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 **14 June 2011 9:00 a.m. Grand Ballroom**
   Eastwood Richmonde Hotel
   17 Orchard Road, Eastwood City
   Bagumbayan, Quezon City, Philippines
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **24 May 2011**

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 14 June 2011, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, with this agenda:

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

Stockholders of record as of 20 April 2011 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 9 June 2011 to the office of the Corporate Secretary, 28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City. Validation of proxies will be held on 9 June 2011, 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, May 17, 2011.

DENNIS E. EDAÑO
Corporate Secretary

PROXY
EMPIRE EAST LAND HOLDINGS, INC.
2011 STOCKHOLDERS' MEETING

I/WE hereby name and appoint, _______________________________________, or in his absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of EMPIRE EAST LAND HOLDINGS, INC. ("Empire East") to be held on 14 June 2011 at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of Empire East, which appointment shall not exceed five (5) years from date hereof.

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

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

FULL DISCRETION	

_______________________________ PRINTED NAME OF STOCKHOLDER

_______________________________ SIGNATURE OF AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 9 JUNE 2011.

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

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

THIS PROXY DOES NOT NEED TO BE NOTARIZED.

(Partnerships, Corporations and Associations must attach certified resolutions thereof designating Proxy/Representative and Authorized Signatories)

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual meeting of stockholders of the Company will be held on 14 June 2011, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines.

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

Copies of this information statement will be sent on or before 24 May 2011 to all stockholders on record as of 20 April 2011.

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 20 April 2011, 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 20 April 2011 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

Cumulative Voting Rights

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

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of April 30, 2011

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation[1] 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City	Megaworld Corporation Megaworld Corporation is a client of a participant of PCD Nominee Corporation (Filipino).	Filipino	5,022,770,249 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	2,583,342,740[2]	24.6144%

[1] Megaworld Corporation is an associate of the Company. The Board of Directors of Megaworld authorizes its Chairman of the Board and President or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.
[2] This includes 1,205,113,956 shares held by Aurora Securities, Inc.

Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Non-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.	Non-Filipino	1,397,127,523	13.3120%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City	Aurora Securities, Inc. (ASI)	Filipino	1,205,113,956	11.4824%
Common	First Centro, Inc.[1] 7/F 1880 Eastwood Avenue, 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	9.5509% 0.8204% 10.3713%

Security Ownership of Management as of April 30, 2011

Title of Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.23132187%
		1[2] (indirect)	Filipino	0.00000001%
		5,077,256,249[3] (indirect)	Filipino	48.37676948%
		138,133,820[4] (indirect)	Filipino	1.31615731%
Common	Gerardo C. Garcia	636,277 (direct)	Filipino	0.00606253%

[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.
[2] The share is beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.
[3] The Board of Directors of Megaworld Corporation authorizes Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.
[4] These shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.

Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.00000001%
Common	Katherine L.Tan	1 (direct) 24,277,777[1] (indirect)	Filipino Filipino	0.00000001% 0.23132187%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00011331%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.00033577%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Four Most Highly Compensated Officers				
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.00000001%
Common	Ricky S. Libago	0	Filipino	n/a
Common	Antonio E. Llantada, Jr.	92,532 (direct)	Filipino	0.00088166%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.00033577%
Common	Ricardo B. Gregorio	0	Filipino	n/a
Other Executive Officers				
Common	Robert Edwin C. Lim	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Celeste Z. Sioson	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	All directors and executive officers as a group	25,053,721 (direct)	Filipino	0.23905094%

<u>Voting Trust Holders of 5% or More</u>

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.

<u>Changes in Control</u>

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

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the annual meeting of stockholders held on 8 June 2010 and will hold office for one (1) year and/or until their successors are elected and qualified.

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

[1] These shares are beneficially owned by Andrew L.Tan, spouse of Katherine L. Tan.

Procedure for Nomination and Election of Independent Directors

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

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

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

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

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

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

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

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

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

Nominees

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

1. Andrew L. Tan
2. Katherine L. Tan
3. Anthony Charlemagne C. Yu
4. Enrique Santos L. Sy

5. Evelyn G. Cacho
6. Gerardo C. Garcia-Independent Director
7. Alejo L. Villanueva, Jr.– Independent Director

Independent Directors

This year's nominees for directors include two persons who qualify as independent directors. Mr. Carmelo Jose J. Canto III nominated incumbent independent director, Mr. Gerardo C. Garcia, for another term, while Ms. Maria Rosario Justo nominated 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.

Significant Employees

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

Family Relationships

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

Material Pending Legal Proceedings

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

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

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

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

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

Related Transactions

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Related party transactions of the Company are discussed in more detail in Item 18 of the Notes to the Audited Consolidated Financial Statements of the Company and its subsidiaries as of December 31, 2010 and 2009 and Schedule D – Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates) as of December 31, 2010, which is attached as Annex "C", hereof.

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

Resignation/Disagreement

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

Compensation of Directors and Executive Officers

Compensation of Certain Officers

The total annual compensation paid to the President and five most highly compensated officers of the Company amounted to Php9,319,594 in 2009 and Php9,291,542 in 2010. The projected total annual compensation of the named officers for the current year is Php10,018,865.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2010, the Company paid a total of Php600,000 for directors' per diem. For 2011, 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 officers of the Company and summarizes their aggregate compensation in 2009 and 2010 and estimated aggregate compensation for 2011:

Name and Principal Position	Year	Salary	Bonus	Others	Total Annual Compensation
Anthony Charlemagne C. Yu, President					
Ricky S. Libago SVP for Property Development					
Antonio E. Llantada, Jr., VP for Audit and Management Services					
Evelyn G. Cacho, VP for Finance					
Ricardo B. Gregorio, VP for HR, General & Admin Services					
Jhoanna Lyndelou T. Llaga, AVP for Marketing					
President and 5 Most Highly Compensated Officers					
	2009	7,514,181	644,280	1,161,133	9,319,594
	2010	7,470,480	641,890	1,179,172	9,291,542
	2011	8,068,118	693,241	1,257,506	10,018,865
All Other Officers and Directors as a Group unnamed	2009	4,050,488	354,770	858,966	5,264,224
	2010	3,894,007	338,390	861,076	5,093,473
	2011	4,205,528	365,461	897,962	5,468,951

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 CEO, or any director or executive officer of the Company

Independent Public Accountants

The Board of Directors of the Company, after consultation with the Audit Committee composed of Gerardo C. Garcia as Chairman and Alejo L. Villanueva, Jr. and Evelyn G. Cacho as Members, recommends to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for 2011.

In compliance with SRC Rule 68(3)(b)(iv) and the Company's Manual of Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five years or earlier, the 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 (P&A) at that time, 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. Starting the year ending 31 December 2006, Ms. Mailene Sigue – Bisnar, also one of the Audit and Assurance Partners of P&A, has been designated as the handling partner for the audit of the Company's financial statements of the Company.

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

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

Financial Information

Financial Statements of the Company and its subsidiaries as of 31 December 2010 and 2009, which are attached as Annex "A" hereof and Interim Financial Statements of the Company and its subsidiaries as of 31 March 2011, which is attached as Annex "B" hereof, 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.

OTHER MATTERS

Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 08 June 2010 will be submitted to the Company's stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to the following matters:

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

The approval or disapproval of 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, Board Committees and Management adopted during the period covering 1 January 2010 through 31 December 2010.

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

1. Appointment of Contract Signatories;
2. Appointment of Representatives to Homeowners' Associations;
3. Application for Permits and Licenses for Projects;
4. Operation of Bank Accounts and other Bank Transactions;
5. Development and Operation of Projects;
6. Property Acquisitions, Dispositions, Leases and Joint Ventures;
7. Application for Telecommunication Subscriptions
8. Holding of 2010 Annual Meeting of Stockholders.

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. Dennis E. Edaño, Corporate Secretary, 28 Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 17, 2011.

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, 2010, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. ("VVPI"); Sherman Oak Holdings, Inc. ("SOHI") and Empire East Communities, Inc. ("EECI"); 73% in Laguna BelAir School, Inc. ("LBAS"); 80% in Suntrust Properties, Inc. ("SPI") (formerly Empire East Properties, Inc.); 60% in Sonoma Premier Land, Inc. ("SPLI") (formerly, Galleria Corsini Holdings, Inc.); and 52% in Gilmore Property Marketing Associates, Inc. ("GPMAI").

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

SPI, which was incorporated on November 14, 1997, is a company that is engaged in the development and construction of affordable projects. In 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. On the same year, the Company acquired 33% ownership interest in VVPI. In 2008, additional shares were acquired by the Company through assignment of shares from a stockholder. This has increased the Company's ownership of VVPI to 100%.

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

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.

SOHI was incorporated on February 2, 2007. In January 2008, the Company acquired 100% ownership of SOHI through assignment of shares from another stockholder.

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

In 2007, the Company 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

Empire East, aiming to fill the housing gap in the middle-income market, puts on stream innovative real estate concepts in the most strategic locations in the metro and the suburbs. Since its inception, it has pioneered breakthrough township projects and live-work-play developments, trends that have honed the Company's first-mover advantage and strengthened its position as a leading developer in its niche.

The Company's recent additions to its product portfolio are transit-oriented developments, or TODs. Located in the heart of Metro Manila, particularly along main thoroughfares, and offering direct access to mass transport systems, TODs are offering a new breed of urban homes to an increasingly mobile population.

On top of project development, the Company sells and markets a wide range of residential units, whether they are high-rise condominiums in the central business districts, mid-rise developments in the city or single-detached homes in the suburbs. Enriching city living for homebuyers are the modern conveniences integrated into each community. Recreational amenities are augmented by commercial offerings such as shopping malls, supermarkets and convenience stores.

Affordable pricing schemes and flexible payment schedules, both Empire East innovations, are at the heart of the Company's pre-selling and ready-for-occupancy programs. By offering lower monthly amortization rates, longer payment terms and options to choose from various banks for financing requirements, the Company is able to provide more people with the benefits of a complete and integrated lifestyle. After-sales service and buyer-friendly programs complement the professional service of its property administration and customer relations.

Update on Projects

Pioneer Woodlands is the company's first transit-oriented development (TOD) project. It is physically connected to the Boni Avenue Station of MRT 3. This 6-tower development sits strategically at the corner of EDSA and Pioneer Street in Mandaluyong City. The project broke ground in August 2009.

Little Baguio Terraces is a four-tower project strategically located between two major roads, and sits right on the boundary of two cities, San Juan and Quezon City. It is also set between two stations of the LRT Line 2. In 2010, the project's 18-story Tower 4 construction rose to the 15th level.

San Lorenzo Place, with its price, location and amenities, is marketed as an upscale residential condominium project. Set at the corner of EDSA and Chino Roces Avenue, the project's four residential towers sit on a podium linked directly to the Magallanes Station of the MRT Line 3. Construction of the first tower started in the second quarter of 2010.

Laguna BelAir, comprised of several residential phases, boasts of a location that is within five kilometers of Laguna's top industrial parks. It is approximately 45 minutes away by car from the Makati central business district.

The Cambridge Village, a 28-cluster community in the Pasig-Cainta area, is a showcase of the Company's very own brand of large-scale development. In the past year, new commercial spaces were opened and a series of property improvements were undertaken.

Clusters 1 to 19 and 20 to 21 and a parking building have been completed. The last phase of Cambridge Village is dubbed as the Central Park and has 12 mid-rise towers comprising of 30-square meter residential units.

The Sonoma is a 50-hectare residential community located in the high-growth commercial district of Solenad in Sta. Rosa City. The Sonoma has four (4) phases with each phase carefully planned to address the discerning taste of every homeowner. The first phase is called “The Enclave” with 409 residential lots. By December 2010, its road networks were completed.

The Rochester is a multi-cluster community with an Asian-inspired residential theme. Its thrust revolves around the "Live,. Love. Laugh" concept that caters to the basic desires and necessities of its future homeowners. The project is accessible via C5 Kalayaan and located six (6) minutes away from the Bonifacio Global City and fifteen (15) minutes away from the Makati CBD. Clearing operations were implemented by end-2010, marking the initial stages of construction.

