

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **31 December 2010**
2. SEC Identification Number: **167423** 3. BIR Tax Identification No.: **320-000-477-103**
4. **MEGAWORLD CORPORATION**
Exact name of issuer as specified in its charter
5. **Metro Manila**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **28th Floor The World Centre**
330 Sen. Gil Puyat Avenue
Makati City, Philippines 1227
Address of principal office
8. **(632) 867-8826-40**
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	25,637,783,626
Preferred	6,000,000,000
Total	31,637,783,626

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

Yes [] No []

Philippine Stock Exchange

Common Shares

11. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

12. Aggregate Market Value of Voting Common Stock held by Non-Affiliates as of 31 March 2011 is Php22,019,699,651.30 based on the closing price of Php2.11.

PART I - BUSINESS AND GENERAL INFORMATION

BUSINESS

Business Development

The Company was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 under the name of Megaworld Properties & Holdings, Inc. The Company was primarily organized to engage in real estate development, leasing and marketing. In 1994, the Company spun off Empire East Land Holdings, Inc. which focused on the middle income market. On August 19, 1999, the Company changed its name to Megaworld Corporation to coincide with the Company's conversion from a purely real estate company into a holding company, although the Company continues to focus on its core competence in real estate development. The Company's common stock was first listed on the PSE on June 15, 1994.

From 1989 to 1996, the Company garnered a reputation for building high-end residential condominiums and office buildings on a stand-alone basis throughout Metro Manila. In 1996, the Company shifted its focus to providing office buildings to support BPO businesses when it began development of the Eastwood City community township. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a PEZA special economic zone.

Since its incorporation in 1989, the Company and its affiliates have launched approximately 222 residential buildings, office buildings and hotels consisting in aggregate of more than 5.7 million square meters.

The following are some of the major residential and office projects completed by the Company:

Residential

The Salcedo Park (Makati City)	Golf Hill Terraces Phase 3 (Quezon City)
One Beverly Place (San Juan)	One and Two Lafayette Square (Makati City)
Paseo Parkview Towers 1 and 2 (Makati City)	Marina Square Suites (Manila)
Wack-Wack Heights (Mandaluyong City)	Corinthian Hills (Quezon City)
8 Wack Wack Road (Mandaluyong City)	Sherwood Heights (Parañaque)
The Manhattan Square (Makati City)	Brentwood Heights (Parañaque)
El Jardin del Presidente (Quezon City)	Kentwood Heights (Quezon City)
Eastwood Lafayette Square 1,2,3 (Quezon City)	Narra Heights (Quezon City)
Eastwood Excelsior (Quezon City)	Greenbelt Parkplace (Makati City)
One Orchard Road (Quezon City)	Greenbelt Radissons (Makati City)
Grand Eastwood Palazzo (Quezon City)	Eastwood Parkview (Quezon City)
Forbeswood Heights (Bonifacio Global City)	Golf Hill Terraces Townhouses (Quezon City)
Golf Hill Terraces Garden Villas (Quezon City)	

Office and Retail

Petron Megaplaza (Makati)	IBM Plaza (Quezon City)
The World Centre (Makati)	Landbank Plaza (Malate)
Citibank Square (Quezon City)	Richmonde Plaza (Pasig City)
CyberOne (Quezon City)	Eastwood Corporate Plaza (Quezon City)
1800 Eastwood Avenue (Quezon City)	ICITE (Quezon City)
Eastwood Incubation Center (Quezon City)	McKinley Corporate Plaza (Taguig City)
8 Park Avenue (Taguig City)	Two World Square (Taguig City)
Three World Square (Taguig City)	Eastwood Fashion Square (Quezon City)
Eastwood City Style Center (Quezon City)	Eastwood City Walk 1&2 (Quezon City)
Paseo Center (Makati City)	Forbes Town Center (Taguig City)
Cybermall (Quezon City)	Eastwood Mall (Quezon City)

8-10 Upper McKinley (Taguig City)
The Venice Piazza (Taguig City)

Eastwood Richmond Hotel (Quezon City)

Subsidiaries and Associates

As of December 31, 2010, the Company holds interests in the following subsidiaries and associates:

<u>Subsidiaries and Associates</u>	<u>Date of Incorporation</u>	<u>Percentage Ownership</u>
Subsidiaries		
Megaworld Land, Inc.	May 26, 1994	100%
Prestige Hotels and Resorts, Inc.	February 16, 1999	100%
Mactan Oceanview Properties and Holdings, Inc. ..	August 16, 1996	100%
Megaworld Cayman Islands, Inc.	August 14, 1997	100%
Richmonde Hotel Group International Limited	June 24, 2002	100%
Eastwood Cyber One Corporation	October 21, 1999	100%
Forbes Town Properties and Holdings, Inc.	February 6, 2002	100%
Megaworld Newport Property Holdings, Inc.	October 6, 2003	100%
Oceantown Properties, Inc.....	August 15, 2006	100%
Piedmont Property Ventures, Inc.....	August 28, 1996	100%
Stonehaven Land, Inc.....	August 21, 1996	100%
Streamwood Property, Inc.....	August 21, 1996	100%
Megaworld-Daewoo Corporation	August 26, 1996	60%
Megaworld Central Properties, Inc.	September 15, 2005	51%
Megaworld Resort Estates, Inc.	April 30, 2007	51%
Megaworld Globus Asia, Inc.....	March 17, 1995	50%
Philippine International Properties, Inc.....	March 25, 2002	50%
Townsquare Development, Inc.....	February 14, 2006	31%
Associates		
Empire East Land Holdings, Inc.	July 15, 1994	48.38%
Suntrust Home Developers, Inc.	January 18, 1956	42.48%
Palm Tree Holdings & Development Corporation ...	August 15, 2005	40%
Gilmore Property Marketing Associates, Inc.....	September 5, 1996	39.83%
Alliance Global Properties Ltd.....	January 16, 2008	39.44%
Travellers International Hotel Group, Inc.....	December 17, 2003	10%

The Company has spun off certain of its business operations due to financing or statutory requirements. It has incorporated separate companies for particular projects or business operations. Set out below is a description of each subsidiary or associate company and its main activities.

Megaworld Land, Inc. provides a leasing service to the Company by locating tenants for rental properties and coordinating relations with brokers primarily in relation to the Eastwood Cyberpark.

Prestige Hotels & Resorts, Inc. owns and operates Richmond Hotel located in Ortigas Center and Eastwood Richmond Hotel located in Eastwood City, Bagumbayan, Quezon City.

Mactan Oceanview Properties & Holdings, Inc. was organized to develop a resort property in Cebu.

Megaworld Cayman Islands, Inc. was incorporated in the Cayman Islands to act as a promoter and entrepreneur, carry on the business as a financier, broker, dealer, agent, and importer and to undertake investments, financial, trading and other operations. It is currently a special purpose company whose primary activity is the servicing of high yield bonds that it issued in 2006.

Richmonde Hotel Group International Ltd. was incorporated in the British Virgin Islands to undertake various investments on behalf of the Company and engage in trading, hotel, restaurant and related businesses.

Eastwood Cyber One Corporation was set up as a special purpose entity to own and develop certain BPO rental properties located in Eastwood City Cyberpark.

Forbes Town Properties and Holdings, Inc. was organized primarily to act as a principal agent or broker, on commission basis or otherwise, and to acquire by purchase or lease, construct, manage or sell real estate properties.

Megaworld Newport Property Holdings, Inc. provides a sales and marketing service for development of the Newport City projects.

Oceantown Properties, Inc. is a company that was incorporated to own land in Mactan, Cebu.

Piedmont Property Ventures, Inc. was registered with the Securities and Exchange Commission ("SEC") on 28 August 1996. It is a company that was acquired in 2008.

Stonehaven Land, Inc. was registered with the SEC on 21 August 1996. It is a company that was acquired in 2008.

Streamwood Property, Inc. was registered with the Securities and Exchange Commission ("SEC") on 21 August 1996. It is a company that was acquired in 2008.

Megaworld-Daewoo Corporation is a joint venture between the Company and Daewoo Corporation that developed three residential condominium towers in Eastwood City.

Megaworld Central Properties, Inc. was formed to provide sales services for residential units in the Manhattan Garden City project.

Megaworld Resort Estates, Inc. ("MREI") is a company that was incorporated to engage in the real estate business.

Megaworld Globus Asia, Inc. was formed to develop and sell a project known as The Salcedo Park, a twin-tower residential condominium project located in Makati City which has been completed.

Philippine International Properties, Inc. ("PIPI") is a company that was incorporated to own, use, improve, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

Townsquare Development, Inc. is a company that was incorporated to provide services to the affiliated companies of the Company.

Empire East Land Holdings, Inc. is a PSE-listed company that is engaged in the development and marketing of affordable 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.

Suntrust Home Developers, Inc. is a PSE-listed company which owns an interest in a company engaged in the development and marketing of affordable housing projects.

Palm Tree Holdings & Development Corporation is a company that was acquired in connection with its landholdings adjacent to the Company's Eastwood City township. It is currently engaged in the real estate business.

Gilmore Property Marketing Associates, Inc. ("GPMAI") was incorporated on September 5, 1996 primarily to act as a principal agent or owner, on commission basis or otherwise, and to acquire, lease and construct or dispose of buildings and other real estate properties.

Alliance Global Properties, Ltd. was incorporated in the Cayman Islands to undertake various investments.

Travellers International Hotel Group, Inc. owns a 9.0 hectare integrated resort complex in Newport City which will consist of, among others, upscale hotels with fine dining restaurants, a performing arts theatre and a shopping mall.

Neither the Company nor any of its subsidiaries and associates have been the subject of a bankruptcy, receivership or similar proceeding, or involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Description of Business

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development in Metro Manila of large-scale mixed-use planned communities, or community townships, that integrate residential, commercial, educational/training, leisure and entertainment components. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City project. The Company also engages in other property-related activities such as project design, construction oversight and property management.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space. The Company has three primary business segments: (1) real estate sales of residential and office developments, (2) leasing of office space, primarily to business process outsourcing ("BPO") enterprises, and retail space, and (3) management of hotel operations. The Company's consolidated revenues for the year ended December 31, 2010 were P20,541.8 million compared to P17,758.7 million for the year ended December 31, 2009. Real estate sales of residential developments accounted for 64% of the Company's consolidated revenues in 2010 and 71% in 2009. Rental income from leasing operations accounted for approximately 13% of the Company's consolidated revenues in 2010 and 11% in 2009. The Company's consolidated net profit for the year ended December 31, 2010 was P5,085.5 million compared to P4,066.6 million for the year ended December 31, 2009. Foreign sales contributed approximately 4% to the Company's consolidated sales and revenues for the years 2009 and 2010.

Current Property Development Projects

The Company's current property development projects consist of mixed-use residential and commercial developments located throughout Metro Manila and residential units at the Araneta Center in Quezon City. The objective of each of the mixed-use developments is to provide an integrated community with high quality "live-work-play-learn" amenities within close proximity to each other. For each development, the Company's real estate strategy is to lease all commercial and retail properties and sell all residential units. Where the Company is unable to sell all residential units in advance of completion, it intends to lease the unsold residential units in order to generate additional rental income with a view to eventually selling

the units at a price it considers attractive. Each of the Company's main projects is described below.

Eastwood City

Eastwood City is a mixed-use project on approximately 18 hectares of land in Quezon City, Metro Manila that integrates corporate, residential, education/training, leisure and entertainment components. In response to growing demand for office space with infrastructure capable of supporting IT-based operations such as high-speed telecommunications facilities, 24-hour uninterruptible power supply and computer security, the Company launched the Eastwood City Cyberpark, the Philippines' first IT park, within Eastwood City in 1997. The Eastwood City Cyberpark includes the headquarters of IBM Philippines and Citibank's credit card and data center operations as anchor tenants. In connection with development of the cyberpark, the Company was instrumental in working with the Philippine Government to obtain the first PEZA-designated special economic zone status for an IT park in 1999. A PEZA special economic zone designation confers certain tax incentives such as an income tax holiday of four to six years and other tax exemptions upon businesses that are located within the zone. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the Eastwood City Cyberpark to provide offices with the infrastructure such as high-speed telecommunications and 24-hour uninterrupted power supply to support BPO and other technology-driven businesses, and to provide education/training, restaurants, leisure and retail facilities and residences to complement Eastwood City Cyberpark.

Once the entire residential zone of Eastwood City is fully developed, it is expected to consist of 20 high-rise towers. Each tower is designed according to a specific theme and style. Typical building amenities include 24-hour security, high-speed elevators, parking, a swimming pool and other recreational facilities. Each tower contains units that range in size from studios to two-bedroom units.

The office properties at Eastwood City consist of nine office buildings. Tenants in the Eastwood City Cyberpark include major multinational corporations, largely comprised of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support. The tenants, which include Citibank, IBM and Dell, are able to benefit from a variety of business and tax incentives in conjunction with the PEZA special economic zone status conferred upon the Eastwood City Cyberpark.

The leisure and entertainment zone consists of Eastwood Mall, Eastwood Citywalk I, a dining and entertainment hub, and Eastwood Citywalk II, an amusement center with a state-of-the-art cinema complex, a billiard and bowling center, restaurants and specialty shops. This zone also includes Fashion Square, a beauty and lifestyle center and Home Center, a one-stop home improvement hub. Eastwood Citywalk I and II, Fashion Square and Home Center are designed to complement the office and residential buildings in the community township.

Forbes Town Center

The Forbes Town Center is located on five hectares of land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, the Manila Polo Club and the prestigious Forbes Park residential subdivision. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties.

Once completed, the residential zone is expected to consist of 13 towers comprising the Forbeswood Heights, Bellagio, Forbeswood Parklane, and 8 Forbes Town Road condominium projects. The leisure and entertainment zone is devoted to bars, restaurants and specialty shops, which are designed to complement the residential buildings in this development as well as the surrounding office areas in Bonifacio Global City.

