7.2 billion in 2009 and P7.4 billion in 2007, which accounted for 28% of the Total Assets for both years 2009 and 2008, while its Total Current Liabilities amounted to P4.81 billion in March 31, 2009 as compared with P4.83 billion in December 31, 2008.

Equity decreased from P17.455 billion in the previous year to P17.453 billion as of March 31, 2009 due to the net effect of income for the three-month period and revaluation reserves.

In 2009, the Group sourced its major cash requirements from internally generated funds. While in 2008, cash was sourced mostly from internally generated funds and partly from the discounting of its installment contract receivable.

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

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

Balance Sheets

- 5% decrease in Cash and Cash Equivalents
  Mainly due to use of funds for construction and development of projects and repayments of loan obligations

- 13% increase in Prepayments and Other Current Assets
  Due to increase in prepaid taxes and input vat

- 10% decrease in Available-for-sale Financial Asset
  Primarily due to decrease in fair market value of investment

- 5% decrease in Interest-bearing Loans and Borrowings
  Mainly due to repayments of loans

- 6% increase in Deferred Gross Profit on Real Estate Sales
  Mainly due to unearned gross profit on sales of new projects

- 11% decrease in Other Current Liabilities
  Primarily due to release of retention payables of suppliers and contractors

Income Statements

- 30% increase in Real Estate Sales
  Primarily due to sales of new projects

- 115% increase in Realized Gross Profit on Prior Year Sales
  Mainly due to consolidation of new subsidiary

- 36% increase in Cost of Sales
  Primarily due to increase in sales

- 668% increase in Deferred Gross Profit on Current Year Sales
  Primarily due to consolidation of new subsidiary

- 51% decrease in Finance Cost
  Due to settlement of some loan obligations

- 43% increase in Operating Expenses
  Due to increase in marketing/administrative expenses related to new projects and expenses of subsidiaries

- 100% decrease in Equity net Earnings (Losses) of Associates
  Mainly due to acquisition of majority shares of a an associate

- 71% decrease in Tax Expense
  Mainly due to decrease in taxable income

For the year 2009, the projected capital expenditures (construction/development) of roughly P1.5 billion is expected to be funded mostly by collections.

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

There are no other material changes in the Company'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 Company.

The nature of all revenues and expenses disclosed in the income statement are business related transactions and arose from the Company'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 Company 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 Company, including any default or acceleration of an obligation.

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

TOP FIVE (5) KEY PERFORMANCE INDICATORS

For 2009, the following are top key performance indicators of the Company and its majority-owned subsidiaries:

1) Availability of Cash

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

2) Ability to repay loan obligations

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

3) Increase in reservation sales

   The reservation sales increased due to aggressive selling of new projects. The Company's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila.

4) Continuous development of projects

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

5) Landbanking

   The Company has been acquiring interests in properties either through outright acquisitions or joint venture arrangements with landowners.

ASSESSMENT OF FINANCIAL RISKS

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

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

1) Foreign Currency Sensitivity

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

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are closely monitored.

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos amounted to P74.8 million as of March 31, 2009.

At March 31, 2009, if the peso had strengthened by 2% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P1.3 million lower, mainly as a result of foreign exchange loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had been weaker by the same percentage, with all other variables held constant, income before tax would have been higher by the same amount.

The 2% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the balance sheet date.

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

2) Interest Rate Sensitivity

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

At March 31, 2009, if general interest rates on dollar and peso-denominated financial assets had been higher by 0.52%, with all other variables held constant, income before tax for the year would have been P8.4 million higher, mainly as a result of higher interest income on floating rate deposits.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past three months using a 95%-confidence level. The calculations are based on the Company's financial instruments held at each balance sheet date, with effect estimated from the beginning of the year.

3) Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet, as summarized below:

	2009	2008
Cash and cash equivalents	P 1,546,183,759	2,431,677,189
Trade and other receivables - net	5,602,701,776	5,708,592,018
Advances to landowners and joint venture	2,315,778,340	901,448,379
Advances to related parties	882,868,983	1,778,696,451
	P10,347,532,858	P10,820,414,037

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

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

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

4) Liquidity Risk

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

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

As at March 31, 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	Later than 5 Years
Interest-bearing loans and borrowings	P1,434,795,314	P -	P 1,249,293,548	P -
Trade and other payables	833,274,065	-	19,686,755	-
Advances from related parties	263,923,634	-	280,112,723	
Other current liabilities	161,801,635	-	-	-
	P 2,693,794,648	P -	P 1,549,093,026	P -

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P1,224,203,793	P -	P 1,124,614,083	P -
Trade and other payables	717,027,672	-	25,918,670	-
Advances from related parties	319,587,210	-	-	-
Other current liabilities	139,794,643	-	-	-
	P 2,400,613,318	P -	P1,150,532,753	P -

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the balance sheet dates.

5) Other Market Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

At March 31, 2009, if the quoted stock price for the securities had decreased by 3%, with all other variables held constant, equity would have been lower by about P7.2 million. The 3% estimated change in quoted market price is computed based on volatility of local index for holdings first listed at Philippine Stock Exchange.

On the other hand, if the quoted market price for these securities had increased by the same amount, with all other variables held constant, equity for the year would have been higher by the same figure.

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

FINANCIAL INSTRUMENTS EVALUATION

Financial assets include cash and financial instruments. The Group classifies its financial assets, other than hedging instruments, into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

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

1) Financial Assets at Fair Value through Profit or Loss

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not be subsequently be reclassified.

2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

They are included in current assets, except for maturities greater than 12 months after the balance sheet date 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 Company 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 Company's loans and receivables are presented as Trade and Other Receivables, Advances to Landowners and Joint Ventures, and Advances to Related Parties in the balance sheets.

3) Held-to-maturity Investments

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

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

4) Available-for-sale Financial Assets

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

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the consolidated income statement when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in equity is transferred to the consolidated income statement. Impairment losses recognized in the consolidated income statements on equity securities are not reversed through the consolidated income statements. Losses recognized in prior year consolidated income statements resulting from the impairment of debt instruments are reversed through the consolidated income statement.

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 balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

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

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

The Group has no investment in foreign securities as of balance sheet date. The markets of the Group's Available-for-sale Financial Assets are active.