The Company's portfolio also includes ready-for-occupancy units in various high-rise developments. California Garden Square is complete, with 93% of its units sold. As of December 2010, the project boasts a 90% occupancy rate. Greenhills Garden Square, located at Col. Bonny Serrano Avenue in Quezon City, has a land area of approximately 1.1 hectares with 9-mid to high rise towers. Out of 778 available units, 698 have been sold. Ninety-five percent of the units have been accepted, while the entire project is 66% occupied.

Other residential condominium projects such as The Xavier Hills, Gilmore Heights, Governor's Place and San Francisco Gardens offer a limited number of units in their respective inventories. Their occupancy rates range from 75% to 95%.

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

Governor’s Hills in General Trias, Cavite, is an 89-hectare township project. It has 9 enclaves, of which 7 enclaves have already been completed. It showcases single detached, duplex and triplex homes. The land development is 92% complete. This project has a total of 4,449 units.

The Gentri Heights, a 40-hectare rolling terrain community development along Governor’s Drive in Gen. Trias, Cavite was launched in 2008. It features modern Asian-inspired houses which blend with the serene environment of Gen. Trias. Landscaping and rehabilitation works in some areas are currently being undertaken to create an upscale modern Asian-inspired community. Land development is 80% completed.

Sta. Rosa Heights is a 25-hectare development located in Silang, Cavite. It features Spanish Mediterranean homes at very affordable prices. The sprawling clubhouse, viewing deck and infinity pool are located in its 2-hectare amenities area. A basketball court, jogging path and picnic areas were completed this year. Its land development is 100% complete. This project has a total of 1,841 units.

Suntrust Adriatico Gardens, a three-tower mid-rise condominium project along Adriatico Street beside Harrison Plaza in Manila, was launched in 2008. Excavation works are done and structural works are outgoing. The project has a total of 1,841 units.

Cybergreens, a 7-hectare on development adjacent to Sunrise Hills, offers modern community living features such as wi-fi ready gazebo, CCTV-camera enabled guard house and right-at-your-doorstep pocket parks, the first of its kind in Cavite. It is a modern and innovative township development which fuses urban lifestyle with rural environment. Land development is 76% completed. The project has a total of 381 units.

Cyberville, a 10-hectare development adjacent to Cybergreens, was launched in March 2009, riding on the success of Cybergreens. It features modern duplex bungalows. Land development is 13% completed.

The Mandara is located in Silang, Cavite. The 14-hectare project features single detached and duplex modern Asian-themed homes. Land development has already started and has reached 14% completion. It has a total of 622 units.

Sta. Rosa Hills is located across Sta. Rosa Heights. This 7-hectare project features affordable duplex bungalows. Land development is 26% completed.

Suntrust Parkview is a 6-tower condominium project located along Lopez St. in Manila near the Manila City Hall. It has a total of 1,605 units. Groundbreaking of the first 2 towers was done in October 2010.

Suntrust Aurora Gardens is a 2-tower condominium project with a total of 500 units. It is located along Aurora Boulevard, Quezon City. Construction is ongoing.

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
2009 High	.34	.47	.52	.49
Low	.21	.24	.36	.41
2010 High	.43	.46	.66	.61
Low	.35	.38	.43	.51
2011 High	.84			
Low	.53			
5/16/11 Close	.71			

Holders

As of 30 April 2011, there were 13,619 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 30 April 2011.

Rank	*Name of Holder*	*Number of Shares*	*Percentage of* Ownership
1.	Megaworld Corporation	5,077,256,249	48.3768%
2.	PCD Nominee Corporation (Filipino)	2,583,342,740[1]	26.6144%
3.	PCD Nominee Corporation (Non-Filipino)	1,397,127,523	13.3120%
4.	First Centro, Inc.	1,088,494,500	10.3713%
5.	The Andresons Group, Inc.	138,133,820	1.3162%
6.	Andrew L. Tan	24,277,777	0.2313%
7.	Simon Lee Sui Hee	16,685,206	0.1590%
8.	Ramon Uy Ong	14,950,000	0.1424%
9.	Lucio W. Yan	10,350,000	0.0986%
10.	Samuel Chua Ng &/or Jocelyn Ngo Ng ITF-Steven Samuel Ngo Ng	7,015,000	0.0668%
11.	Union Properties, Inc.	6,157,808	0.0587%
12.	Basilio Barretto	4,746,900	0.0452%
13.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0423%
14.	Evangeline R. Abdullah	4,324,000	0.0412%

[1] This includes 54,486,000 shares beneficially owned by Megaworld Corporation and 86,100,000 shares beneficially owned by First Centro, Inc.

15.	Valentin T. Khoe	4,207,434	0.0401%
16.	George T. Yang	3,675,400	0.0350%
17.	Zheng Chang Chua	3,220,000	0.0307%
18.	Tiong C. Rosario	3,138,791	0.0299%
19.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0296%
20.	Cai Zhi Qiang	3,000,000	0.0286%
	Trans-Asia Securities, Inc.	3,000,000	0.0286%

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 2008, 2009 and 2010. The Company declared a 15% stock dividend on March 15, 2006, which was paid on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

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

Recent Sales of Unregistered or Exempt Securities

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

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

Directors and Executive Officers

There are seven (7) members of the Company’s Board of Directors, two of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director [SRC Rule 38]. All directors were elected during the annual meeting of stockholders held on 08 June 2010 for a term of one year and until their successors are elected and qualified.

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

The table sets forth each member of the Company's Board of Directors and the Company's executive officers as of 1 April 2011.

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

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

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 61 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, Megaworld Newport Property Holdings, Inc., The Bar Beverage, Inc., Megaworld Land, Inc., Megaworld Globus Asia, Inc., Richmonde Hotel Group International Limited, and Yorkshire Holdings, Inc. and Chairman of the Board of Alliance Global Group, Inc., Global-Estate Resorts, Inc. (formerly, Fil-Estate Land. Inc.), Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Consolidated Distillers of the Far East, Inc., and Emperador Distillers, Inc. Mr. Tan serves in the boards of other companies engaged in real estate, marketing and distillery, among which are Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Megaworld Central Properties, Inc., Forbes Town Properties & Holdings, Inc., Townsquare Development, Inc., The Andresons Group, Inc., Raffles & Co., and Andresons Global, Inc. He also serves as Chairman of the Board of Travellers International Hotel Group, Inc. and Megaworld Foundation, Inc. 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".

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 48 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President of the Company for the same period. He is also the President and Director of Megaworld Central Properties, Inc. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Masters Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at the Ponce Enrile Cayetano Reyes & Manalastas Law Offices and was Special Legal Counsel to the Secretary of Health, Juan Flavier. He was a member of the College Faculty of the Ateneo de Manila University for eight (8) years, from 1985 to 1993 and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Atty. Yu has also served as a Law Professor in the College of Law. He likewise served as Consultant at the Philippine Senate. He was Philippine Delegate to the Philippines-China Business Council held in Beijing, China in 1996 and the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu is a member of the United Nations Development Program's Regional Network of Legal Experts on Marine Pollution and the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir School, Inc. and sits as a Member of Board of Trustees of the El Nido Foundation as well as the ERDA Tech Foundation, Inc. Mr. Yu is also the Chairman and President of Empire East Communities, Inc. and the President and Director of Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Megaworld Central Properties, Inc. and Valle Verde Properties, Inc., He also sits as a Director of Megaworld Newport Property Holdings, Inc.

Katherine L. Tan
Director

Ms. Tan, 59 years old, Filipino, was elected to the Board on 9 June 2009. Previously, she served as director of the Company from 1994 to 1996. She is concurrently a Director of Megaworld Corporation, Director and Treasurer of Alliance Global Group, Inc., New Town Land Partners, Inc., Alliance Global Brands, Inc., and Yorkshire Holdings, 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., and Emperador Distillers, Inc.

Gerardo C. Garcia
Independent Director

Mr. Garcia, 69 years old, Filipino, is an independent director of the Company. He has been a member of the Company's Board of Directors since October 1994 and has served as Vice Chairman of the Board since December 1997. He also served as President of the Company from October 1994 until December 1997. He concurrently serves in the boards of Megaworld Corporation, Suntrust Properties, Inc. and Megaworld Land, Inc. as independent director. He is a director of Philippine Tech. & Development Ventures, Inc. Prior to joining the Company, Mr. Garcia was Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration, both from the University of the Philippines.

Enrique Santos L. Sy
Director

Mr. Sy, 61 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company since July 1994 until his resignation on 31 March 2011. Mr. Sy concurrently serves in the boards of First Oceanic

Property Management, Inc., Asia Finest Cuisine, Inc. and Eastin Holdings, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with a bachelor's degree in Communication Arts.

Evelyn G. Cacho
Director/Vice President for Finance

Ms. Cacho, 49 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho has served as Vice President for Finance of the Company since February 2001. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company's subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc. Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She also holds the position of Treasurer/Director of Suntrust Home Developers, Inc., Megaworld Central Properties, Inc., and Newport Property Holdings, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor's degree in Business Administration major in Accounting.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 69 years old, Filipino, is an independent director of the Company. He is concurrently an independent director of Alliance Global Group, Inc. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Ricky S. Libago
Senior Vice President for Property Development

Mr. Libago, 46 years old, Filipino, has served as Senior Vice President for Project Development since he joined the Company in July 2008. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Development (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

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

Mr. Llantada, 55 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, 54 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, 48 years old, Filipino, has served as Vice President for Human Resources General and Administration Services since June 18, 2003. Prior to his appointment, Mr. Gregorio was Assistant Vice President for HRAD, Purchasing and Warehouse Department. He joined the Company in August 1997 as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Masters Degree in Business Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

Dennis E. Edaño
Corporate Secretary

Mr. Edaño, 34 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department of the Company. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was employed with the Yats International Ltd. as Legal Manager. Mr. Edaño obtained his bachelor's degree in Law in 1999 from the University of the Philippines and his bachelor's degree in Liberal Arts major in Philosophy from the same institution in 1995.

Celeste Z. Sioson
Assistant Corporate Secretary

Ms. Sioson, 34 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Assistant Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor's degree in Law from the University of the Philippines in 2002 and her bachelor's degree in

Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal, administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

Giovanni C. Ng
Treasurer

Mr. Ng, 37 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Finance Director of Megaworld Corporation with the rank of Senior Vice President. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Corporate Governance

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

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the principles of good corporate governance in the entire organization.

Pursuant to the Company's Manual on Corporate Governance, the Company's Board of Directors created each of the following committees and appointed board members thereto.

Audit Committee

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

Compensation and Remuneration Committee

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

Nomination Committee

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

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

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 2010, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions.

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

Plan to Improve Corporate Governance

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

Financial Information

Financial Statements of the Company and its subsidiaries (the "Group") as of 31 December 2010 and 2009 and Interim Financial Statements as of 31 March 2011 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 2010, the following are the top key performance indicators of the Group:

Increase in Revenue

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

Ability to repay loan obligations

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

Increase in reservation sales

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

Continuous development of projects

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

Landbanking

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

RESULTS OF OPERATION

Review of 2010 versus 2009

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

Real Estate Sales

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

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

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

Other Revenues

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

Operating Expenses

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

Financial Condition

Review of December 31, 2010 versus December 31, 2009

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

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

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

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

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

Balance Sheets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Top Five (5) Key Performance Indicators

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

Increase in Revenues

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

Ability to Repay Loan Obligations

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

Increase in Reservation Sales

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

Continuous Development of Projects

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

Landbanking

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

RESULTS OF OPERATION

Review of 2009 versus 2008

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

Real Estate Sales

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

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

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

Other Revenues

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

Operating Expenses

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

FINANCIAL CONDITION

Review of December 31, 2009 versus December 31, 2008

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

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

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

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

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

Balance Sheets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Real Estate Sales

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 projects, 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.

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,390,000 in 2010 and Php1,265,000 in 2009 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 2010 and 2009.

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2010 and 2009.

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which 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 (P&A) at that time, 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. Starting the year ending 31 December 2006, Ms. Mailene Sigue – Bisnar, also one of the Audit and Assurance Partners of P&A, has been designated as the handling partner for the audit of the financial statements of the Company.