McKinley Hill

The McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers.

The residential zone consists of a subdivision project which is comprised of lots for the development of single-detached homes, several garden villa clusters with five or six-storey villas in each cluster, and residential condominiums.

The office properties will include the McKinley Hill Cyberpark which is a PEZA-designated IT special economic zone. Tenants of the office properties will largely be comprised of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support.

The leisure and entertainment zone will consist of bars, restaurants, specialty shops, cinemas and sports complex, which are expected to complement the office and residential areas in the community township.

Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with *Les Roches* of Switzerland, will initially comprise the "learn" component of the township.

McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property within the development. The Korean Embassy will also transfer to a 5,822 square meter site within the project.

Newport City

Newport City is a community township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. The Newport City similarly integrates the live-work-play concept of Eastwood City, with the exception that it will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage.

The residential zone will consist of 20 eight to nine-storey medium-rise buildings. The corporate zone is expected to be comprised of office buildings. The Company will establish a PEZA special economic zone cyberpark at Newport City. Tenants for the commercial area are expected to include multinational BPO companies, cargo logistics services and airline-related business.

The leisure and entertainment zone is expected to consist of space which the Company intends to lease to tenants who will operate bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to the Company's joint venture development, Resorts World Manila, which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets, among others, opened in August 2009.

Upon full development, the hotel zone shall comprise the four hotels namely, Marriot Hotel, Maxims Hotel, Remington Hotel and Belmont Hotel.

Manhattan Garden City

Manhattan Garden City is a residential development project which will consist of 20 residential towers on a 5.7-hectare property at the Araneta Center in Quezon City. The Manhattan Garden City will be the Philippines' first major transit-oriented residential community, having direct links to two light rail transport lines, the MRT-3 and the LRT- 2. The MRT-3 line runs north to south along the EDSA highway in Metro Manila while the LRT-2 line runs east to west along Aurora Boulevard across Metro Manila. All key areas along the transportation lines within Metro Manila will be easily accessible from the development. The

amenities of the Araneta Center such as the Gateway Mall will be available to residents of Manhattan Garden City.

Cityplace

The Cityplace project is a mixed-use project under development on a 2.5-hectare lot in Binondo, Metro Manila. The development is expected to have over 2,000 residential condominium units and a shopping center to be called Lucky Chinatown Mall. The development is also expected to include new parks, a public car parking facility, new bypass roads and pedestrian overpasses to make the project environment and pedestrian-friendly.

Bonifacio Uptown

The Company is developing Bonifacio Uptown, an approximately 15.5-hectare property in Fort Bonifacio in Taguig, Metro Manila. Bonifacio Uptown is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use on a parcel of land owned by NAPOLCOM. The Company will develop Bonifacio Uptown under a joint venture arrangement with the BCDA.

McKinley West

The Company is developing McKinley West, an approximately 34.5-hectare portion of the JUSMAG property owned by BCDA located across from McKinley Hill in Taguig, Metro Manila. The development of McKinley West into a mixed-use project is another joint venture undertaking with the BCDA.

Other properties

The Company also has ongoing residential condominium projects in Makati City and San Juan in the Metro Manila area. The Company plans to develop a 54.5 hectare parcel of land in Mandurriao, Iloilo which is the site of the old Iloilo airport into a central business district in Iloilo, with BPO offices. The planned development will comprise office buildings, educational facilities, residential projects, a hotel, a convention center as well as retail and recreational areas. A portion of the development will be registered as a special economic zone with the Government, which will allow it to benefit from a tax holiday period as well as other incentives for investors.

The Company also plans to develop properties in Mactan, Cebu. The property is expected to comprise offices, BPO facilities and leisure facilities

Business Strategy

The Company's objective is to increase its profitability and maintain its leading position as a major property developer in the Philippines, specifically in the middle-income residential condominium market and the market for BPO-related office developments. The Company intends to achieve its objective through the following principal strategies:

Maximize earnings through integrated community township developments. The Company intends to maximize earnings by developing alternative, integrated residential, business and retail property communities. This allows the Company to capitalize on the live-work-play-learn concept, which has become popular in the Philippines. The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market and in entering into new joint venture developments. In 2007, the Company acquired properties in Iloilo and Cebu to expand its BPO office developments and townships in the Visayas. In 2009, the Company increased its property portfolio through the acquisition of rights to develop the Bonifacio Uptown and McKinley West properties. The Company continuously seeks opportunities to develop land in prime locations to further enhance its real estate portfolio.

Capitalize on brand and reputation. The Company believes that its strong brand name and reputation are key to its continued success. Since pre-selling is an industry practice in the Philippines, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. The Company intends to continue using its brand name and reputation to attract purchasers, tenants and joint development partners. The Company continues to enhance its reputation by employing and training a dedicated marketing staff and extensive sales network for its residential sales businesses who market the Megaworld brand. In addition, the Company is strategically involved in the aftersales market for the properties it develops by providing building management and other aftersales services such as interior design services.

Maintain a strong financial position. The Company intends to maintain its strong financial position by controlling costs and maintaining its net cash position. The Company is able to control development costs by generating a significant portion of its project financing from pre-sales of residential units. By securing post-dated checks and providing a variety of financing options to buyers, the Company limits its cash outlays prior to obtaining project funds. The Company also controls development costs by entering into joint development agreements with landowners, which is a cost-effective means of obtaining rights to develop land as initial costs are fixed and future payments are a fixed percentage of revenue from sales and leasing activity.

Sustain a diversified development portfolio. An important part of the Company's long-term business strategy is to continue to maintain a diversified earnings base. Because the Company's community townships include a mix of BPO offices, retail, middle-income residential, educational/training facilities, leisure and entertainment properties within close proximity to each other, the Company is able to capitalize on the complementary nature of such properties. In addition, the community township developments enable the Company to generate profits from selling residential projects as well as invest in office and retail assets retained by the Company to generate recurring income and long-term capital gains. The Company intends to continue to pursue revenue and property diversification as it develops community townships with the live-work-play-learn concept in various stages throughout Metro Manila. The Company also intends to continue pursuing innovative product lines that may complement its existing developments, while maintaining a well-diversified earnings base.

Capitalize on growing opportunities in tourism development. The Company has further developed and diversified its real estate business to include integrated tourism development projects through its acquisition of a minority ownership interest in Travellers. Due to growth in the number of tourist visits to the Philippines and the Company's real estate development expertise, the Company believes it is well-positioned to capitalize on opportunities in this growing sector. The Company is also actively exploring and evaluating possible joint venture opportunities with an affiliate which focuses on tourism-related property developments.

Awards and Recognition

The Company was awarded Best Managed Philippine Company by Finance Asia in 2008 and 2009. In 2008, the Company was also awarded Small Cap Corporate of the Year by Asiamoney, and ranked second in Most Convincing and Coherent Strategy Company by Euromoney. In 2011, Alpha South East Asia honored the Company as Most Organized Investor Relations and Strongest Adherence to Corporate Governance.

Construction

The Company has its own architectural and engineering teams. The Company has a team of project managers who work closely with outside contractors in supervising the construction phase of each project.

Aside from its own architectural and engineering teams, the Company also engages independent firms to carry out the design of its development projects. The Company has a team of project managers who work closely with outside contractors in supervising the

construction of each project. The Company has also established relationships with Philippine architectural firms Recio+Casas Architects and W.V. Coscoluella & Associates, as well as with international architectural firms Skidmore, Owings & Merrill in New York and Klages, Carter, Vail in California. The Company's top five contractors listed in order of total payments under construction contracts in 2010 were Monolith Construction Development Corp., JD Bernardo Engineering & Construction Inc., Millenium Erectors Corp., New Golden City Builders and A.M. Oreta & Co., Inc.

The Company's contracts with its construction companies typically contain warranties for quality and requirements for timely completion of the construction process. In the event of delay or poor quality of work, the relevant contractor or supplier may be required to pay a penalty. The Company's principal raw materials are steel and cement which are commodities that are readily available in the market from a number of sources.

Pre-Sales and Customer Financing

The Company conducts pre-sales of its property units prior to project completion and often, prior to construction. The Company's pre-selling process provides buyers with a variety of payment schemes, with down-payment plans ranging from 50% to no money down. A typical payment scheme includes progressive payments over the period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. The Company collects post-dated checks to cover the entire purchase price based on an amortization schedule. Transfer of title to the property occurs only once all payments have been received. The payment structures are designed to appeal to middle-class buyers.

The Company provides a significant amount of in-house financing to qualified buyers. The Company has established processes and procedures designed to screen buyers applying for in-house financing to ensure that they are employed and/or are financially capable of paying their monthly amortizations.

Marketing and Sales

The Company maintains an in-house marketing and sales division for each of its projects. The marketing and sales division is staffed by a trained group of property consultants who exclusively market the Company's projects. All property consultants are trained prior to selling and the Company also provides skills enhancement program intended to further develop the sales and marketing staff into high-caliber marketing professionals. Property consultants are required to meet the criteria set by the Company. The Company also works with outside agents who compete directly with the Company's in-house personnel.

The Company also employs a marketing services staff whose job is to provide auxiliary services required by the marketing division for its sales and promotional activities. The group is also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division.

In addition, the Company has an international marketing division based in Manila who oversees a global network of sales offices which market the projects of the Company and its affiliates to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. The Company enters into marketing agreements with various brokers based in the different overseas markets, which will then market the Company projects overseas through their respective marketing networks.

The percentage of sales contributed by foreign sales for the last three years was 4.4%, 5.3%, and 6.3% for the years 2010, 2009 and 2008, respectively. The percentage of sales broken down by major markets is as follows:

Market	2010	2009	2008
North America	49%	21%	24%
Europe	10%	45%	24%

Asia	2%	12%	26%
Middle East	39%	22%	26%
Total	100%	100%	100%

Property Management and After-Sales Services

The Company remains involved in the properties it develops and sells through its property management group, which provides property management and after-sales services. Services include building maintenance and interior design services. The property management group is a resource for the Company to obtain feedback from its purchasers and rental tenants in order to provide solutions to their property needs, maintain the property and develop long-term relationships with its tenants and purchasers. The property management group contributes to enhancing the Company's brand and reputation in the after-sales market.

Tenants and Leases

The Company typically sells all of its residential property developments and maintains ownership of its commercial developments, renting retail and office space to tenants. The Company primarily sells its residential properties directly to end-users and is not dependent on any single purchaser or group of purchasers. Where the Company is not able to sell 100% of its residential units upon completion of the residential project, it rents these unsold units on a lease-to-own basis or lease with an option to buy.

The Company's commercial leases are generally for terms of three to five years (with annual rental escalation and review provisions) and typically require three months of security deposits and three months of advance rent. For land leases and office tenants, which require development of a specific building structure, the Company generally enters into long-term leases of 10 to 15 years.

The lease payments that the Company receives from its retail tenants are based on a participation in the turnover of the tenants' businesses. Rents are typically based upon a percentage of revenues, in addition to a minimum rent charge. The Company's tenants are generally charged a monthly management fee assessed per square meter, which covers building maintenance expenses. Tenants are also required to pay their own utility charges. The Company regularly monitors the performance of the tenants in its retail properties. The Company may elect not to renew the leases of retail tenants whose performance is lagging in order to improve its rental income. The Company's lease agreements typically have no pre-termination options.

The percentage of revenues attributable to the Company's five largest office tenants combined for the years ended December 31, 2008, 2009 and 2010 were 24%, 19% and 19%, respectively. The Company believes that it has a broad tenant base and is not dependent on a single tenant or group of tenants.

Research and Development

The Company incurs minimal amounts for research and development activities which do not amount to a significant percentage of revenues.

Competition

The Company competes with other property investment, development, leasing and property holding companies to attract purchasers as well as tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, execution, completion, quality of construction, brand and service. The Company believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects, a reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion.

With respect to community township developments, the Company considers Ayala to potentially be its only significant competitor. However, in the majority of locations where the Company's community townships are located, Ayala is not present. Ayala is present in Fort Bonifacio, which is where the Company's Forbestown Center, McKinley Hill and other development projects are located.

With respect to its office and retail leasing business, the Company believes that it has many competitors in the industry such as Robinsons Land Corporation, Ayala, SM Prime Holdings, Inc. and the Net Group. Additional land is scheduled to be released by local city governments in Metro Manila and a number of developers have expressed an interest in developing such land in response to growing demands in the BPO market.

Intellectual Property

In the Philippines, certificates of registration of trademarks issued by the Philippine Intellectual Property Office pursuant to Republic Act No. 166 (the effective law on trademarks prior to the effectivity of the Intellectual Property Code in 1998) are generally effective for a period of 20 years from the date of the certificate, while those issued pursuant to the provisions of the Intellectual Property Code are generally effective for a shorter period of 10 years, unless terminated earlier.

The Company owns the registered trademark over its name and logo. However, although the brand is important, the Company does not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement. The Company also has applied to register trademarks over the names of its development projects and some approvals are pending.

Insurance

The Company maintains business interruption insurance for its properties to cover damages from fires, floods, riots, strikes, malicious damage, typhoons, earthquakes and terrorism for each of the buildings that it owns and leases to tenants. The insurance is provided by reputable companies with customary deductibles and limits. For projects being developed, contractors are required to maintain insurance for risks associated with construction work. For completed projects, the condominium association for each development obtains comprehensive general liability, personal accident and machinery breakdown insurance for the premises.

Employees

As of 31 December 2010, the Company had 925 employees. The Company intends to hire additional employees if the present workforce becomes inadequate to handle the Company's operations. The Company anticipates that it will be hiring at least 111 employees within the ensuing 12 months. The Company has no collective bargaining agreements with employees and no organized labor organizations in the Company. The Company maintains a tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular full-time employees.