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

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

ANNEX "A"

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

AS OF DECEMBER 31, 2010 AND 2009

7 copies

Empire East

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Empire East Land Holdings, Inc. and subsidiaries (the Group) is responsible for the preparation and fair presentation of the Group's financial statements for the years ended December 31, 2010 and 2009 and each for three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders .

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

Signed under oath by the following:

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

EVELYN G. CACHO
Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYER ... DIVISION
Date 27 APR 2011 DS

Empire East Land Holdings, Inc.

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

SUBSCRIBED AND SWORN to me before this APR 12 2011 of 2011 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	15958902	January 21, 2011	Quezon City
Anthony Charlemagne C. Yu	05934703	January 06, 2011	Makati City
Evelyn G. Cacho	05931599	January 06, 2011	Makati City

Doc. No. 341
Page No. 70
Book No. XII
Series of 2011

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

CELESTE Z. SIDSON
NOTARY PUBLIC
UNTIL 31 DECEMBER 2011
IBP No. 844874/01.03.11/QUEZON CITY
PTR No. 2643834/01.04.11/MAKATI CITY
ROLL No. 48369/03.24.03
24/F THE WORLD CENTER BUILDING
330 SEN. GIL PUYAT AVE., MAKATI CITY
TEL. No. 857-2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date 27 APR 2011 SDS
RECEIVED
CRISTINA C. DE GUZMAN

Punongbayan & Araullo

Report of Independent Auditors

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1200 Makati City
Philippines

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 2641862, January 3, 2011, Makati City
Partner's SEC Accreditation No. 0396-AR-1 (until Oct. 19, 2012)
BIR AN 08-002511-20-2009 (until Sept. 15, 2012)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 14, 2011
except for Note 1, as to which date is
March 25, 2011

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

	Notes	2010	2009
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 1,491,611,105**	P 1,371,012,930
Trade and other receivables - net	6	**2,847,758,782**	2,914,750,953
Financial assets at FVTPL		**2,895,180**	-
Advances to related parties	18	**485,329,000**	842,607,850
Property development costs	2, 11	**2,603,692,278**	1,803,599,197
Prepayments		**135,021,578**	119,109,063
Other current assets		**321,226,850**	180,287,013
Total Current Assets		**7,887,534,773**	7,231,367,006
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**2,414,987,942**	2,538,063,264
Available-for-sale financial assets	8	**2,065,221,390**	571,040,000
Advances to related parties - net	18	**57,126,228**	55,095,386
Property development costs	2, 11	**9,286,238,356**	9,090,651,852
Advances to landowners and joint ventures	7	**1,648,988,065**	2,066,760,928
Land for future development	2	**3,786,631,109**	3,224,861,712
Investment property - net	9	**250,426,606**	252,771,806
Property and equipment - net	10	**175,594,183**	152,547,910
Other non-current assets	1	**230,207,784**	218,589,975
Total Non-current Assets		**19,915,421,663**	18,170,382,833
TOTAL ASSETS		**P 27,802,956,436**	P 25,401,749,839

	Notes	2010	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	**P 345,973,925**	P 518,882,043
Trade and other payables	12	**350,230,056**	343,406,495
Income tax payable		**7,227,569**	3,030,691
Customers' deposits	13	**2,772,641,297**	2,029,106,481
Advances from related parties	18	**745,452,428**	615,196,734
Deferred gross profit on real estate sales	2	**153,924,041**	118,024,176
Reserve for property development	2	**329,303,348**	349,460,846
Other current liabilities	14	**162,248,834**	134,396,027
Total Current Liabilities		**4,867,001,498**	4,111,503,493
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	**1,120,372,375**	1,016,154,484
Trade and other payables	12	**103,416,355**	132,994,732
Advances from related parties - net	18	-	13,523,648
Retirement benefit obligation	16	**92,248,452**	78,053,821
Reserve for property development	2	**772,079,920**	761,076,943
Deferred tax liabilities - net	17	**1,109,593,080**	1,148,314,315
Deferred gross profit on real estate sales	2	**207,758,007**	197,873,211
Total Non-current Liabilities		**3,405,468,189**	3,347,991,154
Total Liabilities		**8,272,469,687**	7,459,494,647
EQUITY			
Capital stock	19	**10,908,215,404**	10,908,215,404
Additional paid-in capital		**4,281,564,705**	4,281,564,705
Treasury shares, at cost	19	**(116,233,808)**	(102,106,658)
Revaluation reserves	8	**826,334,027**	(299,410,000)
Retained earnings	19	**2,474,931,832**	2,294,989,630
Equity attributable to parent company's shareholders		**18,374,812,160**	17,083,253,081
Non-controlling interest		**1,155,674,589**	859,002,111
Total Equity		**19,530,486,749**	17,942,255,192
TOTAL LIABILITIES AND EQUITY		**P 27,802,956,436**	P 25,401,749,839

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
REVENUES				
Real estate sales	2	**P 1,068,430,517**	P 998,618,017	P 915,460,491
Finance income	5, 6	**649,964,952**	522,529,865	442,474,999
Commissions	18	**109,997,534**	118,925,507	153,785,771
Realized gross profit on prior years' sales - net	2	**72,287,691**	59,857,938	69,497,554
Rental income	9	**46,413,659**	82,421,687	95,056,005
Foreign currency gains - net		**-**	-	8,745,956
Preacquisition loss of a subsidiary	1	**-**	-	7,348,523
Other income	15	**305,443,024**	388,883,853	286,535,056
		2,252,537,377	2,171,236,867	1,978,904,355
COSTS AND EXPENSES				
Real estate sales	2	**743,190,219**	752,900,953	755,228,464
Deferred gross profit on current year's sales		**118,072,350**	81,614,017	51,969,579
Advertising and promotion		**219,754,150**	162,451,590	130,127,996
Commissions		**198,189,615**	214,778,430	213,289,079
Salaries and employee benefits	16	**174,239,105**	164,769,377	163,588,875
Travel and transportation		**91,055,835**	103,462,992	108,726,944
Finance costs	11	**75,107,699**	150,338,043	175,753,157
Depreciation and amortization	9, 10	**34,823,725**	59,855,978	72,107,024
Taxes and licenses	9	**29,245,554**	54,287,860	45,984,705
Marketing events and awards		**18,824,790**	21,786,885	23,188,428
Preacquisition income of a subsidiary	1	**32,342,710**	-	-
Other operating expenses	15	**241,324,856**	194,317,627	184,479,345
Tax expense (income)	17	**26,101,087**	55,637,692	(161,084,732)
		2,002,271,695	2,016,201,444	1,763,358,864
NET PROFIT		**250,265,682**	155,035,423	215,545,491
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gains (losses) on available-for-sale financial assets		**1,104,313,899**	331,616,000	(531,136,000)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 1,354,579,581**	P 486,651,423	(P 315,590,509)
Net profit attributable to:				
Parent company's shareholders		**P 177,842,305**	P 148,349,703	P 220,543,365
Non-controlling interest		**72,423,377**	6,685,720	(4,997,874)
		P 250,265,682	P 155,035,423	P 215,545,491
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		**P 1,303,586,332**	P 479,965,703	(P 310,592,635)
Non-controlling interest		**50,993,249**	6,685,720	(4,997,874)
		P 1,354,579,581	P 486,651,423	(P 315,590,509)
EARNINGS PER SHARE				
Basic	20	**P 0.017**	P 0.014	P 0.021
Diluted	20	**P 0.017**	P 0.014	P 0.020

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, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

		Attributable to Parent Company's Shareholders							
	Notes	Capital Stock	Additional Paid-in-Capital	Treasury Shares	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2010	19	**P 10,908,215,404**	**P 4,281,564,705**	**(P 102,106,658)**	**(P 299,410,000)**	**P 2,294,989,630**	**P 17,083,253,081**	**P 859,002,111**	**P 17,942,255,192**
Total comprehensive income for the year		-	-	-	**1,125,744,027**	**177,842,305**	**1,303,586,332**	**50,993,249**	**1,354,579,581**
Additions to non-controlling interest		-	-	-	-	-	-	**245,679,229**	**245,679,229**
Additional treasury shares	19	-	-	**(14,127,150)**	-	-	**(14,127,150)**	-	**(14,127,150)**
Prior period adjustment		-	-	-	-	**2,099,897**	**2,099,897**	-	**2,099,897**
Balance at December 31, 2010	19	**P 10,908,215,404**	**P 4,281,564,705**	**(P 116,233,808)**	**P 826,334,027**	**P 2,474,931,832**	**P 18,374,812,160**	**P 1,155,674,589**	**P 19,530,486,749**
Balance at January 1, 2009	19	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 631,026,000)	P 2,146,639,927	P 16,603,287,378	P 852,316,391	P 17,455,603,769
Total comprehensive income for the year	8	-	-	-	331,616,000	148,349,703	479,965,703	6,685,720	486,651,423
Balance at December 31, 2009	19	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 299,410,000)	P 2,294,989,630	P 17,083,253,081	P 859,002,111	P 17,942,255,192
Balance at January 1, 2008	19	P 8,940,358,607	P 4,281,564,705	(P 102,106,658)	(P 99,890,000)	P 1,926,096,562	P 14,946,023,216	P 59,223,157	P 15,005,246,373
Transactions with owners									
Paid-up capital on additional subscription	19	1,967,856,797	-	-	-	-	1,967,856,797	-	1,967,856,797
Additions to non-controlling interest		-	-	-	-	-	-	798,091,108	798,091,108
		1,967,856,797	-	-	-	-	1,967,856,797	798,091,108	2,765,947,905
Total comprehensive income (loss) for the yea	8	-	-	-	(531,136,000)	220,543,365	(310,592,635)	(4,997,874)	(315,590,509)
Balance at December 31, 2008	19	P 10,908,215,404	P 4,281,564,705	(P 102,106,658)	(P 631,026,000)	P 2,146,639,927	P 16,603,287,378	P 852,316,391	P 17,455,603,769

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philipine Pesos)

	Notes	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 276,366,769**	210,673,115	P 54,460,759
Adjustments for:				
Interest income	5, 6	**(465,098,094)**	(522,529,865)	(442,474,999)
Gain on disposal of available-for-sale financial assets		**(174,925,792)**	-	-
Finance costs	11	**75,107,699**	150,338,043	175,753,157
Depreciation and amortization	9, 10	**34,823,725**	59,855,978	72,107,024
Dividend income		**(10,661,260)**	(331,899)	-
Fair value gains on financial assets at FVTPL		**(1,400,690)**	-	-
Impairment loss		**188,067**	-	-
Gain on sale of property and equipment	10	**(55,000)**	(442,000)	-
Loss from write-off of property and equipment		**36,161**	-	-
Operating loss before working capital changes		**(265,618,415)**	(102,436,628)	(140,154,059)
Decrease in trade and other receivables		**470,904,447**	309,258,667	646,117,074
Decrease (increase) in advances to related parties		**598,775,516**	(174,515,774)	1,182,473,276
Increase in property development costs		**(865,110,002)**	(535,075,639)	(678,955,541)
Increase in prepayments and other current assets		**(156,852,352)**	(73,034,524)	(79,031,905)
Decrease (increase) in advances to landowners and joint ventures		**417,772,863**	(41,964,031)	(1,284,367,422)
Decrease (increase) in land for future development		**(91,469,397)**	90,299,542	(1,325,166,968)
Increase in investment property		**(14,459,622)**	-	-
Decrease (increase) in other non-current assets		**(9,876,964)**	1,644,243	84,572,094
Decrease in trade and other payables		**(34,186,116)**	(5,948,762)	(45,779,600)
Increase (decrease) in advances from related parties		**38,055,398**	103,267,434	(697,973,275)
Increase (decrease) in deferred gross profit on real estate sales		**45,784,661**	21,669,856	(17,528,043)
Increase in customers' deposits		**743,534,816**	383,745,279	255,634,310
Increase (decrease) in other current liabilities		**27,852,807**	(46,642,134)	30,943,614
Increase (decrease) in reserve for property development		**(9,154,521)**	155,749,414	(33,058,441)
Increase in retirement benefit obligation		**16,294,528**	9,529,672	17,031,085
Cash generated from (used in) operations		**912,247,647**	95,546,615	(2,085,243,801)
Interest paid		**(105,134,228)**	(158,907,455)	(219,955,658)
Cash paid for income taxes		**(59,273,266)**	(102,364,194)	(78,362,473)
Net Cash From (Used in) Operating Activities		**747,840,153**	(165,725,034)	(2,383,561,932)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in available-for-sale financial assets		**(1,253,814,941)**	-	-
Proceeds from disposal of available-for-sale financial assets		**1,109,773,889**	-	-
Acquisition of land held for future development		**(470,300,000)**	-	-
Interest received		**184,073,072**	371,798,498	524,141,991
Acquisition of available-for-sale financial assets	8	**(70,900,647)**	-	-
Acquisitions of property and equipment	10	**(41,101,336)**	(16,066,383)	(30,821,346)
Acquisition of financial assets at FVTPL		**(15,621,640)**	-	-
Additions to property development costs		**(11,407,245)**	-	-
Dividends received		**8,540,376**	-	-
Proceeds from sale of property and equipment	10	**55,000**	550,333	-
Additions to investment property		**-**	(42,000,000)	-
Net movements of investments in associates		**-**	-	511,689,836
Net Cash From (Used in) Investing Activities		**(560,703,472)**	314,282,448	1,005,010,481
Balance carried forward		**P 187,136,681**	148,557,414	(P 1,378,551,451)