The table below shows the breakdown of employees by department:

Description	As of December 31 2009	As of December 31 2010	Projected Hiring for 2011
Executive Division	66	76	9
Operations	221	254	31
Finance	309	358	43
Marketing	31	36	4
Others	177	201	24
Total	804	925	111

Risks Associated with the Company's Business

The Philippine property market is cyclical.

The Company expects to derive a substantial portion of its revenue in the future from its current portfolio of township development projects. Accordingly, the Company is dependent on the state of the Philippine property market. The Philippine property market has in the past been cyclical and property values have been affected by supply of and demand for comparable properties, the rate of economic growth in the Philippines and political and social developments.

The Company is exposed to geographic portfolio concentration risks.

Properties located in Metro Manila, the premier commercial capital of the Philippines, accounts for a substantial portion of the appraised value of the Company's assets. Further, the Company's current projects are all located within Metro Manila and, in particular, within relatively short distances from the traditional main business districts in Makati City, Ortigas Center and more recently, Fort Bonifacio. Due to the concentration of the Company's property portfolio and the concentration of wealth in Metro Manila, a decrease in property values or wealth in Metro Manila would have a material adverse effect on the business and results of operations of the Company.

The Company may be unable to acquire land for future development.

The Company's business is dependent, in large part, on the availability of large tracts of land suitable for development by the Company. As the Company and its competitors attempt to locate sites for development, it may become more difficult to locate parcels of suitable size in locations and at prices acceptable to the Company.

The Company is exposed to risks associated with real estate development.

The Company is subject to risks inherent in property development. Such risks include, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labor, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk of purchaser and/or tenant defaults.

The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.

The Company is subject to risk incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

Services rendered by independent contractors may not always match the Company's requirements for quality or be available within its budget.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. Although the Company invites contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded the Company supervises the construction progress, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain development projects.

The interests of joint development partners for the Company's development projects may differ from the Company's and they may take actions that adversely affect the Company.

The Company obtains a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Company's.

Regulatory and Environmental Matters

Housing and land projects

PD 957, RA 4762 and Batas Pambasa Blg. 220 ("BP 220") are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. PD 957, RA 4762 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with local government units ("LGUs"), enforces this decree and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with the HLURB and the pertinent LGU of the area in which the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the required development permit.

The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project and (ii) issuance of the barangay clearance, the HLURB locational clearance, Department of Environment and Natural Resources (“DENR”) permits and Department of Agrarian Reform (“DAR”) conversion or exemption orders, as discussed below.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a requisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB any of the following to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations:

1. a surety bond callable upon demand equivalent to 20.0% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited surety company (whether private or government), and acceptable to the HLURB;
2. a real estate mortgage executed by the developer as mortgagor in favor of the Republic of the Philippines as mortgagee, represented by the HLURB, over property other than the land used for the project for which the license to sell is being obtained, free from any liens and encumbrance and the value of such property, computed on the basis of the zonal valuation of the Bureau of Internal Revenue, must be at least 20.0% of the total development cost; or
3. other forms of security equivalent to 10.0% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:
 - a cash bond;
 - a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
 - a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
 - a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the Chief Executive Officer of HLURB or his authorized representative, at any time the developer fails or refuses to comply with his duties and obligations under the bond contract; or
 - any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyers. A

license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. On June 29, 2009, Republic Act No. 9646 or the Real Estate Service Act of the Philippines ("RA 9646") was signed into law. RA 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with BP 220, a Philippine statute regulating the development and sale of real property as part of a condominium project or subdivision, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under PD 957, a developer of a subdivision with an area of one hectare or more is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. In low-density subdivisions (20 family lots and below per gross hectare), a developer is required to reserve at least 3.5% of the gross project area for such open spaces.

Republic Act No. 7279 further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer; within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to choose any of the following:

- development of new settlement;
- slum upgrading or renewal of areas for priority development either through zonal improvement programs or slum improvement and resettlement programs;
- joint-venture projects with either the LGU or any of the housing agencies; or
- participation in the community mortgage program.

The Company has benefited from providing low-income housing or projects of such types which are financially assisted by the Government. These policies and programs may be modified or discontinued in the future. The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers. In addition, effective November 2005, sales of residential lots with a gross selling price of ₱1.5 million or less, and residential house and lots with a gross selling price of ₱2.5 million or less, are not subject to VAT.

Zoning and land use

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial,

residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Special economic zone

PEZA is a government corporation that operates, administers and manages designated special economic zones (“Ecozones”) around the country. Ecozones, which are generally created by proclamation of the President of the Philippines, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. PEZA-registered enterprises located in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials.

IT Enterprises offering IT services (such as call centers and other business process outsourcing using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area which has been developed into a complex capable of providing infrastructures and other support facilities required by IT enterprises, as well as amenities required by professionals and workers involved in IT enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities and amenities.

PEZA requirements for the registration of an IT Park or IT Building differ depending on whether it is located in or outside Metro Manila. Metro Manila is the area that covers the 16 cities of Manila, Caloocan, Las Pinas, Makati, Mandaluyong, Marikina, Muntinlupa, Paranaque, Pasay, Pasig, Quezon, Valenzuela, Malabon, Navotas, San Juan and Taguig and the municipality of Pateros. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board, and the DENR.

The Company routinely secures the required governmental approvals for its projects during the planning and construction and marketing stages of project development. The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business. The Company believes that it has obtained the required government approvals relevant for each project at its current state of development.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement. The DENR through its regional offices or through the Environmental Management Bureau (“EMB”), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“EIS”) to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC; and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering geological and geo-hazard assessment are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Property Registration and Nationality Restrictions

The Philippines has adopted a Torrens system of land registration that conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land becomes indefeasible after one year from the date of entry of the decree of registration except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication, service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment to the Court of Appeals within 15 days from receiving notice of judgment. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents (i.e. homestead, sales and free patent) must be registered with the appropriate registry of

deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the sales price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, the Register of Deeds issues a Condominium Certificate of Title.

While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Property taxation

Real property taxes are payable annually or quarterly based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

PROPERTIES

Description of Principal Properties

The principal properties that the Company owns, their location, condition and limitations on ownership, if any, are listed below:

Project	Location	Limitations on Ownership
Condominium Units and Subdivision Lots		
8 Wack Wack Road	Mandaluyong City	Joint Venture
Golf Hills Terraces	Quezon City	Joint Venture
Marina Square Suites	Manila	None
Corinthian Hills	Quezon City	None
Paseo Parkview Suites	Makati City	None
Eastwood Excelsior	Quezon City	None
CyberOne.....	Quezon City	None
One Orchard Road	Quezon City	None
Greenbelt Radissons	Makati City	None
Greenbelt Parkplace	Makati City	Joint Venture
Forbeswood Heights	Taguig City	Joint Venture
Grand Eastwood Palazzo	Quezon City	None
Eastwood Parkview	Quezon City	None
The Bellagio.	Taguig City	Joint Venture
El Jardin Del Presidente 2....	Quezon City	None
Eastwood Lafayette 3.....	Quezon City	None

McKinley Hill Village (Phase 1)	Taguig	Joint Venture
Newport City	Pasay	Joint Venture
CityPlace Binondo.....	Manila	None
Eastwood Le Grand.....	Quezon City	None
Greenbelt Excelsior.....	Makati City	Joint Venture
Greenbelt Chancellor.....	Makati City	None
One Central.....	Makati City	None
The Venice	Taguig City	None
Eight Forbes Town	Taguig City	Joint Venture
McKinley West Village.....	Taguig City	Joint Venture
Manhattan Heights.....	Quezon City	Joint Venture
Two Central	Makati City	None

Rental Properties¹

Citibank Square	Quezon City	None
Eastwood Corporate Plaza....	Quezon City	None
Eastwood Fashion Square.....	Quezon City	None
Home Center.....	Quezon City	None
Eastwood City Style Center...	Quezon City	None
IBM Plaza (Eastwood)	Quezon City	None
IBM Plaza (Paseo Center).....	Makati City	None
The World Centre	Makati City	None
Techno Plaza 1.....	Quezon City	None
1800 Eastwood Avenue.....	Quezon City	None
Eastwood City Walk 1 and 2...	Quezon City	None
Paseo Center	Makati City	None
Forbes Town Center.....	Taguig City	Joint Venture
ICITE.....	Quezon City	None
Eastwood Incubation Center	Quezon City	None
CyberMall	Quezon City	None
CyberOne.....	Quezon City	None
California Garden Square	Mandaluyong City	None
Commerce & Industry Plaza.....	Taguig City	None
Eastwood Mall	Quezon City	None
McKinley Parking Building	Taguig City	None
8 Park Avenue	Taguig City	None
One World Square.....	Taguig City	None
Two World Square	Taguig City	None
Three World Square	Taguig City	None
E2 Call Center	Quezon City	None
Woodridge Residences	Taguig City	None
8/10 Upper McKinley Road	Taguig City	None
8/20 Upper McKinley Road	Taguig City	None
The Venice Piazza	Taguig City	None

Hotels²

Richmonde Hotel	Pasig City	None
Eastwood Richmond Hotel	Quezon City	None

LEGAL PROCEEDINGS

Description of Material Pending Legal Proceedings

¹ Lease terms and rental rates vary depending on the property and the lessee. See "Tenants and Leases" on page 10.

² The Richmonde Hotel and Eastwood Richmond Hotel are operated by a subsidiary of the Company.

Neither the Company nor any of its subsidiaries or any of their properties is involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries or its associates or any of its or their properties.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 2010 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price Information

The common shares of the Company are traded on the Philippine Stock Exchange (“PSE”) under the symbol of MEG. The Company’s common stock was first listed on the PSE on June 15, 1994.

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	0.79	1.26	1.64	1.74
	Low	0.44	.53	.94	1.32
2010	High	1.46	1.46	2.55	2.84
	Low	1.04	1.16	1.32	2.20
2011	High	2.58			
	Low	1.96			
3/31/11	Close	2.11			

Holders

As of 31 March 2011, the Company had 2,906 shareholders of record worldwide. The following table sets forth the twenty largest shareholders of the Company as of March 31, 2011.

Rank	Name of Stockholder	Number of Common Shares	Number of Voting Preferred Shares	Percentage of Ownership
1.	Alliance Global Group, Inc.	8,479,831,663		26.8029%
			6,000,000,000	18.9647%
2.	PCD Nominee Corporation (Filipino)	5,737,511,381		18.1350%
3.	New Town Land Partners, Inc.	5,182,179,590		16.3797%
4.	PCD Nominee Corporation (Non-Filipino)	5,171,051,184		16.3445%
5.	First Centro, Inc.	873,012,500		2.7594%
6.	Richmonde Hotel Group International Limited	420,000,000		1.3275%

7.	Forbes Town Properties Holdings, Inc.	143,000,000		0.4520%
8.	Gilmore Property Marketing Associates, Incorporated	117,024,754		0.3699%
9.	Andrew L. Tan	100,000,000		0.3161%
10.	Cygnat Dev. Corp.	20,000,000		0.0632%
	Rivercrest Realty Corporation	20,000,000		0.0632%
11.	Alfonso U. Lim &/or Alfie Thomas C. Lim	10,000,000		0.0316%
12.	Valentin T. Khoe	9,156,360		0.0289%
13.	Simon Lee Sui Hee	8,845,200		0.0280%
14.	OCBC Securities Phils., Inc. (FAO: Santiago J. Tanchan, Jr.)	7,371,000		0.0233%
15.	Luisa Co Li	5,525,697		0.0175%
16.	Evangeline Abdullah	5,400,000		0.0171%
17.	Jasper Karl Tanchan Ong	5,370,300		0.0170%
18.	Winston Co	5,180,760		0.0164%
19.	Chua Lee Keng	4,721,477		0.0149%
20.	Luis Ang and/or Teresa W. Ang	3,785,532		0.0126%

Dividend Policy

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, which 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 of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose. Cash dividends amounting to, ₱402.9 Million, ₱478.46 Million and ₱479.29 Million were declared on the Company's common shares in 2008, 2009 and 2010, respectively. The dividends were paid in July 2008, August 2009 and July 2010 respectively. Cash dividends were declared on the Company's Series "A" Preferred Shares in 2009 and 2010 in the amount of Php600,000 for each year. The dividends were paid in August 2009 and July 2010.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of 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.

The Company declares cash dividends to shareholders of record usually in the first half of each year. These dividends are paid from unrestricted retained earnings. The Company

intends to maintain an annual cash dividend payment ratio of 20% of its net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board of Directors may, at any time, modify its dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent Sales of Unregistered or Exempt Securities

On February 9, 2009, the Company issued unsecured corporate notes (the "Notes") in the aggregate amount of Php1.4 billion to not more than 19 primary institutional lenders. The Notes are issued as an exempt security under Rule 9.2(2)(B) of the Implementing Rules and Regulations of the SRC. The Notes may be purchased by and transferred to eligible buyers¹ only, provided that there are a maximum of 19 note holders at any given time. The Notes will mature in seven years from issue date.

On June 1, 2009, the Company issued 5,127,556,725 common shares with a par value of ₱1.00 per share pursuant to its 1:4 stock rights offering. The exercise price was at the par value of ₱1.00 per share. Fifty percent (50%) of the exercise price is payable upon submission of the application for subscription while the balance of the exercise price shall be payable one year after issue date of the underlying shares of the rights. The holders will have the option of pre-paying the balance of the exercise price on the 6th month after the issue date. Fractional entitlements of eligible stockholders shall be segregated and sold for the benefit of the Company.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of 2010 versus 2009

During the year 2010 consolidated net income amounted to Php5.09 billion 25.06% higher than the previous year net income of Php4.07 billion. Consolidated total revenues composed of real estate sales, rental income, hotel income, and other revenues elevated by 15.67% from Php17.76 billion to P20.54 billion resulting from strong property sales and increased leasing income.