	Note	2010	2009	2008
Balance brought forward		**P 187,136,681**	148,557,414	(P 1,378,551,451)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of interest-bearing loans and borrowings		**(404,944,433)**	(422,536,239)	(603,494,099)
Proceeds from interest-bearing loans and borrowings		**336,254,206**	9,995,058	684,613,876
Collection of subscriptions receivable	19	**-**	-	1,967,856,797
Net Cash From (Used in) Financing Activities		**(68,690,227)**	(412,541,181)	2,048,976,574
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**118,446,454**	(263,983,767)	670,425,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,371,012,930**	1,634,996,697	942,700,183
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**2,151,721**	-	21,871,391
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,491,611,105**	1,371,012,930	P 1,634,996,697

Supplemental Information on Non-cash Investing and Financing Activities:

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

- Capitalization of interest expense as part of Property Development Costs account (see Note 11).
- Assignment of subscription in shares of stock on account and conversion of advances to equity investments (see Note 1).
- Settlement of interest-bearing loan and related accrued interest due to a government institution through conveyance of certain real estate properties (see Notes 7 and 11).
- Fair value gains on available-for-sale investments (see Note 8).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

Subsidiaries	Explanatory Notes	Percentage of Ownership 2010	2009	2008
Eastwood Property Holdings, Inc. (EPHI)		**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(a)	**100%**	100%	100%
Sherman Oak Holdings, Inc, (SOHI)	(b)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	100%
Suntrust Properties, Inc. (SPI)	(d)	**80%**	80%	80%
Laguna BelAir School, Inc. (LBASI)	(e)	**73%**	73%	73%
Sonoma Premier Land, Inc.(SPLI)	(f)	**60%**	60%	60%
Gilmore Property Marketing Associates, Inc, (GPMAI)	(g)	**52%**	-	-

(a) Subsidiary incorporated in 2006; has not yet started commercial operations as of December 31, 2010. Additional shares were acquired in November 2008 through assignment of shares from First Everest Crown Properties, Inc.

(b) Subsidiary incorporated in 2007; has not yet started commercial operations as of December 31, 2010. Shares acquired through assignment of shares from Yorkshire Holdings, Inc. in January 2008.

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

(d) Subsidiary incorporated in 1997 to primarily engage in the real estate business.

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

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

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

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

As mentioned in note (g) above, the Company acquired GPMAI in 2010 resulting to 52% ownership in GPMAI as of December 31, 2010. Accordingly, the related preacquisition income or loss was recognized by the Company.

The Company is listed in the Philippine Stock Exchange (PSE) and is an associate of Megaworld Corporation (Megaworld), also a publicly-listed domestic corporation. Megaworld owns 48.38% interest in the Company as of December 31, 2010.

On March 25, 2011, the percentage ownership of the Company over SPI was reduced to 33% due to Megaworld's subscription to SPI's increase in capital stock.

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, 2010 (including comparatives for the years ended December 31, 2009 and 2008) were authorized for issue by the Company's Board of Directors (BOD) on March 14, 2011, except for Note 1 as to which date is March 25, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) *Effective in 2010 that are Relevant to the Group*

In 2010, the Group adopted the following revisions, interpretation and annual improvements to published standards that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after July 1, 2009 or January 1, 2010:

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 17	:	Distribution of Non-cash Assets to Owners
IFRIC 18	:	Transfer of Assets from Customers
Various Standards	:	2009 Annual Improvements to PFRS

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

(i) PAS 27 (Revised 2008), *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 entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the consolidated financial statements as there were no transactions with non-controlling interests during the year.

(ii) PFRS 3 (Revised 2008), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combination with significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable net assets. All acquisition-related costs should be expensed.

(iii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. The Group's adoption of this interpretation did not have a material impact on the consolidated financial statements because the Group did not distribute non-cash assets to stockholders during the year.

(iv) Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective from July 1, 2009). This interpretation provides guidance on how to account for items of property, plant and equipment received from customers; or cash that is received and used to acquire or construct specific assets. It is only applicable to agreements in which an entity receives from a customer such assets that the entity must either use to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. The interpretation did not have material impact on the Group's 2010 consolidated financial statements.

(v) 2009 Annual Improvements to PFRS. The FRSC has adopted the *2009 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:

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

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows*. The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases*. The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement.* The amendment clarifies whether embedded prepayment options, in which the exercise price represented a penalty for early repayment of the loan are considered closely related to the hose debt contract. It also clarifies the scope exemption which applies only to binding contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. Gains and losses on hedging instruments should be reclassified from equity to profit and loss account as a reclassification adjustment.

(b) Effective in 2010 that are not Relevant to the Group

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements:

PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Group Cash-settled Share-based Payment Transactions
Philippine Interpretation IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39

(c) Effective Subsequent to 2010

There are new PFRS and revisions, amendments, interpretations and annual improvements to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The adoption of this amendment is not expected to have a significant effect on the Group's consolidated financial statements as it does not frequently issue rights that are denominated in currency other than its functional currency.

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

(iv) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, (effective from January 1, 2012). This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage-of-completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group will adopt this interpretation in 2012 and is currently evaluating the impact of such adoption in the consolidated financial statements.

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

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

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

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

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

Management has determined that the adoption of the interpretation will not have a material effect on its consolidated financial statements as management does not anticipate to extinguish financial liabilities through equity swap in the subsequent periods.

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

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

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

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

(vii) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010* (the 2010 Improvements). Most of these amendments became effective for annual periods beginning on or after July 1, 2010, or January 1, 2011. The 2010 Improvements amend certain provisions of PFRS 3 (Revised 2008), clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on its consolidated financial statements.

2.3 Consolidation and Interest in Joint Venture

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

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

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

(a) Investments in Subsidiaries

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

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

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

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

(b) Transactions with Non-controlling Interests

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

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

Upon adoption in 2010 of PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements*, the Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence. It has applied the new policy prospectively as required by the standards beginning January 1, 2010. As a result, no adjustments were necessary to any of the amounts previously recognized and reported in the consolidated financial statements.

Before the adoption of the revised PAS 27, transactions with non-controlling interests were treated as transactions with parties external to the group. As such, disposals resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Also previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

(c) Interests in Joint Ventures

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

2.4 Financial Assets

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

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

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

(a) Financial Assets at Fair Value through Profit or Loss

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

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

(b) Loans and Receivables

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

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

The Group's financial assets categorized as loans and receivables include cash and cash equivalents, trade and other receivables, advances to landowners and joint ventures, and advances to related parties account in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(c) Held-to-maturity Investments

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

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

(d) 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 end of the reporting period.

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

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

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

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

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when received, regardless of how the related carrying amount of the financial assets is measured. All income and expense relating to financial assets recognized in profit or loss are presented in the consolidated profit or loss line item Finance Costs.

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

2.5 Property and Equipment

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

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

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

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

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

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

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

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

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

2.6 Investment Property

Investment property consists of building 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 2.15).

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

2.7 Financial Liabilities

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

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

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

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

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

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

2.8 Business Combination

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

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

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

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

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

Prior to January 1, 2010, certain items are treated as follows as opposed to how they are now treated based on the changes in accounting policy of the Group as a result of the adoption of the revised PFRS 3 and PAS 27:

(a) Transaction costs directly attributable to business acquisition formed part of the acquisition costs.

(b) The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

(c) Business combinations achieved in stages were accounted for as separate steps or acquisitions. Any additional shares acquired of interest did not affect previously recognized goodwill.

(d) Contingent consideration was recognized if, and only if, payment was probable; i.e., the Group had a present obligation, the economic outflow was more likely than not, and a reliable estimate is determinable. Subsequent adjustment to the contingent consideration was recognized as an adjustment to goodwill.

2.9 Provisions and Contingencies

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

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

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

2.10 Revenue and Expense Recognition

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

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

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

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

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

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

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

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

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

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

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

2.11 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land for Future Development account in the consolidated statement of financial position. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs account (see Note 2.17).

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

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

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

2.12 Commissions

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

2.13 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) Group as Lessor

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

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

2.14 Foreign Currency Transactions

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

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

2.15 Impairment of Non-financial Assets

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

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

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

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

2.16 Employee Benefits

(a) Retirement Benefit Obligation

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

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

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

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

(b) Compensated Absences

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

2.17 Borrowing Costs

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

The capitalized interest in 2010, 2009 and 2008 amounted to P127.9 million, P77.4 million and P57.9 million, respectively (see Note 11.3). The accumulated capitalized interest that was included in Property Development Costs amounted to P1.6 billion and P1.5 billion as of December 31, 2010 and 2009, respectively.

2.18 Income Taxes

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

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

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

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

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

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

2.19 Related Party Transactions

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

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

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

2.20 Earnings Per Share

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

2.21 Segment Reporting

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

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

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

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

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

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

2.22 Equity

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Judgments in Applying Accounting Policies

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

(a) *Impairment of Available-for-sale Financial Assets*

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

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

(b) Distinction Between Investment Properties and Owner-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 Group's main line of business.

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

(c) Operating and Finance Lease

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

Rental expense charged to operations amounted to P48.4 million in 2010, P41.8 million in 2009, and P30.4 million in 2008 (see Note 15.2). Rental income recognized amounted to P46.4 million in 2010, P82.4 million in 2009, and P95.1 million in 2008.

(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 2.9 and relevant disclosures are presented in Note 21.

3.2 Key Sources of Estimation Uncertainty

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

(a) Determining Net Realizable Value of Real Estate Properties

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

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

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of investment property and property and equipment are analyzed in Notes 9 and 10, respectively. Actual results, however may vary due to changes in estimates brought about by changes in factors mentioned above. There is no change in estimated useful lives of property and equipment and investment property in 2010 and 2009 based on management's assessment.

(c) Allowance for Impairment of Trade and Other Receivables

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

Allowance for impairment recognized on trade and other receivables as of December 31, 2010 and 2009 amounted to P26.3 million and P26.2 million, respectively (see Note 6). Impairment losses on trade and other receivables, as also shown in Note 6, amounted to P0.2 million in 2010, P0.1 million in 2009 and P1.6 million in 2008.

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

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

There were no impairment losses on available-for-sale financial assets recognized in 2010, 2009 and 2008 (see Note 8).

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

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

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

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

(f) Realizable Amount of Deferred Tax Assets

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

Deferred tax assets amounted to P60.8 million and P46.3 million as of December 31, 2010 and 2009, respectively (see Note 17.1).

(g) Impairment of Non-financial Assets

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

Based on management evaluation, no impairment losses were recognized on interest in joint ventures, land for future development, property and equipment and investment property in 2010, 2009 and 2008 (see Notes 9 and 10).

(h) Retirement Benefits

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

The retirement benefit obligation amounted to P92.2 million and P78.1 million, respectively, as of December 31, 2010 and 2009. The net unrecognized actuarial gain amounted to P7.0 million and P9.0 million as of December 31, 2010 and 2009, respectively (see Note 16.2).

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

The Group uses the percentage-of-completion method in accounting for its realized gross profit on sales of real estate. Use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project. Should the proportion of the percentage of completed projects to differ by 10% from management's estimates, the amount of revenue recognized in 2010 would have increased by P113.9 million if the proportion of the completed projects were increased, or would have decreased by P137.9 million if the proportion performed were decreased.

4. SEGMENT INFORMATION

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

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

The following tables present the revenue and profit information regarding industry segments for the years ended December 31, 2010, 2009 and 2008 and certain asset and liability information regarding industry segments as of December 31, 2010, 2009 and 2008.

2010

	High-Rise Projects	Horizontal Projects	Corporate and Others	Total
TOTAL REVENUES				
Sales to external Customers	P 442,440,794	P 625,989,721	P 461,854,217	P 1,530,284,732
RESULTS				
Segment results	P 53,429,006	P 226,026,633	P 1,111,819,168	P 1,391,274,807
Unallocated expenses			(1,007,457,237)	(1,007,457,237)
Finance costs			(75,107,699)	(75,107,699)
Profit before tax				308,709,871
Tax expense			(26,101,479)	(26,101,479)
Profit before minority interest				282,608,392
Non-controlling interest – share in net profit				32,342,710
Net profit attributable to parent company's shareholders				P 250,265,682
ASSETS AND LIABILITIES				
Segment assets	P 8,302,543,958	P 7,202,911,992	P 197,107,673	P 15,702,563,623
Unallocated assets	-	-	12,100,392,813	12,100,392,813
Total assets	P 8,302,543,958	P 7,202,911,992	P 12,297,500,486	P 27,802,956,436
Segment liabilities	P 572,399,674	P 890,665,639	P -	P 1,463,065,313
Unallocated liabilities	-	-	6,809,404,374	6,809,404,374
Total liabilities	P 572,399,674	P 890,665,639	P 6,809,404,374	P 8,272,469,387
OTHER SEGMENT INFORMATION:				
Capital expenditures			P 41,101,336	P 41,101,336
Depreciation and amortization			34,823,725	34,823,725

2009

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

2008

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

5. CASH AND CASH EQUIVALENTS

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

	2010	2009
Cash on hand and in banks	**P 616,339,392**	P 212,462,068
Short-term placements	**875,271,713**	1,158,550,862
	P 1,491,611,105	P 1,371,012,930

Cash in banks generally earn interest at rates based on daily bank deposit rates. Peso-denominated short-term placements are made for varying periods of up to 44 days in 2010 and up to 45 days in 2009 and earn annual effective interest ranging from 0.25% to 4.25% in 2010 and 0.9% to 7.8% in 2009. Dollar-denominated short-term placements are made for varying periods of up to 90 days in 2010 and 2009 and earn annual effective interest ranging from 0.25 % to 2.0% in 2010 and 1.0% to 3.5% in 2009.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2010	2009
Current:			
Trade receivables – net	11.1	**P 2,061,296,308**	P 2,110,498,542
Unearned interest income		**(37,160,110)**	(52,033,734)
		2,024,136,198	2,058,464,808
Advances to suppliers		**626,067,123**	741,045,337
Miscellaneous		**211,644,621**	129,217,335
		2,861,847,942	2,928,727,480
Allowance for impairment		**(14,089,160)**	(13,976,527)
		P 2,847,758,782	P 2,914,750,953
Non-current:			
Trade receivables – net	11.1	**P 2,387,630,026**	P 2,511,290,271
Refundable security deposits		**26,434,135**	23,300,123
Miscellaneous		**13,148,717**	15,697,806
		2,427,212,878	2,550,288,200
Allowance for impairment		**(12,224,936)**	(12,224,936)
		P 2,414,987,942	P 2,538,063,264

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

The Group partially finances its real estate projects and other business undertakings through discounting of its trade receivables on a with-recourse basis with certain local banks. The discounted trade receivables amounted to P1.3 billion both for December 31, 2010 and 2009, and the related liability is presented as part of Interest-bearing Loans and Borrowings (see Note 11.1).

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

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

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

	2010	2009
Balance at beginning of year	**P 13,976,527**	P 13,884,499
Impairment losses during the year	**188,068**	92,028
Recovery of accounts previously written off	**(75,435)**	-
Balance at end of year	**P 14,089,160**	P 13,976,527

Allowance for impairment on non-current trade and other receivables of P12.2 million at the end of 2010 and 2009 pertains to allowance for impairment losses recognized by the subsidiaries. There are no movements in the allowance for impairment on non-current trade and other receivables in 2010 and 2009.

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

7. ADVANCES TO LANDOWNERS AND JOINT VENTURES

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

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

	2010	2009
Advances to landowners:		
Balance at beginning of year	**P 842,158,588**	P 1,062,615,921
Repayments made	**(419,473,089)**	-
Reclassifications made	**-**	(281,580,000)
Additional advances	**-**	61,122,667
	422,685,499	842,158,588
Advances to joint ventures:		
Balance at beginning of year	**1,224,602,340**	1,268,760,976
Additional advances	**24,082,802**	5,007,700
Repayments made	**(22,382,576)**	(24,166,336)
Reclassification made	**-**	(25,000,000)
	1,226,302,566	1,224,602,340
	P1,648,988,065	P 2,066,760,928

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

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

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

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

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

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

The Group's interests in jointly controlled operations and projects range from 55% to 82% both in 2010 and 2009. 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, 2010 and 2009, the Group has no other contingent liabilities with regard to these joint ventures or the probability of loss that may arise from contingent liabilities is remote.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	2010	2009
Balance at beginning of year	**P 571,040,000**	P 239,424,000
Beginning balance from GPMAI	**610,115,961**	-
Fair value gains- net	**1,922,938,671**	331,616,000
Disposals	**(868,017,800)**	-
Reclassification of unrealized fair value gains of disposed assets to profit or loss	**(241,756,089)**	-
Additions	**70,900,647**	-
Balance at end of year	**P 2,065,221,390**	P 571,040,000

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

In 2010, GPMAI disposed certain available-for-sale financial assets. Dividend income recognized from these investments amounted to P8.5 million and P2.2 million in 2010 and 2009, respectively. The gain on the disposal of the available-for-sale financial assets and dividend income are presented as part of Interest Income in the 2010 statement of financial position.

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

The net accumulated fair value gains or losses in available-for-sale financial assets is shown as Revaluation Reserves in the equity section of the statement of financial position.

9. INVESTMENT PROPERTY

The Group's investment property pertains to a parcel of land and a building and improvements being leased out to related parties and third parties, certain lots held for capital appreciation and memorial lots for investment purposes (see Note 18.2). Rental revenues recognized for the years ended December 31, 2010, 2009 and 2008 amounted to P13.4 million, P58.5 million, and P75.2 million, respectively, and are recorded as part of Rental income in the statements of comprehensive income. Real estate taxes and depreciation charges substantially represent the direct costs in leasing these properties. Real estate tax amounting to P1.0 million and P5.3 million was recognized as a related expense in 2010 and 2009 are presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

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

	2010	2009
Balance at beginning of year - net	**P 252,771,806**	P 709,345,816
Beginning balance from GPMAI	**14,459,622**	-
Depreciation charges for the year	**(16,804,822)**	(41,969,871)
Net disposals	**-**	(414,604,139)
Balance at end of year - net	**P 250,426,606**	P 252,771,806

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

The fair value of investment property of the Group amounted to P556.6 million as of December 31, 2010 and P795.5 million as of December 31, 2009, as determined by an independent appraiser. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's-length transaction as at the valuation date.

10. PROPERTY AND EQUIPMENT

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

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

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

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 34,823,200	P 11,066,312	P 19,477,221	P 6,086,177	P 71,452,910
Additions	21,870,594	8,052,396	5,222,826	5,955,521	41,101,337
Write-off	-	-	(36,161)	-	(36,161)
Depreciation and amortization charges for the year	(2,342,310)	(6,385,132)	(7,291,024)	(2,000,437)	(18,018,903)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P 54,351,484**	**P 12,733,576**	**P 17,372,862**	**P 10,041,261**	**P 94,499,183**
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 35,951,319	P 12,856,259	P 17,199,718	P 7,373,671	P 73,380,967
Additions	715,977	5,289,493	9,446,457	614,456	16,066,383
Disposals	-	-	(108,333)	-	(108,333)
Depreciation and amortization charges for the year	(1,844,096)	(7,079,440)	(7,060,621)	(1,901,950)	(17,886,107)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 34,823,200	P 11,066,312	P 19,477,221	P 6,086,177	P 71,452,910

11. INTEREST-BEARING LOANS AND BORROWINGS

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

	Notes	2010	2009
Current:			
Bank loans	6	**P 288,831,068**	P 461,739,186
Commercial/term loan	9	**57,142,857**	57,142,857
		P 345,973,925	P 518,882,043
Non-current:			
Bank loans	6	**P 1,006,086,661**	P 844,725,912
Commercial/term loans	9	**114,285,714**	171,428,572
		P 1,120,372,375	P 1,016,154,484

11.1 Bank Loans

The bank loans represent secured and unsecured loans from banks. The loans bear annual interest rates ranging from 9.5% to 10.5% both in 2010 and 2009. Certain properties with an estimated carrying value of P2.1 billion and P2.4 billion as of December 31, 2010 and 2009, respectively, are used as collateral for the P989.0 million and P1.1 billion bank loan as of December 31, 2010 and 2009, respectively.

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

11.2 Commercial/Term Loans

Included in the balance of commercial/term loans is the unpaid portion of a P400.0 million loan obtained in 2006 from a government institution. This loan bears annual interest of 10.5% and is secured by certain real estate properties owned by a shareholder (see Note 18.4). The principal amount is payable in seven equal annual amortization beginning March 15, 2007. Interest payments are due and payable semi-annually, with the first interest payment due on September 15, 2006 and subsequent payments due every six months thereafter.

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

11.3 Interest

Total interest on these interest-bearing loans and borrowings in 2010, 2009 and 2008 amounted to P145.2 million, P165.7 million and P151.0 million, respectively. Interest expense that are directly attributable to the construction of the Group's projects are capitalized as part of Property Development Costs account in the consolidated statements of financial position (see Note 2.16). In 2010, 2009 and 2008, the capitalized interest expense amounted to P127.9 million, P77.4 million and P57.9 million, respectively. The remaining interest was expensed and is shown as part of Finance Costs in the consolidated statements of comprehensive income.

12. TRADE AND OTHER PAYABLES

This account consists of:

		2010		2009
Current:				
Trade payables	**P**	**246,484,263**	P	215,277,222
Accrued interest and other accruals		**33,825,744**		28,878,165
Taxes payable		**34,180,947**		36,160,038
Commissions		**19,759,017**		29,309,300
Others		**15,980,085**		33,781,770
	P	**350,230,056**	P	343,406,495
Non-current –				
Trade payables	**P**	**103,416,355**	P	132,994,732

In 2009, the Group acquired a property in Cavite from a local bank amounting to P140.3 million. The property will be paid on an installment basis with terms ranging from three to six years subject to a fixed interest rate ranging from 10.0% to 11.0%. The related liability is included as part of Trade payables, the current portion of which amounted to P22.0 million and non-current portion amounted to P70.4 million as of December 31, 2010. The related intermediary costs amounting to P10.7 million in 2010 and P7.1 million in 2009 were capitalized as part of Property Development Costs account.

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

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

13. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2010	2009
Advances from customers	**P 2,476,998,762**	P 1,786,198,439
Other deposits	**295,642,535**	242,908,042
	P 2,772,641,297	P 2,029,106,481

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

14. OTHER CURRENT LIABILITIES

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

	2010	2009
Retention payable	**P 106,425,639**	P 79,837,183
Tenant rental deposits	**35,824,725**	36,193,696
Deferred income	**17,653,480**	15,993,758
Miscellaneous	**2,344,990**	2,371,390
	P 162,248,834	P 134,396,027

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

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

15. OTHER INCOME AND OTHER OPERATING EXPENSES

15.1 Other Income

The details of this account are shown below.