Development. Among product portfolios, the bulk of generated consolidated revenues came from the sale of condominium units and residential lots amounting to Php13.11 billion in 2010 compared to Php12.57 billion in 2009, an increase of 4.26%. The Group's registered sales came from the following projects: Belagio, Forbeswood Park Lane 1 & 2 and Eight Forbes Town in Fort Bonifacio; Eastwood Le Grand in Eastwood City; McKinley West, McKinley Hill Tuscany, Stamford, Morgan Suites, and The Venice Luxury Residences in Taguig City; Manhattan Parkview, Manhattan Heights and El Jardine Del Presidente in Quezon City; and Newport City in Pasay; City Place in Binondo, Manila and One Central, Greenbelt Chancellor and Excelsior in Makati City.

¹ Persons deemed Primary Institutional Lenders under Rule 9.2(2)(B) of the Implementing Rules and Regulations of the SRC, and such other persons to whom an offer, transfer, assignment or resale of the Notes would not, under law at the relevant time, cause a registration requirement of the Notes under the SRC to become applicable.

Leasing. Rental income contributed 13.12% to the consolidated revenue and amounted to Php2.70 billion compared to Php 2.00 billion reflected last year, a 34.68% increase. Contributing to the growth are the escalation and completion of additional leasing properties.

Hotel Operations. The Group's hotel operations posted an amount of Php232.76 million in 2010, an increase of 7.69%, from Php216.14 million in 2009. The increase is primarily due to the increase in the number of hotel rooms and hotel occupancy rates.

In general, the increase in cost and expenses by 12.89% from Php13.69 billion in 2009 to Php15.46 billion in 2010 was due mainly to increase in recognized real estate sales, as well as marketing and selling expenses particularly commission expenses, resulting from aggressive marketing activities. Income tax expense in 2010 amounting to Php1.61 billion resulted to a 11.93% from 2009 reported amount of Php1.44 billion attributed by higher taxable income and tax effects of deductible temporary differences. Operating expenses as a percentage of consolidated total revenues were 10% for the year 2010 and 2009.

During 2010, there were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as of December 31, 2010 Php97.03 billion compared to Php85.25 billion as of December 31, 2009, listing a 13.81% increase.

Cash and cash equivalents increased by 5.54% from P20.88 billion in 2009 to P22.03 billion in 2010 due to efficient collection of receivables and financing activities. A 22.51% increase from its current and non-current trade and other receivables - Php29.75 billion as of December 31, 2010 compared to Php24.28 billion as of December 31, 2009, due to higher sales for the period. An increase in the completed portion of costs attributable to on-going projects resulted in the increase in the number of residential and condominium units for sale by 9.91% from P5.72 billion in 2009 to P6.29 billion in 2010. . Property development costs increased to 2.08% in 2010 figure of Php3.80 billion to last year-end's amount of Php3.72 billion due to the development and construction costs of various ongoing projects

The company shows liquid position by having current assets amounting to Php46.81 billion in 2010 with an increase of 7.00% from December 31, 2009 balance of Php43.75 billion. On the other hand the group's current obligations stood at Php17.41 billion which reflected a 60.39% increase year on year and this is the result of currently maturing financial commitments of the company. The group investment in available-for-sale securities increase by 112.24%, from Php2.93 billion in 2009 to Php6.21 billion in 2010 was due to market value changes of its different invested securities.

Trade and other payables amounted to P4.04 billion and P3.66 billion as of December 31, 2010 and 2009, respectively. The increase of 10.25% was due to additional costs to be paid to contractors and suppliers for new projects. Current customers' deposits as of December 31, 2010 amounted to P1.01 billion compared to P.96 billion as of December 31, 2009. The 5.51% increase was due largely to aggressive marketing and pre-sales for of various projects. The combined effect of current and non-current deferred income on real estate sales increased by 39.33% which amounted to P3.81 billion as of December 31, 2010 compared to P2.73 billion as of December 31, 2009 due mainly to an increase in unearned revenue.

During 2010, the Interest-bearing loans and borrowings current and non-current amounted to Php7.44 billion representing a 10.36% decrease from previous year-end's Php8.30 billion mainly due to principal payments.

Total Equity (including minority interest) increased by 17.42% from Php49.84 billion as of December 31, 2009 to Php58.52 billion as of December 31, 2010 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

	Year 2010	Year 2009
Current Ratio *1	2.69:1	4.03:1
Quick Ratio *2	1.27:1	1.92:1
Debt to Equity Ratio *3	0.27:1	0.34:1
Return on Assets *4	5.18%	4.76%
Return on Equity *5	8.70%	8.26%

*1 – Current Assets / Current Liabilities

*2 – Cash and Cash Equivalents / Current Liabilities

*3 – Interest Bearing Loans and Borrowings and Bonds payable / Equity attributable to Parent Company

*4 – Net Income / Total Assets (Computed using figures attributable only to parent Company shareholder)

*5 – Net Income / Equity (Computed using figures attributable only to parent company shareholders)

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

**Material Changes in the Year 2010 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2009)**

Statement of Financial Position

5.54% increase on Cash and cash Equivalents
Increase due to efficient collection of its receivables and financing activities

22.51% increase in Trade and other receivables – current and non-current
Primarily due to higher sales booking

201.20% increase in Financial Assets at fair value through profit or loss
Brought by changes in market value of financial assets

9.91% increase in Residential and condominium units for sale
Mainly due to increase in completed portion of cost attributable to on-going projects

18.89% increase in Prepayments and other current assets – net
Increase in Prepaid Expenses

100.00% decrease in Subscription Receivable
Full collection of subscription receivables from stock rights offering
124.17% increase in Advances to landowners and joint ventures
Primarily due additional advances made to joint venture partner

16.78% increase in Land for Future Development
Due to acquisition of additional land for future development

112.24% increase in Investment in available-for-sale securities
Due to changes in market value of the Company's equity instruments.

7.94% increase in Investment in and advances to associates and other related parties -net
Additional advances and increase in equity share from associates

6.71% increase in Investment in Property - net
Due to increase on real properties for lease and hotel improvements

5.42% decrease in Property and equipment, net
Due to depreciation for the year 2010

8.71% increase in other non-current assets
Due to an increase in guarantee deposits in 2010

10.36% decrease in Interest bearing loans and borrowings
Due to repayment of loans

10.25% increase in Trade and other payables
Due to increase in amounts payable to the Company's suppliers and contractors in relation to its real estate developments.

20.65% increase in Customer's Deposit – current and non-current
Due to aggressive marketing and pre-selling of various projects

36.43% increase in Reserve for Property Development - current and non-current
Pertains to estimated cost to complete the development of various projects

39.33% increase in Deferred Income on Real Estate Sales - current and non-current
Represents increase in unearned revenue

42.00% decrease in Income Tax Payable
Due to higher prepaid tax availed for the current year

23.00% increase in Deferred Tax Liability - net
Pertains to tax effects of taxable and deductible temporary differences

53.69% decrease in Advances from other related parties
Due to reclassification of some advances accounts

27.84% increase in Retirement benefit obligation
Additional accrual of retirement benefits

16.92% increase in Other Liabilities
Additional increase on deferred income

(Increase/decrease of 5% or more versus December 31, 2009)

Income Statements

30.69% increase in Interest Income on real estate sales
Due to realization of interest income from prior years' sales that have been recognized during the year

6.15% increase in Realized Gross Profit on prior's years
Mainly due to revenue recognition on prior year sales

34.68% increase in Rental Income
Due to escalation and the completion of additional leasing property

7.69% increase in Hotel Operations
Due to increase in hotel occupancy rates

127.02% increase in Equity share in net earnings/(losses) of associates, interest and other income

Due to increase in equity in net earnings of associates and other income

8.39% increase in Real Estate Sales Expenses

Due to increase in real estate sales

33.96% increase in Deferred Gross Profit

Due to increase in sales bookings

20.82% increase in Hotel Operations Expenses

Due to increase in hotel bookings

18.37% increase in Operating expenses

Due to aggressive marketing activities and increase in other administrative and corporate overhead expenses

7.34% decrease in Interest and other charges

Due to decrease in finance costs

11.93% increase in Income Tax Expense

Due to higher taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

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

There were no material events subsequent to the end of the year that have not been reflected in the Group's Financial Statement for the December 31, 2010.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statement as of December 31, 2010. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its interim consolidated financial statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

Review of 2009 versus 2008

During the year 2009, the consolidated net income amounted to Php 4.07 billion, 7.17% higher than the previous year's net income of Php3.79 billion. Consolidated total revenues composed of real estate sales, rental income, hotel income, interest income, dividend income and other revenues, grew by 2.66% from Php17.30 billion to Php17.76 billion resulting from strong property sales and increase leasing income.

Development. Among product groupings, the bulk of generated consolidated revenues came from the sale of residential lots and condominium units at 70.81% of total, amounting to Php 12.57 billion in 2009 compared to Php12.43 billion in 2008, an increase of 1.16%. The Group's registered sales mostly came from the following projects: Bellagio, Forbeswood Park Lane 1 & 2 and Eight Forbes Town in Fort Bonifacio; Eastwood Le Grand in Eastwood City; McKinley Hill Tuscany, Stamford and Morgan Suites in Taguig City; Manhattan Parkview in Quezon City; and Newport City in Pasay; City Place in Binondo, Manila; and One Central, Greenbelt Chancellor and Excelsior in Makati City.

Leasing. Rental income contributed 11.26% to the consolidated revenue and amounted to Php2.00 billion compared to Php1.30 billion posted in the same period last year, a 53.78% increase. The growth was due to escalation and the completion of additional leasing property.

Hotel Operations. The Group's hotel operations contributed Php216.14 million in 2009 from Php246.92 million in 2008 or a 12.46% decrease.

In general, the growth in cost and expenses by 1.40% from Php13.50 billion of the year 2008 to Php 13.69 billion for the year 2009, was due mainly to increase in recognized real estate sales as well as marketing and selling expenses, particularly commission expenses resulting from aggressive marketing activities as well as other administrative and corporate overhead expenses. Income tax expense increased by 51.14% from Php951.10 million in 2008 to Php1.44 billion in 2009 due to higher taxable income and tax effects of deductible temporary differences. Operating expenses as a percentage of consolidated total revenues were 10% for the year 2009 and 2008.

For the year 2009, the management believes that there were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

FINANCIAL CONDITION

The Group maintains a prudent financial strategy as it faces a more competitive and challenging environment. The Group's statement of financial position reflects stable financial growth. Total resources as of December 31, 2009 Php 85.25 billion compared to Php64.90 billion as of December 31, 2008, registering 31.36% increase.

The Group recorded an increase of 69.37% from its own Cash and Cash Equivalents primarily due to efficient collection of its receivable and successful financing activities.

Giving a picture of the ease of the Group to pay-off its currently maturing commitments, Current Assets amounted to Php43.75 billion compared to last year's Php32.82 billion. On the other hand, current obligations posted an amount of Php10.85 billion as of December 31, 2009 compared to Php8.26 billion as of December 31, 2008. The figures reflect the consistency of being liquid of the company making sure that right amounts of money and lines of credit are available to the business at all times. This year, as a result of the issuance of stock rights, there is a Subscription Receivables amounting to Php2.27 billion. Current and

Non-current Trade and other receivables increased by 34.30% from Php18.08 billion to Php24.28 billion due to increased sales brought by aggressive fiscal and marketing strategies. Due to the development and construction costs of the various on-going projects of the Group, a 31.87% growth from this year's Php3.72 billion to last year's Php2.82 billion of its Property development costs. As a result of the fair market value gains enjoyed by the Group during the year, the Financial Assets at fair value through profit or loss significantly increase in the amount of Php41.50 million as compared to previous year's Php17.40 million leading to a 138.51% growth.

Land for future development decreased by 29.85% from Php1.81 billion as of December 31, 2008 to Php1.27 billion as of December 31, 2009, the decrease is due to reclassification of account resulting from recognition of sales. Investment in available-for-sale securities declined by 32.73% from Php4.35 billion in December 31, 2008 to Php2.93 billion as of December 31, 2009, due to disposal of investment by a subsidiary. Investment property increased from Php7.14 billion as of December 31, 2008 to Php9.11 as of December 31, 2009, this increase of 27.53% is due to reclassification of accounts resulting from rental income recognition.

The Group, healthy of its financial condition, availing of additional loans from different financial institutions to support its expansion programs for the next few years posted Php8.30 billion total Interest-bearing loans and borrowings this year as compared to Php6.26 billion last year, an increase of 32.68%. Current and non-current Customer's deposit decreased by 7.09% resulting to a recorded amount of Php1.85 billion as of this year as compared to Php1.99 as of last year. Reserve for Property Development, on a current and noncurrent classification, recorded an aggregate amount of Php4.49 billion differentiating an increase of 17.51% from last year's data of Php3.82 billion. Combining current and non-current other liabilities posted a total amount of Php2.36 billion as compared to Php1.78 billion providing a gap of 32.39% as a result of an increase in deferred rental income of the Group.

Total equity rose by 25.55% to Php49.84 billion as of December 31, 2009 from Php39.69 billion as of December 31, 2008 due to the Group's continuous profitability and increase in capital stock.

The top five (5) key performance indicators of the Group are shown below:

	Year 2009	Year 2008
Current Ratio *1	4.03:1	3.97:1
Quick Ratio *2	1.92:1	1.49:1
Debt to Equity Ratio *3	0.34:1	0.26:1
Return on Assets *4	4.76%	5.81%
Return on Equity *5	8.26%	9.67%

*1 – Current Assets / Current Liabilities

*2 – Cash and Cash Equivalents / Current Liabilities

*3 – Interest Bearing Loans and Borrowings / Equity

*4 – Net Income / Total Assets (Computed using figures attributable only to parent company shareholders)

*5 – Net Income / Equity (Computed using figures attributable only to parent company shareholders)

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the year 2009 Financial Statements (Increase/decrease of 5% or more versus December 31, 2008)

Financial Position

69.37% increase in Cash and Cash Equivalents

Significant increase due to efficient collection of its receivable and successful financing activities

34.30% increase in Trade and other receivables – current and non-current
Primarily due increase in sales booking

138.51% increase in financial assets at fair value through profit and loss.
Due to changes in market value

31.87% increase in Property development cost
Mainly due to the costs attributable to the development of various projects

260.55% increase in Advances to landowners and joint ventures
Additional advances made to different joint venture partners

29.85% decrease in Land for future development
Due to reclassification of accounts resulting from recognition of sales

32.73% decrease in Investment in available-for-sale securities
Due to disposal of investment by a subsidiary

15.32% increase in Investments in and advances to associates and other related parties-net
Additional advances/investment made to associates and other related parties

27.53% increase in Investment property – net
Due to completion of certain properties held for lease

11.39% decrease in Property and equipment – net
Mainly due to depreciation of existing property and equipment

32.68% increase in Interest-bearing loans and borrowings
Additional long-term loans

36.20% increase in Trade and other payables
Additional trade commitment for the year

7.09% decrease in Customers' deposit – current and non-current
Reclassification of account resulting from recognition of sales

17.51% increase in Reserve for Property Development - current and non-current
Represents estimated cost to complete the development of various sold properties

24.49% increase in Deferred Income on Real Estate Sales - current and non-current
Represents increase in unearned revenue

363.28% increase on Income tax payable
Due to higher taxable net income

132.89% increase on Bonds Payable - net
Due to additional issuance of bonds

25.15% decrease in Advances from other related parties
Payments made during the year

43.30% increase in Deferred tax liabilities
Pertains to tax effects of taxable and deductible temporary differences

11.76% increase in Retirement benefit obligation
Additional accrual of retirement benefits

32.39% increase in Other current & non-current liabilities
Due to increase in deferred rental income

(Increase/decrease of 5% or more versus December 31, 2008)

Income Statements

16.64% increase in Interest income on real estate sales

Due to realization of interest income from prior years' sales that have been recognized during the year

69.72% increase in Realized Gross Profit on prior's years

Mainly due to revenue recognition in prior year sales

53.78% increase in Rental Income

Due to escalation and the completion of additional leasing property

12.46% decrease in Hotel Operations

Due to decline on hotel bookings

50.10% decrease in Equity share in net earnings of associates, interest and other income – net

Mainly due to decrease in interest and other income

11.74% increase in Deferred Gross Profit

Pertaining to uncompleted portion of various sales generating projects

40.70% decrease in Interest and other charges – net

Due to decrease in other charges

6.49% decrease in Hotel operations cost

Primarily in proportion to decrease in hotel operations' revenues

51.14% increase in Income Tax Expenses

Due to higher taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

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

There were no material events subsequent to the end of the year that have not been reflected in the Group's Financial Statement as of December 31, 2009.

Newly acquired associates have no material effect in financial condition and results of operations of the Group.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statement as of December 31, 2009. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its interim consolidated financial statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Group.

External Audit Fees and Services

The external auditors of the Company billed the amounts of Php1,476,200 in 2010, Php1,342,000 in 2009 and Php 1,302,200 in 2008 in fees for professional services rendered 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, 2009 and 2008.

Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for 2010 and 2008. In addition to the professional fees, the external auditors billed a fee of Php1,200,000 for additional services rendered for the year 2009 relative to the review of the Company's June 2009 financial statements for the issuance of a comfort letter in connection with the bonds issued.

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

FINANCIAL STATEMENTS

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

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In compliance with SEC Memorandum Circular No. 8, Series of 2003, and the Company's Manual of 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 26 March 2004, the designation of a new handling partner for the audit of the financial statements of the Company starting the year ending 31 December 2004. The handling partner then designated was Mr. Gregorio S. Navarro who is one of the Audit & Assurance partners of Punongbayan & Araullo and currently its Managing Partner for Operations. Punongbayan & Araullo was also the auditor of the Company for 2005, 2006, 2007 and 2008. The new signing partner designated for the financial statements starting the year ending 31 December 2009 is Ms. Dalisay B. Duque.

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

PART III – CONTROL AND COMPENSATION INFORMATION

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Board of Directors (“Board”). The Company’s executive officers and management team cooperate with the Company’s Board by preparing appropriate information and documents concerning the Company’s business operations, financial condition and results of operations for its review. Currently, the Board consists of seven members, of which three are independent directors. All of the directors were elected at the Company’s annual stockholders meeting on June 18, 2010 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of the Company’s Board as of 1 April 2011.

Name	Age	Citizenship	Position
Andrew L. Tan	61	Filipino	Director, Chairman and President
Katherine L. Tan.	59	Filipino	Director
Kingson U. Sian.	49	Filipino	Director, SVP and Executive Director
Enrique Santos L.Sy....	61	Filipino	Director
Miguel B. Varela.	71	Filipino	Independent Director
Gerardo C. Garcia	69	Filipino	Independent Director
Roberto S.Guevara	59	Filipino	Independent Director

The table below sets forth Megaworld’s executive officers in addition to its executive directors listed above as of 1 April 2011

Name	Age	Citizenship	Position
Lourdes G. Clemente ..	47	Filipino	Senior Executive Vice President for Finance and Administration
Francisco C. Canuto.....	53	Filipino	Senior Vice President, Treasurer Compliance Officer and Corporate Information Officer
Monica T. Salomon....	42	Filipino	First Vice President for Corporate Management
Garry V. de Guzman...	43	Filipino	First Vice President for Legal Affairs
Philipps C. Cando.....	52	Filipino	First Vice President for Operations
Ma. Victoria M. Acosta	49	Filipino	Managing Director for International Sales
Kimberly Hazel A. Sta. Maria	30	Filipino	Assistant Vice President for Corporate Communications and Advertising
Edwin B. Maquinto	49	Filipino	Corporate Secretary
Rolando D. Siatela.....	50	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board/President

Mr. Tan is the founder of the Company. He has served as Chairman of the Board and President of the Company since its incorporation in 1989. He has extensive experience in real estate, the food and beverage industry and quick service restaurants. He concurrently serves as the Chairman of the Board of Empire East Land Holdings, Inc., Alliance Global Group, Inc., Fil-Estate Land, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Travellers International Hotel Group, Inc., Consolidated Distillers of the Far East, Inc. and Emperador Distillers, Inc. Mr Tan serves in the boards of Megaworld subsidiaries, Eastwood Cyber One Corporation, Inc., Megaworld Cayman Islands, Inc., Megaworld Central Properties, Inc., Forbes Town Properties & Holdings, Inc., and Townsquare Development, Inc. He is also Chairman of the Board and President of Megaworld Newport Property Holdings, Inc., The Bar Beverage, Inc., Megaworld Land, Inc., Megaworld Globus Asia, Inc., Richmond Hotel Group International Limited and Yorkshire Holdings, Inc. He sits in the boards of The Andresons Group, Inc. and Raffles & Co. He is also a Director and Treasurer of Andresons Global 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 the Company, 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 31 "most dynamic growth center in Quezon City".

Katherine L. Tan
Director

Ms. Tan, has served as Director since 1989. She served as Treasurer of the Company from 1989 to 1994. She is concurrently Director and Treasurer of Alliance Global Group, Inc., Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc., Director and President of The Andresons Group, Inc., Consolidated Distillers of the Far East, Inc. and Raffles & Company, Inc., and is Director and Treasurer of Alliance Global Brands, Inc., Yorkshire Holdings, Inc., New Town Land Partners, Inc., and Emperador Distillers, Inc.

Kingson U. Sian
Director

Mr. Sian has been a director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director and President of Alliance Global Group, Inc., Travellers International Hotel Group, Inc. Forbes Town Properties & Holdings, Inc., Adams Properties, Inc. and Eastwood Cyber One Corporation. He is also Chairman and President of Prestige Hotels & Resorts, Inc. He is the Chief Operating Officer of Megaworld Land, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy
Director

Mr. Sy joined the Company in August 1989. He was Vice President for Corporate Communications & Advertising Division until his retirement on 31 March 2011. He is concurrently a Director of Empire East Land Holdings, Inc. He also serves on the boards of First Oceanic Property Management Inc. and Eastin Holdings, Inc. He is a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Miguel B. Varela

Independent Director/Vice Chairman

A man who wears many hats, Miguel B. Varela holds significant positions in various public and private institutions.

Mr. Varela has been a member of the Company's Board of Directors since 30 June 2006. He is presently a Director of Manila Bulletin being formerly the President, Director of Ausphil Tollways Corporation, Director, NPC Alliance Corporation, Vice Chairman Richmonde Hotel, among others. He is the Chairman of the Philippine Chamber of Commerce and Industry (PCCI), Chairman of the Employers Confederation of the Philippines (ECOP), Trustee of Philippines Trade Foundation, Inc. Chairman of Pribadong Institusyong Laban sa Kahirapan (PILAK). He is also Chairman for International and Trade Affairs of the PCCI, Chairman of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and Vice Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI). He is also Vice President of the International Labor Organization Foundation, Inc. and Commissioner and Corporate Secretary of the Streetwatch Commission and Foundation for Crime Prevention. He is an accredited international arbitrator of the Paris-based International Court of Arbitration. A member of the Philippine Bar he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He is a member of the Philippine Bar Association, a Commissioner of the Consultative Commission on Constitutional Reform and a Lifetime Member of the Philippine Constitution Association (PHILCONSA). He is the recipient of various awards and citations such as San Beda College's Outstanding Alumni Award for Business Leadership, and San Beda Hall of Fame Awardee. Presidential Medal of Merit for Outstanding Service to the Republic of the Philippines, Tamaraw Leadership Award, Katipunan Leadership Award and Leadership Award from ECOP, PCCI and ASEAN Productivity Organization. He was also conferred by the Central Luzon State University with the degree of Doctor of Humanities (*honoris causa*), with Her Excellency, President Gloria Macapagal Arroyo presiding at the Conferment rites, and by the Eulogio "Amang" Rodriguez University of Science and Technology with a Doctorate in Business Technology (*honoris causa*).

Gerardo C. Garcia Independent Director

Mr. Garcia has served in the Company's Board of Directors since 1994. He concurrently serves as independent director in the boards of Empire East Land Holdings, Inc., He is also a director of Megaworld Land, Inc., Suntrust Properties, Inc. and Philippine Tech. & Development Ventures, Inc. From October 1994 to December 1997, Mr. Garcia previously served as President of Empire East Land Holdings, Inc. Prior to joining Empire East Land Holdings, Inc., Mr. Garcia served as Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration from the University of the Philippines.

Roberto S. Guevara Independent Director

Mr. Guevara has been a member of the Company's Board of Directors since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. and First Centro Corp. He serves on the board of other companies, such as G & S Transport Corporation, a licensee of Avis Car Rentals, Tin Can Mobile Solutions Corp., Guevent Industrial Development Corporation and Radiowealth Finance Corporation. Mr. Guevara graduated from San Beda College in 1974, and received graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Lourdes G. Clemente Senior Executive Vice President for Finance and Administration

Ms. Clemente joined the Company in 1990. She is a Certified Public Accountant and holds the rank of Senior Executive Vice President. She is a member of the Company's

Management Executive Committee. Ms. Clemente graduated Cum Laude from the Far Eastern University with the degree of Bachelor of Science major in Accounting. She is the Chairman of the Company's property management arm, First Oceanic Property Management, Inc. She is currently a director of Suntrust Properties, Inc., Forbes Town Properties & Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Homes, Inc., Oceantown Properties, Inc., Palm Tree Holdings & Development Corporation, Eastwood Cyber One Corporation and Prestige Hotels & Resorts, Inc. She is a trustee and Corporate Secretary of Megaworld Foundation, Inc. Prior to joining the Company, she was Audit Manager of Philippine Aluminum Wheels, Inc. and Senior Auditor in Cabanero Katigbak Clemente & Associates and RubberWorld Philippines.

Francisco C. Canuto
First Vice President and Treasurer

Mr. Canuto joined the Company in 1995. He is a Certified Public Accountant and currently holds the rank of Senior Vice President. He is the Treasurer of the Company and Senior Assistant to the Chairman. He is a member of the Company's Management Executive Committee. He graduated from the Polytechnic University of the Philippines with the degree of Bachelor of Science in Commerce major in Accounting. Mr. Canuto has a Masters Degree in Business Administration from the Ateneo Graduate School of Business. He is concurrently a director of Eastwood Property Holdings, Inc., Oceantown Properties, Inc. and Forbes Town Properties & Holdings, Inc. He is a Director and the Corporate Secretary of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. He is also a Director and Treasurer of Megaworld Resort Estates, Inc., Megaworld Homes, Inc., Megaworld Land, Inc., Megaworld Daewoo Corporation, Eastwood Cyber One Corporation and Prestige Hotels & Resorts, Inc. He serves as a Director and President of Megaworld Cayman Islands, Inc. and Gilmore Property Marketing Associates, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation. In 2004, Mr. Canuto was named Outstanding Alumnus in Financial Management by the Polytechnic University of the Philippines during its centennial year.

Monica T. Salomon
First Vice President for Corporate Management

Ms. Salomon heads the Corporate Management Department of the Company and is a member of the Company's Management Executive Committee. She joined the Company's Legal and Corporate Management Division in January 1997 and has served as corporate counsel to the Company and its subsidiaries since 1997. She is concurrently a director of Megaworld Land, Inc., Prestige Hotels & Resorts, Inc., Megaworld Homes, Inc., Megaworld Central Properties, Inc., Megaworld Newport Property Holdings, Inc., Forbes Town Properties & Holdings, Inc., Townsquare Development Inc., and Eastwood Property Holdings, Inc. She is the Corporate Secretary of Oceantown Properties, Inc. and a Director and Corporate Secretary of Palm Tree Holdings & Development Corporation and Megaworld Resort Estates, Inc. She is also a trustee of Megaworld Foundation, Inc. Before joining Megaworld, she worked as an Associate at the ACCRA Law Offices and was Legislative Staff Assistant to then Congressman Raul S. Roco at the House of Representatives. Ms. Salomon pursued her law studies at the University of the Philippines where she graduated in April 1994 with honors. She was admitted to the Integrated Bar of the Philippines in 1995.