	2010	2009	2008
Forfeited payments	**P 229,332,814**	P 280,338,296	P 184,148,130
Tuition fees	**29,080,949**	28,735,552	37,279,493
Marketing fees	**8,489,530**	62,743,549	49,118,378
Miscellaneous	**38,539,731**	17,066,456	15,989,055
	P 305,443,024	P 388,883,853	P 286,535,056

15.2 Other Operating Expenses

The breakdown of other operating expenses is shown below.

	Note	**2010**	2009	2008
Rentals	21.2	**P 48,368,080**	P 41,759,432	P 30,444,399
Association dues		**46,748,941**	15,645,467	19,056,121
Utilities		**26,537,227**	27,628,706	25,477,809
Security services		**21,518,496**	22,326,158	21,094,761
Office supplies		**15,761,685**	12,663,502	10,860,818
Repairs and maintenance		**13,067,813**	17,088,996	25,207,756
Training and development		**8,600,425**	7,364,369	6,113,608
Professional fees		**7,572,668**	8,720,512	6,946,251
Representation		**2,944,412**	3,726,394	4,361,849
Outside services		**2,927,541**	2,596,925	2,491,392
Insurance		**2,221,821**	2,248,888	1,840,912
Documentation		**1,514,894**	6,982,109	3,774,528
Miscellaneous		**43,540,853**	25,566,169	26,809,141
		P 241,324,856	P 194,317,627	P 184,479,345

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

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below (see Note 18.5).

	2010	2009	2008
Short-term benefits	**P 159,176,758**	P 152,355,117	P 146,167,830
Retirement - defined benefit plan	**15,062,347**	12,414,260	17,421,045
	P 174,239,105	P 164,769,377	P 163,588,875

16.2 Retirement Benefit Obligation

As of December 31, 2010, the Company and its subsidiaries are yet to formally set up their retirement plans. Although, in 2007, the BOD has already approved the establishment of the Company's retirement plan.

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

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

	2010	2009
Present value of the obligation	P 92,189,310	P 74,711,340
Fair value of the assets	(3,104,807)	(1,559,015)
Unrecognized past service costs	(3,875,188)	(4,074,768)
Unrecognized actuarial gains	7,039,137	8,976,264
	P 92,248,452	P 78,053,821

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

	2010	2009
Balance at beginning of year	P 74,711,340	P 50,029,375
Beginning balance of retirement obligation of LBASI	724,274	-
Current service cost and interest cost	14,934,282	12,493,486
Actuarial losses	1,819,414	8,932,289
Past service cost – non-vested benefits	-	4,191,190
Benefits paid	-	(935,000)
	P 92,189,310	P 74,711,340

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

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

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

The Company's subsidiary expects to pay P1.75 million in contributions to retirement benefit plans in 2011.

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

	2010	2009	2008
Current service costs	**P 7,969,993**	P 6,401,200	P 9,995,168
Interest costs	**6,964,289**	6,476,874	6,777,518
Net actuarial gains (losses) recognized during the year	**190,426**	(580,236)	648,359
Expected return on plan assets	**(62,361)**	-	-
Past service cost	**-**	116,422	-
	P 15,062,347	P 12,414,260	P 17,421,045

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

	2010	2009	2008
Parent company			
Discount rates	**9.28%**	9.28%	13.50%
Expected rate of salary increases	**8.00%**	8.00%	10.00%
EPHI			
Discount rates	**8.00%**	9.00%	11.00%
Expected return on plan assets	**4.00%**	4.00%	-
Expected rate of salary increases	**6.00%**	6.00%	8.00%
SPI			
Discount rates	**9.18%**	9.00%	12.00%
Expected rate of salary increases	**10.00%**	10.00%	10.00%
LBASI			
Discount rates	**8.00%**	-	-
Expected rate of salary increases	**10.00%**	-	-

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

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the age of 60 for the parent Company is 27 and for SPI are 34 for both males and females. For EPHI, the average remaining working life of an individual at the age of 65 is 21 for both males and females. the For LBASI, the average remaining working life for both male and female is 23.

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

17. TAXES

17.1 Current and Deferred Taxes

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

	2010	2009	2008
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10% in 2010 and 2009 and 35% and 10% in 2008	**P 43,616,840**	P 79,008,227	P 51,365,687
Final tax at 20% and 7.5%	**7,394,756**	12,179,969	18,704,449
Minimum corporate income tax (MCIT) at 2%	**6,547,298**	6,211,255	4,067,033
Stock transaction tax	**5,911,250**	-	-
	63,470,144	97,399,451	74,137,169
Deferred tax expense (income):			
Deferred tax relating to origination and reversal of temporary differences	**(37,369,057)**	(41,778,123)	(35,622,604)
Deferred tax relating to reduction in RCIT tax rate	**-**	16,364	(199,419,424)
Others – net	**-**	-	(179,873)
	(37,369,057)	(41,761,759)	(235,221,901)
	P 26,101,087	P 55,637,692	(P 161,084,732)

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

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

	2010	2009	2008
Tax on pretax profit at 30% in 2010 and 2009 and 35% in 2008	**P 92,612,843**	P 63,201,935	P 19,061,266
Adjustment for income subjected to lower income tax rates	**6,746,191**	(6,031,196)	18,412,512
Tax effects of:			
Nontaxable income	**(90,670,666)**	(13,646,113)	(36,153,916)
Nondeductible expenses	**11,068,195**	12,096,702	36,971,553
Stock transaction tax	**5,911,250**	-	-
Change in RCIT tax rate	**-**	16,634	(199,419,424)
Others – net	**433,274**	-	43,277
Tax expense (income)	**P 26,101,087**	P 55,637,692	(P 161,084,732)

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

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2010	2009	**2010**	2009	2008
Deferred tax assets:					
Retirement benefit obligation	**P 28,438,155**	P 23,491,146	**(P 4,347,008)**	(P 2,933,902)	(P 2,534,671)
MCIT	**16,215,131**	10,278,288	**(6,526,632)**	(6,211,255)	(4,067,033)
Allowance for impairment	**7,747,189**	7,747,189	**-**	-	764,486
Net operating loss carryover (NOLCO)	**6,221,658**	3,378,637	**(1,501,053)**	2,685,811	(6,064,448)
Unrealized foreign exchange losses-net	**1,284,426**	547,657	**(736,769)**	(547,657)	3,689,138
Unamortized pre-operating expense	**490,905**	490,905	-	16,364	-
Accrued rent	**414,346**	316,568	**(97,778)**	194,700	(14,807)
	60,811,810	46,250,390	**(13,209,242)**	(6,795,939)	(8,227,335)
Deferred tax liabilities:					
Uncollected realized gross profit	**(887,116,281)**	(873,503,430)	**13,612,851**	7,637,489	(169,726,035)
Capitalized interest expense	**(283,288,609)**	(321,061,275)	**(37,772,666)**	**(** 39,979,522)	(59,892,318)
Unrealized foreign exchange gains	-	-	**(-)**	(2,623,787)	2,623,787
	1.170,404,890	1,194,564,705	**(24,159,815)**	(34,965,820)	(226,994,566)
Deferred Tax Expense (Income)			**(P 37,369,057)**	**(P 41,761,759)**	(P 235,221,901)
Net Deferred Tax Liabilities	**P 1,109,593,080**	P 1,148,314,315			

Deferred tax assets in 2009 does not include the deferred tax assets of GPMAI relating to MCIT and NOLCO amounting to P23,190 and P1,341,968, respectively. The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The Group reported MCIT of P6.6 million in 2010 and P6.2 million in 2009 and P4.1 million in 2008; this can be availed by the respective entities within three years up to 2013, 2012 and 2011, respectively.

EECI, SPLI, SOHI and VVPI did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO as of the end of 2010 for which the related deferred tax asset has not been recognized amounted to a total of P78.1 million with a total tax effect of P23.4 million. Details of NOLCO and the applicable years it is deductible from taxable income is shown below.

Year Incurred	Amount	Valid Until
2010	P 49,669,360	2013
2009	23,377,422	2012
2008	5,016,618	2011
	P 78,063,400	

17.2 Optional Standard Deduction

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

The Group opted to continue claiming itemized deductions since 2008.

17.3 Change in Applicable Tax Rate

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

18. RELATED PARTY TRANSACTIONS

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

18.1 Advances to and from Related Parties

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

	2010	2009
MCPI	**P 172,873,685**	P 104,803,055
First Oceanic Property Management, Inc.	**48,769,392**	47,035,207
GPMAI	**-**	401,945,482
Other related parties	**320,812,151**	343,919,492
	P 542,455,228	P 897,703,236

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

	2010	2009
Balance at beginning of year	**P 897,703,236**	P 867,760,723
Additions	**81,298,207**	36,683,255
Repayments	**(438,577,557)**	(8,134,267)
Amortization of interest	**2,031,342**	1,393,525
Balance at end of year	**P 542,455,228**	P 897,703,236

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

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

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

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

		2010		2009
Advances from a stockholder:				
Balance at beginning of year	**P**	**505,757,183**	P	457,616,013
Additions		**190,745,579**		629,265,435
Repayments	**(**	**31,498,496)**	(	581,124,265)
Balance at end of year	**P**	**665,004,266**	P	505,757,183
Advances from associates:				
Balance at beginning of year	**P**	**122,963,199**	P	67,836,935
Additions		**11,893,955**		57,324,388
Repayments	**(**	**54,451,664)**	(	2,227,910)
Amortization of interest		**42,672**		29,786
Balance at end of year	**P**	**80,448,162**	P	122,963,199
Total advances from related parties:				
Balance at beginning of year	**P**	**628,720,382**	P	525,452,948
Additions		**202,639,534**		686,589,823
Repayments	**(**	**85,950,160)**	(	583,352,175)
Amortization of interest		**42,672**		29,786
Balance at end of year	**P**	**745,452,428**	P	628,720,382

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

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

These advances to/from stockholders, associates and other related parties are generally collectible/payable on demand or through offsetting arrangements with the related parties. Hence, their carrying values are considered to be a reasonable approximation of their fair values.

18.2 Rentals

Some properties of the Group are being leased to other related parties (see Note 9). Total rentals earned from this leasing activity amounted to P22.6 million in 2009 and P31.4 million in 2008 (nil in 2010) and are shown as part of Rentals under Revenues in the consolidated statements of comprehensive income. There is no outstanding rental receivable from other related parties as of December 31, 2010 and 2009.

18.3 Commissions

The Group earns marketing fee from the sale of Megaworld's real estate properties. The marketing fee recognized amounted to P110.0 million, P118.9 million and P153.8 million in 2010, 2009 and 2008, respectively. The related receivables arising from commissions are presented as part of Advances to Related Parties in the consolidated statements of financial position.

18.4 Commercial/Term Loan

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

18.5 Key Management Personnel Compensation

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

	2010	2009	2008
Short-term benefits	**P 22,154,479**	P 22,499,260	P 19,857,891
Post-employment benefits	**3,729,953**	3,397,302	2,036,211
	P 25,884,432	P 25,896,562	P 21,894,102

These are presented as part of total Salaries and Employee Benefits in consolidated statements of comprehensive income for the years ended December 31, 2010, 2009 and 2008 (see Note 16.1).

19. EQUITY

19.1 Capital Stock

Capital stock as of December 31, 2010, 2009 and 2008 consists of:

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

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

On August 8, 2007, the Company's BOD approved the prerogative rights offer of one share for every three existing common shares.

On August 22, 2007, the BOD approved the increase in the Company's authorized capital stock from P13.0 billion (divided into 11 billion common and 2 billion preferred shares both with par value of P1.00 each) to P23.5 billion (divided into 21.5 billion common and 2 billion preferred shares both with par value of P1.00). The increase was subsequently approved by the vote of at least two-thirds of the outstanding capital stock at the stockholders' meeting held on October 12, 2007. Out of the increase in common shares of 10.5 billion, P2.6 billion equivalent to 2.6 billion shares were subscribed by Megaworld, subject to adjustment based on the results of the stock rights offer, and, out of the said subscription, the amount of P656.0 million has been paid by way of subscription to a pre-emptive rights offering to existing stockholders of the Company in proportion to their respective shareholdings.