Garry V. de Guzman
First Vice President for Legal Affairs

Mr. De Guzman heads the Legal Affairs Department of the Company. He joined the Company in April 1997 as a Senior Manager of its Legal and Corporate Management Division in April 1997. Mr. De Guzman has been in continuous litigation practice for more than twelve (12) years and is in charge of the Company's litigation, licensing, registration and titling activities. Before joining Megaworld, he was an Associate at the ACCRA Law Offices and Tax Assistant in Punongbayan and Araullo, CPAs. He obtained his Bachelor of Laws in 1994 from San Beda College where he graduated Class Salutatorian and was admitted to the Integrated

Bar of the Philippines in 1995. In 1989, he obtained his bachelor's degree in Commerce major in Accounting from the same institution graduating Magna Cum Laude and Class Valedictorian. Mr. De Guzman serves as director in Fil-Estate Land, Inc., ERA Real Estate Exchange, Inc., Megaworld Resort Estates, Inc. and Oceanic Realty International Group, Inc. Mr. De Guzman is a member of the Commercial Law Affiliates, AsiaLaw, Philippine Institute of Certified Accountants and is Past President of the Rotary Club, Parañaque City Chapter.

Philipps C. Cando
First Vice President for Operations

Mr. Cando is a licensed civil engineer who has over 27 years of experience in project development and construction management. Mr. Cando joined the Company in 1994 as a construction manager and eventually rose to become head of the Company's project management team. Prior to joining Megaworld, Mr. Cando was employed for over 12 years in construction design and consultancy firms, Arenas-Tugade Associates and Massive Design Group. During his more than 15 years with the Company, Mr. Cando was responsible for the construction management of over thirty-three (33) project developments of the Company including residential and office condominium projects, hotel, mall and retail complexes as well as large scale mixed-use developments such as McKinley Hill and Eastwood City. He now heads the Company's Operations and responsible for the construction development of large scale developments to include, Newport City, Forbes Town Center at Global City, Manhattan Garden City at Araneta Center, Cityplace at Binondo and Bonifacio Uptown.

Ma. Victoria M. Acosta
Managing Director for International Sales

Ms. Acosta is Managing Director for International Sales and has held this position since September 1999. Prior to her appointment, she had twenty years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. Earlier, she also served as Senior Vice President and General Manager of Raffles & Co., Inc. Ms. Acosta graduated from the University of the Philippines with the degree of Bachelor of Science in Business Administration major in Marketing & Finance.

Kimberly Hazel A. Sta. Maria
Assistant Vice President for Corporate Communications and Advertising

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a *cum laude* graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

Edwin B. Maquinto
Corporate Secretary

Mr. Maquinto is the Corporate Secretary of the Company and has held this position since 1997. He is currently Corporate Counsel of Emperador Distillers, Inc., Anglo-Watson Glass, Inc., The Andresons Group, Inc., Consolidated Distillers of the Far East, Inc., Raffles & Company, Inc. and Andresons Global, Inc. He graduated from the University of the Philippines, with degrees in law and economics. He served as Special Assistant to the Legal and Corporate Manager of the Philippine Coconut Authority, Chief Legal Counsel of the FORZA group of companies, Legal Officer of the Office of Legal Affairs and Hearing Officer of the Garments and Textiles Export Board, both of the Department of Trade and Industry.

Rolando D. Siatela
Assistant Corporate Secretary

Mr. Siatela serves as Assistant Corporate Secretary of the Company. He is also Assistant Vice President for Corporate Management of the Company. He concurrently serves in PSE-listed Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer, Alliance Global Group, Inc. and Fil-Estate Land, Inc. as Assistant Corporate Secretary. He is also Corporate Secretary of Oceanic Realty Group International, Inc and ERA Real Estate Exchange, Inc. Documentation Officer of Megaworld Foundation, Inc. and Assistant Corporate Secretary and Chief Administrative Officer of The Andresons Group, Inc. He is a member of the board of Asia Finest Cuisine, Inc. Prior to joining Megaworld Corporation, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc.

Significant Employees

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Chairman and President Andrew L. Tan is married to Director Katherine L. Tan.

Involvement in Certain Legal Proceedings

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

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following tables identify the Company's Chief Executive Officer and the five most highly compensated executive officers and summarize their aggregate compensation in 2009 and 2010 and the estimated aggregate compensation for 2011:

Annual Compensation

Name	Position	Year	Salary	Other Variable Compensation
A. CEO and Five Most Highly Compensated Officers		2011	23,465,879.00	11,720,066.64
1. Andrew L. Tan	President			
2. Lourdes G. Clemente	SEVP for Finance and Administration			
3. Phillips C. Cando	FVP for Operations			
4. Kingson U. Sian	SVP, Executive Director			
5. Francisco C. Canuto	SVP, Treasurer			
6. Ma. Victoria M. Acosta	Managing Director			
B. All other officers and directors as a group unnamed			39,252,632.00	7,852,409.98

Annual Compensation

Name	Position	Year	Salary	Other Variable Compensation
A. CEO and Five Most Highly Compensated Officers		2010	20,324,632.00	10,163,494.26
1. Andrew L. Tan	President			
2. Lourdes G. Clemente	SVP for Finance and Administration			
3. Phillips C. Cando	FVP for Operations			
4. Kingson U. Sian	SVP, Executive Director			
5. Francisco C. Canuto	FVP, Treasurer			
6. Ma. Victoria M. Acosta	Managing Director			
B. All other officers and directors as a group unnamed			33,867,671.78	6,852,236.77

Annual Compensation

Name	Position	Year	Salary	Other Variable Compensation
A. CEO and Five Most Highly Compensated Officers		2009	18,100,090.00	8,841,935.80
1. Andrew L. Tan	President			
2. Lourdes G. Clemente	SVP for Finance and Administration			
3. Antonio T. Tan	SVP for Operations			
4. Kingson U. Sian	SVP, Executive Director			
5. Francisco C. Canuto	FVP, Treasurer			
6. Ma. Victoria M. Acosta	Managing Director			
B. All other officers and directors as a group unnamed			30,104,597.14	6,118,710.51

Compensation of Directors

The members of the Board receive a standard per diem for attendance in Board meetings. In 2009 and 2010, the Company paid a total of Php250,000 and Php180,000, respectively, for directors' per diem. For 2011, the Company has allocated Php250,000 for directors' per diem. Other than payment of the per diem, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2010 and the ensuing year, for any service provided as a director. There are no other compensatory plans or arrangements with respect to any named executive officer.

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

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. There is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries other than standard benefits provided under the Company's retirement plan covering all regular full-time employees, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are no warrants and options granted under the Company's executive compensation plan to the Company's President, the named executive officers, and all officers and directors as a group.

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares as of March 31, 2011

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Alliance Global Group, Inc. (AGI) ¹ 7 th /F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Alliance Global Group, Inc. ²	Filipino	8,479,831,663	26.8029%
Preferred				<u>6,000,000,000</u> <u>14,479,831,663</u>	<u>18.9647%</u> <u>45.7675%</u>

¹The Chairman of the Board of AGI, Mr. Andrew L. Tan, is also Chairman of the Board and President of the Company.

² The Board of Directors of AGI has voting and investment power over AGI's shares of stock in the Company. AGI has authorized its Chairman, or in his absence, the Chairman of the Meeting, to vote AGI's shares of stock in the Company.

Common	PCD Nominee Corporation (Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers.	Filipino	5,737,511,381	18.1256%
Common	New Town Land Partners, Inc. (NTLPI) ¹ , 6/F The World Centre, Sen. Gil Puyat, Ave., Makati	New Town Land Partners, Inc.	Filipino	5,182,179,590	16.3797%
Common	PCD Nominee Corporation (Non-Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers. ²	Non-Filipino	5,171,051,184 ³	16.3445%
Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	The Hongkong and Shanghai Banking Corp. Ltd. – Clients (HSBC) ⁴	Non-Filipino	3,459,080,915	10.9334%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security Ownership of Management as of 31 March 2011

Title of Class Name of Beneficial Owner		Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors/Nominees				
Common	Andrew L. Tan	100,000,000 (direct)	Filipino	.31607776%
		1,891,632 ⁵ (indirect)	Filipino	.00597902%
		14,479,831,663 ⁶ (indirect)	Filipino	45.76752857%
		5,182,179,590 ⁷ (indirect)	Filipino	16.37971752%
Common	Gerardo C. Garcia	136,136 (direct)	Filipino	.00043029%
Common	Kingson U. Sian	612,501 (direct)	Filipino	.00193597%
Common	Katherine L. Tan	1,891,632 (direct)	Filipino	.00597902%
		100,000,000 ⁸ (indirect)	Filipino	.31607776%
Common	Miguel B. Varela	4,422 (direct)	Filipino	.00001397%
Common	Roberto S. Guevara	1 (direct)	Filipino	.00000001%
Common	Enrique Santos L. Sy	80,553 (direct)	Filipino	.00025461%
CEO and Five Most Highly Compensated Executive Officers				
Common	Andrew L. Tan	100,000,000 (direct)	Filipino	.31607776%
		1,891,632 ⁹ (indirect)	Filipino	.00597902%

¹ The Board of Directors of NTLPI has voting and investment power over NTLPI's shares of stock in the Company, NTLPI has authorized the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

² Among the PCD participants, HSBC owns 3,459,080,915 shares, representing 10.9334% of the Company's outstanding capital stock. The PCD participants including HSBC are not affiliated with the Company.

³ This includes HSBC's 3,459,080,915 shares.

⁴ HSBC is a participant of the PCD. The beneficial owners of the shares held by HSBC are not known to the Company.

⁵ Beneficially owned by spouse Katherine L. Tan.

⁶ Held by Alliance Global Group, Inc. which has authorized Andrew L. Tan, in his capacity as Chairman of the Board, or in his absence the Chairman of the Meeting, to vote AGI's common shares in the Company.

⁷ Held by NTLPI which has authorized the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

⁸ Beneficially owned by spouse Andrew L. Tan.

⁹ Beneficially owned by spouse Katherine L. Tan.

		14,479,831,663 ¹ (indirect)	Filipino	45.76752857%
		5,182,179,590 ² (indirect)	Filipino	16.37971752%
Common	Kingson U. Sian	612,501 (direct)	Filipino	.00193597%
Common	Lourdes G. Clemente	839,866 (direct)	Filipino	.00265462%
Common	Francisco C. Canuto	318,150 (direct)	Filipino	.00100560%
Common	Philipps C. Cando	0	Filipino	n/a
Other Executive Officers				
Common	Monica T. Salomon	0	Filipino	n/a
Common	Garry V. de Guzman	0	Filipino	n/a
Common	Ma. Victoria M. Acosta	0	Filipino	n/a
Common	Kimberly Hazel A. Sta. Maria	0	Filipino	n/a
Common	Edwin B. Maquinto	0	Filipino	n/a
Common	Rolando D. Siatela	0	Filipino	n/a
Common	All directors and executive officers as a group	103,883,261 ³ (direct)		.3283518%

Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the Company since it was incorporated in 1989.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Other related parties include joint venture partners (See Note 9 to the Audited Financial Statements, Advances to Landowners and Joint Ventures) and investees which investments are accounted for at cost and other entities which are owned and managed by investors/owners of the Company (See Note 10 to the Audited Financial Statements, Investments in and Advances to Associates and Other Related Parties). Advances granted to joint venture partners are in the nature of cash advances made to landowners under agreements covering the development of parcels of land, which are to be used for pre-development expenses such as relocation of existing occupants. Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the landowner's share in saleable lots or in the form of cash to be derived from sales of the landowner's share in the saleable lots and residential and condominium units. The commitment for cash advances under the agreements has been fully granted by the Company.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. For more information, see Note 10 to the Audited Financial Statements.

¹ Held by Alliance Global Group, Inc. which has authorized Andrew L. Tan, in his capacity as Chairman of the Board, or in his absence, the Chairman of the Meeting, to vote AGI's common shares in the Company.

² Held by NTLPI which has authorized the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

³ No director or executive officer has the right to acquire additional shares of the Company within 30 days from options, warrants, rights, conversion privileges or similar obligations or otherwise.

The Company avails of marketing services of Eastwood Property and Holdings, Inc. (EPHI), a wholly-owned subsidiary of Empire East Land Holdings, Inc. (EELHI), Megaworld Newport Property Holdings, Inc. and Megaworld Land, Inc. (MLI), which acts as a manager and leasing agent for the commercial properties of the Company. (See Note 23 to the Audited Financial Statements, Other Related Party Transactions). As consideration for said marketing services, the Company pays commission based on contracted terms. Commission expenses charged by EPHI and MLI are based on prevailing market rates.

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

PART IV – CORPORATE GOVERNANCE

Compliance with Leading Practices on Corporate Governance

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

Audit Committee

The Company's Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. The Company's Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

Compensation and Remuneration Committee

The Company's Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, as well as providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment. The Company's Compensation and Remuneration Committee consists of three members, including at least one independent director.