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

19.2 Treasury Shares – at Cost

The details of this account are as follows:

	Shares			Amount		
	2010	2009	2008	**2010**	2009	2008
Balance at beginning of year	**127,256,071**	127,256,071	127,256,071	**P 102,106,658**	P 102,106,658	P 102,106,658
Additions during the year	**26,655,000**	-	-	**14,127,150**	-	-
Balance at end of year	**153,911,071**	127,256,071	127,256,071	**P 116,233,808**	P 102,106,658	P 102,106,658

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

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

19.3 Retained Earnings

Retained earnings is restricted in the amount of P116.2 million representing the cost of 153.9 million shares held in treasury.

20. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2010	2009	2008
Basic earnings per share:			
Net profit attributable to parent company's shareholders	**P 177,842,305**	P 148,349,703	P 220,543,365
Divided by the weighted average number of issued and outstanding common shares	**10,468,581,253**	10,495,236,253	10,495,236,253
	P 0.017	P 0.014	P 0.021
Diluted earnings per share:			
Net profit available to common shares	**P 177,842,305**	P 148,349,703	P 220,543,365
Divided by the weighted average number of issued and outstanding common shares and potential common shares from assumed conversion of convertible Preferred – Series B shares	**10,754,304,333**	10,780,959,333	10,780,959,333
Diluted earnings per share	**P 0.017**	P 0.014	P 0.020

21. COMMITMENTS AND CONTINGENCIES

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

21.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from one to ten years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P46.1 million in 2010, P82.4 in 2009 and P94.7 million in 2008.

	2010	2009	2008
Within one year	**P 20,853,224**	P 19,061,709	P 61,183,462
After one year but not more than five years	**6,867,253**	22,366,196	39,763,953
More than five years	**9,500,111**	11,261,850	13,023,590
	P 37,220,588	P 52,689,755	P 113,971,005

21.2 Operating Lease Commitments – Group as Lessee

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

	2010	2009	2008
Within one year	**P 11,789,202**	P 15,627,816	P 20,637,022
After one year but not more than five years	**12,443,878**	17,930,622	9,620,258
	P 24,233,080	P 33,558,438	P 30,257,280

Total rentals from these operating leases which was charged to Other Operating Expenses amounted to P48.4 million, P41.8 million and P30.4 million in 2010, 2009 and 2008, respectively (see Note 15.2).

21.3 Legal Claims

As of December 31, 2010, the Group is a party to a litigation arising from the normal course of business. No provision for contingency was recognized in the consolidated financial statements because the ultimate outcome of this litigation cannot presently be determined. In addition, the Group's management believes that the impact of which to the consolidated financial statements, taken as a whole, is not material.

21.4 Credit lines

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

21.5 Others

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

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

22.1 Foreign Currency Sensitivity

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

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P111.5 million, P120.0 million and P73.9 million as of December 31, 2010, 2009 and 2008, respectively.

At December 31, 2010, 2009 and 2008, if the Philippine peso had strengthened by 14.10%, 13.45% and 17.46% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P15.7 million, P16.1 million and P12.9 million, respectively, mainly as a result of foreign exchange loss on translation of U.S. dollar-denominated cash and cash equivalents.

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

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of reporting period.

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

22.2 Interest Rate Sensitivity

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

At December 31, 2010, 2009 and 2008, if general interest rates on peso-denominated financial assets had been higher by 1.19% in 2010, 3.31% in 2009 and 3.44% in 2008, with all other variables held constant, profit before tax for the year would have been higher by P8.8 million, P48.8 million and P83.5 million, respectively.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 95%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

22.3 Credit Risk

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

	Notes	**2010**	2009
Cash and cash equivalents	5	**P 1,489,869,347**	P 1,369,403,672
Trade and other receivables – net	6	**5,262,746,724**	5,452,814,217
Advances to landowners and joint venture	7	**1,648,988,065**	2,066,760,928
Advances to related parties - net	18	**542,455,228**	897,703,236
		P 8,944,059,364	P 9,786,682,053

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

The table below shows the credit quality by class of financial assets as of December 31, 2010.

	Neither Past Due nor Specifically Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Cash and cash equivalents	P 1,489,869,347	P -	P -	P -	P 1,489,869,347
Trade and other receivables - net	2,841,143,432	2,140,169,574	259,603,449	21,830,269	5,262,746,724
Advances to landowners and joint venture	1,477,236,972	40,845,257	130,905,836	-	1,648,988,065
Advances to related parties - net	485,329,000	57,126,228	-	-	542,455,228
	P 6,293,578,751	**P 2,238,141,059**	**P 390,509,285**	**P 21,830,269**	**P 8,944,059,364**

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

	Neither Past Due nor Specifically Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Cash and cash equivalents	P 1,369,403,672	P -	P -	P -	P 1,369,403,672
Trade and other receivables - net	2,914,750,953	2,526,209,564	11,853,700	-	5,452,814,217
Advances to landowners and joint venture	2,066,760,928	-	-	-	2,066,760,928
Advances to related parties - net	842,607,850	55,095,386	-	-	897,703,236
	P 7,193,523,403	P 2,581,304,950	P 11,853,700	P -	P 9,786,682,053

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 creditrisk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

22.4 Liquidity Risk

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

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

As at December 31, 2010, 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 491,017,400	P 32,439,698	P 1,450,295,025	P -
Trade and other payables	301,684,554	48,545,502	103,416,355	-
Advances from related parties	745,452,428	-	-	-
Other current liabilities	162,248,834	-	-	-
	P 1,700,403,216	**P 80,985,200**	**P 1,553,711,380**	**P -**

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

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

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

22.5 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at fair value through profit or loss and available-for-sale financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments

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

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

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

The Group is not subject to commodity price risk.

23. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Notes	2010		2009	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Current:					
Cash and cash equivalents	5	**P 1,491,611,105**	**P 1,491,611,105**	P 1,371,012,930	P 1,371,012,930
Trade and other receivables	6	**2,847,758,782**	**2,847,758,782**	2,914,750,953	2,914,750,953
Financial assets at FVTPL		**2,895,180**	**2,895,180**	-	-
Advances to related parties	18	**485,329,000**	**485,329,000**	842,607,850	842,607,850
		4,827,594,067	**4,827,594,067**	5,128,371,733	5,128,371,733
Non-current:					
Trade and other receivables	6	**2,414,987,942**	**2,414,987,942**	2,538,063,264	2,538,063,264
Advances to related parties - net	18	**57,126,228**	**57,126,228**	55,095,386	55,095,386
Advances to land owners and joint ventures	7	**1,648,988,065**	**1,648,988,065**	2,066,760,928	2,066,760,928
Available-for-sale financial assets	8	**2,065,221,390**	**2,065,221,390**	571,040,000	571,040,000
		6,186,323,625	**6,186,323,625**	5,230,959,578	5,230,959,578
		P 11,013,917,692	**P 11,013,917,692**	P 10,359,331,311	P 10,359,331,311
Financial Liabilities					
Current:					
Interest-bearing loans and borrowings	11	**P 345,973,925**	**P 345,973,925**	P 518,882,043	P 518,882,043
Trade and other payables	12	**350,230,056**	**350,230,056**	343,406,495	343,406,495
Advances from related parties	18	**745,452,428**	**745,452,428**	615,196,734	615,196,734
		1,441,656,409	**1,441,656,409**	1,477,485,272	1,477,485,272
Non-current:					
Interest-bearing loans and borrowings	11	**1,120,372,375**	**1,120,372,375**	1,016,154,484	1,016,154,484
Trade and other payables	12	**103,416,355**	**103,416,355**	132,994,732	132,994,732
Advances from related parties	18	**-**	**-**	13,523,648	13,523,648
		1,223,788,730	**1,223,788,730**	1,162,672,864	1,162,672,864
		P 2,665,445,139	**P 2,665,445,139**	P 2,640,158,136	P 2,640,158,136

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

24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

	2010	2009
Net debt (cash)	**(P 25,264,805)**	P 164,023,597
Total equity	**19,530,486,749**	17,942,255,192
Debt-to-equity ratio	**0.001 : 1**	0.009 : 1

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

ANNEX "B"

INTERIM FINANCIAL STATEMENTS

OF EMPIRE EAST LAND HOLDINGS, INC.

AND SUBSIDIARIES

AS OF MARCH 31, 2011

EXHIBIT 1

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

	(In Thousands)	
	Unaudited 31-Mar-11	Audited 31-Dec-10
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	**P 860,081**	P 1,491,611
Trade and other receivables - net	**2,586,195**	2,847,759
Financial assets at FVTPL	**2,201**	2,895
Property development costs	**1,331,242**	2,603,692
Investment in and advances to associates		
and related parties	**1,459,419**	485,329
Prepayments	**122,658**	135,022
Other current assets	**329,687**	321,227
Total Current Assets	**6,691,483**	7,887,535
NON-CURRENT ASSETS		
Trade and other receivables - net		
Trade and other receivables - net	**1,827,160**	2,414,988
Investment in and advances to associates		
and related parties	**57,126**	57,126
Property development costs	**9,067,090**	9,286,238
Advances to landowners and joint ventures	**1,658,544**	1,648,988
Available-for-sale financial assets	**1,993,095**	2,065,221
Land for future development	**3,686,284**	3,786,631
Investment property - net	**246,226**	250,427
Property and equipment - net	**165,445**	175,594
Other non-current assets	**100,768**	230,208
Total Non-current Assets	**18,801,738**	19,915,422
TOTAL ASSETS	**P 25,493,221**	P 27,802,956

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**P 280,014**	P 345,974
Trade and other payables	**403,160**	350,230
Income tax payable	**7,502**	7,228
Deferred gross profit on real estate sales	**58,575**	153,924
Customers' deposits	**2,083,074**	2,772,641
Advances from related parties	**621,486**	745,452
Reserve for property development	**164,400**	329,303
Other current liabilities	**96,988**	162,249
Total Current Liabilities	**3,715,199**	4,867,002
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**567,022**	1,120,372
Trade and other payables	**17,137**	103,416
Reserve for property development	**660,887**	772,080
Deferred tax liabilities	**1,112,024**	1,109,593
Deferred gross profit on real estate sales	**192,588**	207,758
Retirement benefit obligation	**73,508**	92,248
Total Non-current Liabilities	**2,623,166**	3,405,468
Total Liabilities	**6,338,365**	8,272,469
EQUITY		
Equity attributable to parent company's shareholders	**18,285,613**	18,374,812
Minority interest	**869,243**	1,155,675
Total Equity	**19,154,856**	19,530,487
TOTAL LIABILITIES AND EQUITY	**P 25,493,221**	P 27,802,956

EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(In Thousands) Unaudited Jan-March 2011	Unaudited Jan-March 2010
REVENUES		
Real estate sales	P 308,689	P 273,623
Realized gross profit on prior years' sales	25,790	39,459
Interest Income	104,492	93,828
Commissions & other income	126,150	142,831
	565,121	549,741
COST & EXPENSES		
Cost of real estate sales	206,474	175,739
Deferred gross profit on current year's sale	43,173	77,489
Finance costs	29,279	31,949
Operating expenses	246,298	226,871
Tax expense	14,727	14,436
	539,951	526,484
NET PROFIT	25,170	23,257
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value gains (losses) on available-for-sale financial assets	(142,923)	185,760
TOTAL COMPREHENSIVE INCOME (LOSS)	(117,753)	209,017
Net profit attributable to:		
Parent company's shareholders	23,428	22,490
Minority interest	1,742	767
	25,170	23,257
Total comprehensive income (loss) attributable to:		
Parent company's shareholders	(89,199)	208,250
Non-controlling interest	(28,554)	767
	(117,753)	209,017
Earnings Per Share		
Basic	0.0023	0.0022
Diluted	0.0023	0.0021