Nomination Committee

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

In 2005, the Company engaged the services of the Institute of Corporate Directors (ICD) to facilitate a Corporate Governance Training/Seminar for its Board of Directors and executives. The Training/Seminar included a discussion on the Main Principles of Corporate Governance contained in the Organization for Economic Cooperation and Development (OECD), the Pacific Economic Cooperation Council (PECC) and the Philippine SEC Corporate Governance Code, Responsible Citizenship and Corporate Social Responsibility, Finance in the Corporate Governance Setting and Best Practices of Corporate Governance. In 2004, the Company designated a new engagement partner of Punongbayan and Araullo for the audit of its financial statements beginning the year ending December 31, 2004 in compliance with its Manual on Corporate Governance requirement that the Company rotate its external auditor or change the handling partner every five (5) years or earlier. In 2004, Ms. Dalisay B. Duque has been designated as the new signing partner for the audit of the Company's

financial statements as of 31 December 2009. During the same year, 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 has revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2010, 2009 and 2008

The Company filed the following reports on SEC Form 17-C during the last six-month period covered by this report.

Date	Disclosures
12 August 2010	Press Release: “Megaworld 1H Net Income Rise to P2.24B”
13 October 2010	Press Release: “Megaworld Group Sells P36.6B in 1 st 9mos. of 2010”
11 November 2010	Press Release: “Megaworld’s 9-month Net Income Hits P4.08B”
13 December 2010	MEG’s Plan for its Treasury Shares
20 December 2010	Press Release: “Megaworld Group Eyes 18,673 Homes in 2011”

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, on APRIL 14, 2011.


MEGAWORLD CORPORATION


Company

By:


ANDREW L. TAN
 President
 (Principal Executive Officer)


FRANCISCO C. CANUTO
 Treasurer
 (Principal Financial Officer)



LOURDES O. RAMILO
 (Principal Accounting Officer
 and Comptroller)


EDWIN B. MAQUINTO
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2011, affiants exhibiting to me their Community Tax Certificates, as follows:

<u>NAME</u>	<u>TIN NO.</u>	<u>CTC NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Andrew L. Tan	125-960-003	15958902	1/21/2011	Quezon City
Francisco C. Canuto	102-956-483	05944515	1/11/2011	Makati City
Edwin B. Maquinto	121-424-847	20137189	2/14/2011	Quezon City
Lourdes O. Ramilo	111-600-504	04271569	3/24/2011	Makati City

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 Book No. XIV
 Series of 2011.


ATTY. RAMON L. CARPIO
 NOTARY PUBLIC
 Until December 31, 2012
 Roll No. 22,172 - TIN 106-918-897
 IBP No. 839560 MCLE No. 111 - 10014306
 PTR No. 6515333 Issued on Jan. 3, 2011 at Pasig City



MEGAWORLD CORPORATION

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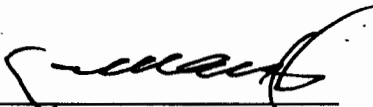
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of **Megaworld Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2010, 2009 and 2008**, 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 Company 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:

Signature : 
ANDREW L. TAN
Chairman of the Board

Signature : 
ANDREW L. TAN
Chief Executive Officer (President)

Signature : 
FRANCISCO C. CANUTO
Chief Financial Officer (Treasurer)





MEGAWORLD CORPORATION

28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines

Tels: (632) 867-8826 to 40

www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

Apr 04 2011

SUBSCRIBED AND SWORN to before me on this _____ day of _____ at
MAKATICITY, Philippines affiants exhibiting to me their Community Tax
Certificate Nos. as follows:

Andrew L. Tan	10575590	January 06, 2011	Quezon City
Francisco C. Canuto	05944515	January 11, 2011	Makati City

Doc. No. 464 ;
Page No. 26 ;
Book No. 17 ;
Series of 2011

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UNTIL DEC. 31, 2012
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IBP NO. 835882 11-10-2010 P A S I G
PTR NO. 2641660 01-03-2011 MAKATI
MCLE COMPLIANCE NO. I-0005897
MCLE EXEMPTION NO. III-000664
APPOINTMENT NO. M-144
TIN NO. 120-884-559-000 (4)



Report of Independent Auditors

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Philippines

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**The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries**
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2010, 2009 and 2008, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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.

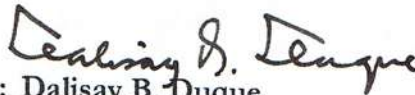
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 Megaworld Corporation and Subsidiaries as at December 31, 2010, 2009 and 2008, and of their consolidated financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: Dalisay B. Duque
Partner

CPA Reg. No. 0022692

TIN 140-240-854

PTR No. 2641851, January 3, 2011, Makati City

Partner's SEC Accreditation No. 0012-AR-2 (until Feb. 1, 2012)

BIR AN 08-002511-9-2008 (until Nov. 24, 2011)

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 15, 2011

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 22,031,584,943	P 20,876,005,473	P 12,325,333,064
Trade and other receivables - net	6	14,133,801,384	10,749,643,934	11,420,125,379
Subscriptions receivable	24	-	2,272,642,649	-
Financial assets at fair value through profit or loss	7	125,000,000	41,500,000	17,400,000
Residential and condominium units for sale	3	6,286,477,215	5,719,854,891	5,847,104,417
Property development costs	3	3,798,108,537	3,720,702,927	2,821,399,894
Prepayments and other current assets - net		437,227,590	367,756,457	390,067,827
Total Current Assets		46,812,199,669	43,748,106,331	32,821,430,581
NON-CURRENT ASSETS				
Trade and other receivables	6	15,617,214,463	13,534,302,355	6,661,850,041
Advances to landowners and joint ventures	9	2,708,026,497	1,208,026,496	335,048,101
Land for future development	2	1,482,561,015	1,269,561,000	1,809,743,589
Investments in available-for-sale securities	8	6,211,184,496	2,926,531,713	4,350,224,672
Investments in and advances to associates and other related parties	10	13,671,332,490	12,665,714,849	10,982,670,783
Investment property - net	11	9,716,530,045	9,105,785,069	7,140,319,564
Property and equipment - net	12	360,518,201	381,176,983	430,180,785
Deferred tax assets - net	22	7,860,539	7,887,713	2,418,273
Other non-current assets	13	442,095,396	406,679,936	367,389,073
Total Non-current Assets		50,217,323,142	41,505,666,114	32,079,844,881
TOTAL ASSETS		P 97,029,522,811	P 85,253,772,445	P 64,901,275,462

	Notes	2010	2009	2008
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	P 1,311,354,897	P 850,744,029	P 348,831,327
Bonds payable	15	3,416,062,159	-	-
Trade and other payables	16	4,037,713,348	3,662,373,258	2,689,022,672
Customers' deposits	2	1,013,053,489	960,106,021	1,024,881,409
Income tax payable		29,061,975	50,108,777	10,816,032
Reserve for property development	2	3,640,068,354	2,468,349,023	2,078,799,883
Deferred income on real estate sales	2	2,220,540,650	1,515,687,720	1,180,849,892
Other current liabilities	17	1,741,665,060	1,347,443,261	931,751,599
Total Current Liabilities		17,409,519,932	10,854,812,089	8,264,952,814
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	6,128,583,476	7,449,057,858	5,906,746,354
Bonds payable	15	5,000,000,000	8,608,407,826	3,696,290,569
Customers' deposits	2	1,222,422,709	892,800,498	969,510,257
Reserve for property development	2	2,487,557,735	2,023,028,273	1,743,300,891
Deferred income on real estate sales	2	1,588,240,851	1,217,863,024	1,014,902,786
Deferred tax liabilities - net	22	3,249,030,654	2,641,563,555	1,843,353,761
Advances from other related parties	23	289,868,257	625,936,481	836,258,246
Retirement benefit obligation	21	116,039,185	90,767,520	81,219,560
Other non-current liabilities	17	1,019,123,375	1,013,818,761	851,789,377
Total Non-current Liabilities		21,100,866,242	24,563,243,796	16,943,371,801
Total Liabilities		38,510,386,174	35,418,055,885	25,208,324,615
EQUITY				
Total equity attributable to parent company's shareholders	24	57,776,023,630	49,111,847,183	38,980,292,755
Non-controlling interest		743,113,007	723,869,377	712,658,092
Total Equity		58,519,136,637	49,835,716,560	39,692,950,847
TOTAL LIABILITIES AND EQUITY		P 97,029,522,811	P 85,253,772,445	P 64,901,275,462

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES				
Real estate sales	6	P 13,110,567,020	P 12,574,801,962	P 12,430,321,088
Interest income on real estate sales	6	933,424,160	714,213,230	612,320,924
Realized gross profit on prior years' sales	2	1,355,982,007	1,277,434,472	752,681,262
Rental income	11	2,694,310,554	2,000,477,427	1,300,910,039
Hotel operations	2	232,757,023	216,143,646	246,919,573
Equity in net earnings of associates, interest and other income - net	19	2,214,742,331	975,587,944	1,954,942,770
		<u>20,541,783,095</u>	<u>17,758,658,681</u>	<u>17,298,095,656</u>
COSTS AND EXPENSES				
Real estate sales	2	8,606,699,164	7,940,756,662	8,082,125,043
Deferred gross profit	2	2,431,379,388	1,815,065,914	1,624,410,655
Operating expenses	18	2,140,225,634	1,808,120,886	1,744,978,492
Interest and other charges - net	20	544,401,114	587,544,169	990,784,498
Hotel operations	2	124,463,666	103,017,443	110,169,420
Tax expense	22	1,609,101,525	1,437,541,131	951,101,304
		<u>15,456,270,491</u>	<u>13,692,046,205</u>	<u>13,503,569,412</u>
NET PROFIT FOR THE YEAR		<u>P 5,085,512,604</u>	<u>P 4,066,612,476</u>	<u>P 3,794,526,244</u>
Net profit attributable to:				
Parent company's shareholders		P 5,026,180,575	P 4,055,401,191	P 3,771,127,007
Non-controlling interest		<u>59,332,029</u>	<u>11,211,285</u>	<u>23,399,237</u>
		<u>P 5,085,512,604</u>	<u>P 4,066,612,476</u>	<u>P 3,794,526,244</u>
Earnings per Share				
Basic and Diluted	25	<u>P 0.200</u>	<u>P 0.176</u>	<u>P 0.187</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NET PROFIT FOR THE YEAR		P 5,085,512,604	P 4,066,612,476	P 3,794,526,244
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gains (losses) on available-for-sale (AFS) financial assets	8	4,031,843,227	1,211,879,519	(1,250,778,389)
Reversal of unrealized losses on AFS financial assets of a deconsolidated subsidiary		63,656,553	-	-
Reclassification adjustments for gains (losses) of disposed AFS financial assets included in profit or loss	8	(473,319,584)	276,543,393	(51,926,367)
Share in other comprehensive income of associates		71,176,649	-	-
		<u>3,693,356,845</u>	<u>1,488,422,912</u>	<u>(1,302,704,756)</u>
Translation adjustments		(186,558,030)	(86,806,621)	410,292,926
Less related tax	22, 2.4	55,967,408	26,041,986	(11,728,077)
		<u>(130,590,622)</u>	<u>(60,764,635)</u>	<u>398,564,849</u>
		<u>3,562,766,223</u>	<u>1,427,658,277</u>	<u>(904,139,907)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 8,648,278,827	P 5,494,270,753	P 2,890,386,337
Total comprehensive income attributable to:				
Parent company's shareholders		P 8,588,946,798	P 5,483,059,468	P 2,866,987,100
Non-controlling interest		59,332,029	11,211,285	23,399,237
		<u>P 8,648,278,827</u>	<u>P 5,494,270,753</u>	<u>P 2,890,386,337</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	<u>2010</u>	<u>2009</u>	<u>2008</u>
CAPITAL STOCK				
	24			
Balance at beginning of year		P 25,829,203,626	P 20,701,646,901	P 20,701,646,901
Additional issuance during the year		<u>-</u>	<u>5,127,556,725</u>	<u>-</u>
Balance at end of year		<u>25,829,203,626</u>	<u>25,829,203,626</u>	<u>20,701,646,901</u>
ADDITIONAL PAID-IN CAPITAL				
	24	<u>8,432,990,413</u>	<u>8,432,990,413</u>	<u>8,432,990,413</u>
TREASURY STOCK - at cost				
	24			
Balance at beginning of year		(1,188,836,744)	(1,188,836,744)	(871,543,094)
Reduction representing the shares held by a deconsolidated subsidiary		555,115,114	-	-
Additions during the year		<u>-</u>	<u>-</u>	(<u>317,293,650</u>)
Balance at end of year		(<u>633,721,630</u>)	(<u>1,188,836,744</u>)	(<u>1,188,836,744</u>)
NET UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS				
	8			
Balance at beginning of year		116,256,567	(1,372,166,345)	(69,461,589)
Other comprehensive income (loss) for the year		<u>3,693,356,845</u>	<u>1,488,422,912</u>	(<u>1,302,704,756</u>)
Balance at end of year		<u>3,809,613,412</u>	<u>116,256,567</u>	(<u>1,372,166,345</u>)
ACCUMULATED TRANSLATION ADJUSTMENTS				
	2.4			
Balance at beginning of year		(121,744,648)	(60,980,013)	(459,544,862)
Other comprehensive income (loss) for the year, net of tax		(<u>130,590,622</u>)	(<u>60,764,635</u>)	<u>398,564,849</u>
Balance at end of year		(<u>252,335,270</u>)	(<u>121,744,648</u>)	(<u>60,980,013</u>)
RETAINED EARNINGS				
Balance at beginning of year		16,043,977,969	12,467,638,543	9,098,865,349
Net profit attributable to parent company's shareholders		5,026,180,575	4,055,401,191	3,771,127,007
Cash dividends	24	(<u>479,885,465</u>)	(<u>479,061,765</u>)	(<u>402,353,813</u>)
Balance at end of year		<u>20,590,273,079</u>	<u>16,043,977,969</u>	<u>12,467,638,543</u>
Total Equity Attributable to Parent Company's Shareholders		<u>57,776,023,630</u>	<u>49,111,847,183</u>	<u>38,980,292,755</u>
NON-CONTROLLING INTEREST				
Balance at beginning of year		723,869,377	712,658,092	772,956,023
Deductions		(<u>40,088,399</u>)	-	(<u>83,697,168</u>)
Net profit attributable to non-controlling interest		<u>59,332,029</u>	<u>11,211,285</u>	<u>23,399,237</u>
Balance at end of year		<u>743,113,007</u>	<u>723,869,377</u>	<u>712,658,092</u>
TOTAL EQUITY		<u>P 58,519,136,637</u>	<u>P 49,835,716,560</u>	<u>P 39,692,950,847</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	6,694,614,129	P	5,504,153,607
Adjustments for:				P
Interest income	19	(835,944,617)	(690,238,144)	(1,486,040,236)
Finance costs	20	516,440,321	556,326,705	766,416,111
Depreciation and amortization	18	443,203,639	365,795,590	238,834,323
Equity in net earnings of associates	10, 19	(442,281,307)	(157,958,213)	(109,464,838)
Fair value losses (gains) - net	19, 20	(83,500,000)	(24,100,000)	42,653,717
Dividend income	19	(40,630,134)	(44,247,127)	(48,880,085)
Operating profit before working capital changes		6,251,902,031	5,509,732,418	4,149,146,540
Increase in trade and other receivables		(5,467,069,558)	(6,201,387,858)	(5,394,041,435)
Decrease (increase) in residential and condominium units for sale		412,044,886	127,249,526	(37,609,566)
Decrease (increase) in property development costs		(77,405,610)	112,428,459	557,922,101
Decrease (increase) in prepayments and other current assets		(69,471,133)	22,311,370	104,566,830
Increase in advances to landowners and joint ventures		(1,500,000,001)	(872,978,395)	(165,664,462)
Increase (decrease) in trade and other payables		204,094,188	854,376,714	(222,761,682)
Increase (decrease) in customers' deposits		382,569,679	(141,485,147)	(397,825,551)
Increase in deferred income on real estate sales		1,075,230,757	537,798,066	871,380,840
Increase in reserve for property development		1,636,248,793	669,276,522	1,228,583,888
Increase in other liabilities		424,798,078	415,691,663	283,434,290
Cash generated from operations		3,272,942,110	1,033,013,338	977,131,793
Cash paid for income taxes		(946,782,440)	(559,614,717)	(568,856,191)
Net Cash From Operating Activities		2,326,159,670	473,398,621	408,275,602
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment property	11	(991,266,588)	(2,261,263,607)	(1,759,545,786)
Land for future development		(213,000,015)	-	(204,162,180)
Property and equipment	12	(62,373,098)	(33,162,257)	(64,209,436)
Interest received		835,944,617	689,655,133	1,228,937,506
Net decrease (increase) in other non-current assets		(221,527,843)	17,607,943	(19,963,210)
Net decrease (increase) in available-for-sale securities		472,360,615	2,912,115,871	(1,237,996,955)
Net increase in investments in and advances to associates and other related parties		(408,034,396)	(238,527,057)	(2,631,219,346)
Dividends received	19	40,630,134	44,247,127	48,880,085
Payments made for the subscribed common stock of an associate	10	-	(1,583,687,182)	(1,967,194,514)
Proceeds from disposals of property and equipment		-	-	341,384
Proceeds from sale of investments in subsidiaries and associate		-	-	1,205,107,503
Net decrease in financial assets at fair value through profit or loss		-	-	1,016,639,571
Payments made for the acquisitions of new subsidiaries		-	-	(140,725,295)
Net Cash Used in Investing Activities		(547,266,574)	(453,014,029)	(4,525,110,673)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercise of stock rights	24	2,272,642,649	2,854,914,076	-
Interest paid		(1,323,861,629)	(896,733,166)	(519,186,181)
Payments of long-term liabilities		(1,052,209,181)	(348,831,328)	(457,345,854)
Cash dividends paid	24	(519,885,465)	(479,061,765)	(402,353,813)
Proceeds from long-term liabilities	14	-	7,400,000,000	4,500,000,000
Acquisition of treasury stock	24	-	-	(317,293,650)
Net Cash From (Used in) Financing Activities		(623,313,626)	8,530,287,817	2,803,820,502
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,155,579,470	8,550,672,409	(1,313,014,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		20,876,005,473	12,325,333,064	13,638,347,633
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 22,031,584,943	P 20,876,005,473	P 12,325,333,064