EXHIBIT 3

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

		(In Thousands)		
		Unaudited 31-Mar-2011		Unaudited 31-Mar-2010
CAPITAL STOCK	P	**10,908,216**	P	10,908,216
ADDITIONAL PAID-IN CAPITAL		**4,281,565**		4,281,565
TREASURY SHARES		**(116,234)**		(102,107)
REVALUATION RESERVES		**713,706**		(113,650)
RETAINED EARNINGS		**2,498,359**		2,317,748
MINORITY INTEREST		**869,243**		859,500
TOTAL EQUITY	P	**19,154,856**	P	**18,151,273**

EXHIBIT 4

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

	(In Thousands)	
	Unaudited 31-Mar-11	Unaudited 31-Mar-10
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**P 39,897**	P 37,693
Adjustments for:		
Depreciation and amortization	**7,968**	8,576
Finance costs	**29,279**	31,949
Interest & other income	**(71,572)**	(93,828)
Operating income before working capital changes	**5,572**	(15,610)
Net Changes in Operating Assets & Liabilities		
Increase in current & non-current assets	**1,343,442**	(56,417)
Increase in current & other non-current liabilities	**(1,032,381)**	13,903
Increase (decrease) in reserve for property development	**(276,097)**	20,444
Cash used in operations	**40,536**	(37,680)
Interest paid	**(29,280)**	(31,949)
Cash paid for income taxes	**(12,021)**	(3,254)
Net Cash Used in Operating Activities	**(765)**	(72,883)
CASH FLOWS FROM INVESTING ACTIVITIES	**(11,455)**	74,881
CASH FLOWS FROM FINANCING ACTIVITIES	**(619,310)**	(133,341)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(631,530)**	(131,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,491,611**	1,371,013
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P 860,081**	P 1,239,670

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) The Company's ownership in its former subsidiary, Suntrust Properties, Inc (SPI), decreased from 80% to 33%. Hence, SPI's financial statements were deconsolidated.

3) Cash and cash equivalents account is composed of cash on hand/in banks amounting to P383.3 million and short-term placements of P476.7 million.

4) Current Trade and Other Receivables account of P2.6 billion mostly includes receivables from sales transactions. The P1.8 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.

5) Property Development Cost account amounting to P10.4 billion represents various development/construction related expenses.

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

7) Financial assets at Fair Value Through Profit or Loss (FVTPL) and Available-for-sale Financial Assets accounts totaling P2 billion pertain to investments in equity securities of subsidiaries.

8) Land for Future Development account of P3.7 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.

9) Investment Property account of P246.2 million pertains to land and building and improvements of the Company, being leased-out to third parties and certain land held for capital appreciation. This account is presented in the interim financial statements net of depreciation.

10) Property and Equipment account of P165.4 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.

11) Interest-bearing loans and borrowings account with a balance of P847 million mostly includes loans obtained from commercial banks/financial institution and trade receivables discounted with recourse.

12) Current Liabilities account is composed of current portion of deferred gross profit amounting to P58.6 million, customers' deposits/advances of P2.08 billion and other payables/accruals amounting to P1.1 billion. Other non-current liabilities include non-current portion of deferred tax, unearned revenue and other payables totaling to P1.4 billion.

13) Reserve for Property Development of P825.3 million pertains to the remaining costs needed to complete the development/construction of the sold units.

14) Decrease in Equity by P89.2 million is the net effect of three-months net profit and the fair value losses/revaluation of marketable equity securities.

15) Revenues include the following – real estate sales of P308.7 million, realized gross profit from previous years' sale of P25.8 million, interest income of P104.5 million derived mostly from buyers in-house financing, and commissions and other income totaling to P126.1 million.

16) 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.

17) 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, 2011
Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current Not Yet Due	1 Month	2-3 Mos.	4-6 Mos.	Above 7 Mos.	Past due accounts & Items in Litigation
a) Trade Receivables	2,744,617	2,739,351	4,100	961	206	-	-
b) Other Receivables	1,668,737	1,668,737	-	-	-	-	-
Net Receivables	**4,413,355**						

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

<u>RESULTS OF OPERATION</u>

<u>Review of March 31, 2011 versus March 31, 2010</u>

During the three-month period, the consolidated net profit amounted to P25.17 million, 8% higher than the previous year's net income of P23.26 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues and net earnings of associates posted an increase of 3%% from P549.74 million to P565.12 million.

<u>Real Estate Sales</u>

The Group registered Real Estate Sales of P308.7 million for three months ended March 31, 2011 compared with P273.62 million in 2010. The sales generated were derived from various projects namely, California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, The Cambridge Village, San Lorenzo Place, Laguna Bel Air Projects, Xavierhills, Cybergreen, Governor's Hills, Sta. Rosa Heights and Suntrust Adriatico Gardens.

The Cost of Sales amounting to P206.47 million in 2011 and P175.74 million in 2010, as a percentage of Real Estate Sales, was 67% and 64%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P102.2 million during the three months of 2011 and P97.9 million in 2010, or 33% and 36% 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 27% and 22% amounting to P84.83 million and P59.85 million in 2011 and 2010, respectively.

<u>Other Revenues</u>

For 2011 and 2010, the other revenue contributor was other income amounting to P126.15 million and P142.83 million respectively, and which accounts for 22% and 26% of total revenues, respectively. The interest income amounting to P104.5 million and P93.83 million in 2011 and 2010 respectively, were derived mostly from in-house financing and accounts for 18% and 17% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment property and residential/commercial spaces in various projects, and those obtained from other sources.

<u>Operating Expenses</u>

Operating Expenses posted an increase from P226.9 million in 2010 to P246.3 million in 2011. Other charges/expenses include Finance Cost of P29.3 million and P31.9 million in 2011 and 2010, respectively.

FINANCIAL CONDITION

Review of March 31, 2011 versus December 31, 2010

Total resources of the Group as of March 31, 2011 and December 31, 2010 amounted to P25.5 billion and P27.8 billion respectively. Cash and Cash Equivalents decreased from P1.5 billion to P0.86 billion. The Group remained liquid with Total Current Assets of P6.7 billion in 2011 and P7.89 billion in 2010, which accounted for 26% and 28% of the Total Assets in 2011 and 2010, while its Total Current Liabilities amounted to P3.7 billion in March 31, 2011 as compared with P4.9 billion in December 31, 2010. The decrease in most accounts is due to deconsolidation of a subsidiary.

Equity decreased from P18.4 billion in the previous year to P18.3 as of March 31, 2011 due to the net income for the three-month period and revaluation reserves.

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

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

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

Balance Sheets

- 42% decrease in Cash and Cash Equivalents
  Mainly due to payments to contractors and suppliers for the development of projects

- 16% decrease in Trade and Other Receivables
  Due to net effect of collection on previous years' sale and current year's sale

- 13% decrease in Property Development Costs
  Due to deconsolidation of a subsidiary

- 180% increase in Investments In and Advances to Associates and Related Parties
  Mainly due to exclusion of advances of a subsidiary in the consolidation of accounts

- 24% decrease in Financial Assets at FVTPL
  Mainly due to decrease in fair value of investment in securities held by a subsidiary

- 9% decrease in Prepayments
  Mainly due to deconsolidation of a subsidiary

- 6% decrease in Property and Equipment
  Represents depreciation charges for the period

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

- 42% decrease in Interest-bearing Loans and Borrowings
  Due to repayment of loans and deconsolidation of a subsidiary

- 7% decrease in Trade and Other Payables
  Mainly due to settlement of some payables

- 25% decrease in Customers' Deposits
  Primarily due to deconsolidation of a subsidiary

- 31% decrease in Deferred Gross Profit on Real Estate Sales
  Mainly due to exclusion of account of a subsidiary

- 17% decrease in Advances from Related Parties
  Mainly due to exclusion of advances of a subsidiary

- 25% decrease in Reserve for Property Development
  Mainly attributed to continuous construction/development of projects

- 40% decrease in Other Current Liabilities
  Due to exclusion of a subsidiary

- 20% decrease in Estimated Liability for Retirement Fund
  Pertains to retirement liability of a subsidiary

Income Statements

- 13% increase in Real Estate Sales
  Primarily due to sales of new projects

- 35% decrease in Deferred Gross Profit on Prior Years' Sale
  Mainly due to deconsolidation of a subsidiary

- 11% increase in Interest Income
  Due to varying terms of payments

- 12% decrease in Commission & Other Income
  Due to decrease in other revenues of the group

- 17% increase in Cost of Sales
  Primarily due to increase in sales

- 44% decrease in Deferred Gross Profit Current Year's Sales
  Due to deconsolidation of a subsidiary

- 8% decrease in Finance Cost
  Due to repayment of certain loans

- 9% increase in Operating Expenses
  Due to increase in marketing and administrative expenses

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

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

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

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

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

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

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

TOP FIVE (5) KEY PERFORMANCE INDICATORS

For the three-month period of 2011, the following are top key performance indicators of the Company and its majority-owned subsidiaries:

1) **Increase in Other Revenues**

   The increase in income derived from various sources contributed in the Group's revenue.

2) **Ability to repay loan obligations**

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

3) **Increase in reservation sales**

   The Group's product concepts, project location, flexible payment scheme and aggressive selling have contributed to the increase in reservation sales.

4) **Continuous development of projects**

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

5) **Landbanking**

   The Group 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 P79.7 million as of March 31, 2011.

At March 31, 2011, if the peso had strengthened by .18% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P0.98 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 .18% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the reporting period.

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

2) Interest Rate Sensitivity

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

On March 31, 2011, if general interest rates on dollar and peso-denominated financial assets had been higher by 0.19%, with all other variables held constant, income before tax for the year would have been P0.63 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 Group's financial instruments held at each reporting period, with effect estimated from the beginning of the year.

3) Credit Risk

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

	As of March 31,2011	As of March 31, 2010
Cash and cash equivalents	**P 860,081,172**	P 1,239,670,492
Trade and other receivables - net	**4,413,354,661**	5,323,469,659
Advances to landowners and joint venture	**1,658,544,097**	2,067,408,306
Investment in and advances to associates and related parties	**1,516,545,233**	887,483,194
	P 8,448,525,163	P 9,518,031,651

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

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

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

4) Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 3-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, 2011, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P 280,014,048	P -	P 567,022,056	P -
Trade and other payables	403,159,785	-	17,137,089	-
Advances from related parties	621,486,390	-	-	-
Other current liabilities	96,988,073	-	-	-
	P1,401,648,296	P -	P 584,159,145	P -

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

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans and borrowings	P 691,430,370	P -	P 710,265,444	P -
Trade and other payables	388,656,358	-	16,142,327	-
Advances from related parties	588,698,134	-	13,523,648	-
Other current liabilities	131,458,269	-	-	-
	P1,800,243,131	P -	P ,739,931,419	P -

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

5) Other Market Price Risk

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

At March 31, 2011, if the quoted stock price for the securities had decreased by 2.45%, with all other variables held constant, equity would have been lower by about P21.84 million. The 2.45% 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 statements of comprehensive income.

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

1) Financial Assets at Fair Value through Profit or Loss

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

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

2) Loans and Receivables

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

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

The Group's loans and receivables are presented as Trade and Other Receivables, Advances to Landowners and Joint Ventures, and Advances to Related Parties in the statements of financial position.

3) **Held-to-maturity Investments**

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

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

4) **Available-for-sale Financial Assets**

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

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

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

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

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

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

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

ANNEX “C”

SCHEDULE D of the

SEC SUPPLEMENTARY SCHEDULES

AS OF DECEMBER 31, 2010

Empire East Land Holdings, Inc. and Subsidiaries
Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates)
December 31, 2010

Name of Related Parties	*Balance at beginning of period*	*Balance at end of period*
Other Related Parties:		
Gilmore Property Management Associates, Inc.	**401,945,482**	**0**
Megaworld Central Properties, Inc.	**104,803,055**	**172,873,685**
First Oceanic Property Management, Inc.	**47,035,207**	**48,769,392**
Others	**343,919,492**	**320,812,151**
	897,703,236	**542,455,228**