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 and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Property as the property goes through its various stages of development. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 9 and 11).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company or parent company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities, such as, project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space.

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

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI), also a publicly listed company in the Philippines, is the Group's ultimate parent company. AGI is a holding company and also presently engaged in the food and beverage business, real estate and quick service restaurant. AGI's registered office, which is also its primary place of business, is located at the 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

The Company holds interests in the following subsidiaries and associates:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2010	2009	2008
Subsidiaries:				
Megaworld Land, Inc. (MLI)		100%	100%	100%
Prestige Hotels and Resorts, Inc. (PHRI)	(a)	100%	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)		100%	100%	100%
Megaworld Cayman Islands, Inc. (MCII)		100%	100%	100%
Richmonde Hotel Group International (RHGI)		100%	100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%	100%
Forbes Town Properties and Holdings, Inc. (FTPHI)		100%	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		100%	100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(b)	100%	100%	100%
Stonehaven Land, Inc. (SLI)	(b)	100%	100%	100%
Streamwood Property, Inc. (SPI)	(b)	100%	100%	100%
Megaworld-Daewoo Corporation (MDC)		60%	60%	60%
Megaworld Central Properties, Inc. (MCPI)		51%	51%	51%
Megaworld Resort Estates, Inc. (MREI)	(c)	51%	51%	51%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%	50%
Philippine International Properties, Inc. (PIPI)	(d)	50%	50%	50%
Townsquare Development, Inc. (TDI)	(e)	31%	31%	31%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2010	2009	2008
Associates:				
Empire East Land Holdings, Inc. (EELHI)		48.38%	48.38%	48.38%
Suntrust Home Developers, Inc. (SHDI)		42.48%	42.48%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)		40%	40%	40%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(f)	39.83%	31%	31%
Alliance Global Properties Ltd. (AGPL)	(g)	39.44%	44.34%	-
Travellers International Hotel Group, Inc. (TIHGI)	(h)	10%	10%	10%

Explanatory Notes:

- (a) Wholly owned subsidiary of MLI.
- (b) Acquired subsidiaries in 2008 but have not yet started commercial operations as of December 31, 2010.
- (c) Subsidiary was incorporated in 2007. MREI owns 100% of TDI and GPMAI as of December 31, 2007. In June 2008, MREI's ownership in TDI and GPMAI decreased to 60% which resulted in the Company's indirect interest of 31% as of December 31, 2009 and 2008. MREI has not yet started commercial operations as of December 31, 2010.
- (d) Subsidiary was incorporated in 2002 and acquired by the Company in 2006; has not yet started commercial operations as of December 31, 2010.
- (e) Subsidiary was incorporated in 2006. In September 2007, the Company's 100% ownership in TDI was acquired by MREI which resulted in the Company's indirect interest of 51% as of December 31, 2007. In June 2008, TDI issued additional shares of stock which resulted in a decrease in MREI's ownership in TDI to 60%. In this regard, the Company has indirect interest in TDI of 31% as of December 31, 2010, 2009 and 2008.
- (f) In November 2007, MREI acquired 100% ownership in GPMAI which resulted in the Company's indirect interest of 51% as of December 31, 2007. In 2008, MREI's ownership in GPMAI decreased to 60%; it further decreased to 28.85% in 2010. GPMAI was consolidated starting 2007 up to 2009; in 2010, it was deconsolidated and treated as an associate of the Group. As of December 31, 2010, the Company has 39.83% indirect interest in GPMAI.
- (g) In February 2009, RHGI acquired 44.34% ownership in AGPL, which resulted in the Company's indirect interest of 44.34% as of December 31, 2009. In October 2010, AGPL issued additional shares of stock which resulted in the decrease in RHGI's ownership in AGPL to 39.44%. AGPL is considered as an associate due to the Company's significant influence, but not control, on AGPL.
- (h) The associate was incorporated in 2003 and started commercial operations in August 2009. In 2008, the Company acquired 10% ownership in TIHGI through a share swap agreement. In August 2010, the Company's investment in TIHGI was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. Subsequently, in November 2010, TIHGI redeemed the 430.0 million preferred shares held by the Company. The conversion of common shares and the redemption of preferred shares did not change the Company's ownership in TIHGI. Although the Company's percentage ownership is only 10%, TIHGI was classified as an associate due to the Company's significant influence on TIHGI.

Except for MCII, RHGI and AGPL, all the subsidiaries and associates were incorporated in the Philippines and operate within the country. MCII and AGPL were incorporated and operate in the Cayman Islands while RHGI was incorporated and operates in the British Virgin Islands.

The Company and its subsidiaries (the Group), except for MREI, PIFI, PPVI, SLI and SPI which are not yet in commercial operations as of December 31, 2010, are presently engaged in the real estate business, hotel operations and marketing services.

EELHI and SHDI are publicly listed companies in the Philippines.

The consolidated financial statements of the Group for the year ended December 31, 2010 (including the comparatives for the years ended December 31, 2009 and 2008) were authorized for issue by the Company's Board of Directors (BOD) on March 15, 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 basis specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

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

The Group has opted to present two comparative periods for the consolidated statement of financial position even when it is not required to do so.

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which an entity operates.

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, interpretations and annual improvements to existing PFRS that are relevant to the Group and effective for its consolidated financial statements for the annual period beginning on or after January 1, 2010.

PAS 27 (Revised)	:	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
Various Standards	:	2009 Annual Improvements to PFRS

Below is a discussion of the impact of these accounting 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 financial statements as there was no gain or loss recognized from the changes in the Group's ownership interests in GPMAI and AGPL.
- (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 assets. All acquisition-related costs should be expensed. The adoption of the revised standard has no significant effect on the 2010 consolidated financial statements as the Group did not have any business acquisition during the year.

- (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 financial statements because the Group did not distribute non-cash assets to stockholders during the year.
- (iv) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:
- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.
 - PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flows from investing activities.
 - PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. The Group currently has no lease agreements that include both land and building.
 - PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Group is the principal in all of its business undertakings.
 - PAS 36 (Amendment), *Impairment of Assets* (effective from January 1, 2010). PAS 36 clarifies that the largest unit permitted for the purpose of allocating goodwill to cash-generating units for goodwill impairment is the operating segment level defined in PFRS 8 before aggregation.
 - PAS 38 (Amendment), *Intangible Assets* (effective from July 1, 2009). The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

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

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

The following amendment 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 Shared-based Payment Transactions
Philippine Interpretations IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 18	:	Transfers of Assets from Customers

(c) *Effective Subsequent to 2010*

There are new PFRS and revisions, amendments, annual improvements and interpretations 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 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property*, it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made.

As a practical solution to the problem, the amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Standing Interpretations Committee (SIC) - 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Since the amendment is related to the issuance of PFRS 9 in 2009, management is still evaluating the effect of this amendment to the Company's financial statements in conjunction with its adoption of PFRS 9 in 2013 (see PFRS 9 below).

- (ii) 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.
- (iii) 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 financial statements as it does not frequently issue rights that are denominated in currency other than its functional currency.
- (iv) 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.
- (v) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, (effective from January 1, 2012). This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage-of-completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at a single time (i.e., at completion upon or after delivery). The Group will adopt this interpretation in 2012 and is currently evaluating the impact of such adoption in the consolidated financial statements.

(vi) 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.

(vii) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its consolidated financial statements as they only affect disclosures and the Group usually provides adequate information in its financial statements in compliance with disclosure requirements.

(viii) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

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

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being finalized.

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 all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

- (ix) 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 Basis of Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, and dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, shares of stock of the Company held by the subsidiaries are recognized as treasury stock and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise 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, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interest (previously called "minority interest") 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, direct or indirect, 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 (see also Note 2.10). 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.

(b) *Investments in Associates*

Associates are those entities over which the Company is able to exert significant influence but not control and are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as Investment in Associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the Group's carrying amount of the investment.

Changes resulting from the profit or loss generated by the associate are shown as part of Equity in Net Earnings of Associates, Interest and Other Income - net in the Group's consolidated statement of income and, therefore, affect the net results of the Group. Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has commitments, has incurred obligations or made payments on behalf of the associate.

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

(c) *Interests in Jointly Controlled Operations*

For interests in jointly controlled operations, the Group recognized in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

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.

(d) *Transactions with Non-controlling Interest*

The Group applies a policy of treating transactions with non-controlling interest 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 Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company 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 was lost became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

2.4 Foreign Currency Transactions

(a) Functional and Presentation Currency

Except for MCII, RHGI and AGPL, which use the U.S. dollars as their functional currency, the accounting records of the Group are maintained in Philippine pesos. Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

(b) Transactions and Balances

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 under Interest and Other Charges – net in the consolidated statement of income.

(c) Translation of Financial Statements of Foreign Subsidiaries and an Associate

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollars, their functional currency, are translated to Philippine pesos, the Company's functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized as Translation Adjustments in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the parent company's shareholders.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

The Company's equity in net earnings or loss of AGPL, which is also measured in U.S. dollars, is translated to Philippine pesos using the annual average exchange rates.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The Group's financial instruments are currently lodged in the following classifications:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meet certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. 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.

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

(b) Loans and Receivables

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

Loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, and Advances to Associates and Other Related Parties 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.

Trade receivables, which generally have one-year to five-year terms, are noninterest-bearing instruments recognized initially at fair value and subsequently stated at amortized cost using the effective interest method, less accumulated impairment losses, if any. An impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

(c) *AFS Financial Assets*

This 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 as Investments in Available-for-Sale Securities under non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months of the reporting period.

All AFS 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 other comprehensive income is reclassified from Net Unrealized Gains (Losses) on AFS Financial Assets to profit or loss and presented as 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 loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Equity in Net Earnings of Associates, Interest and Other Income - net and Interest and Other Charges - net accounts in the consolidated statement of income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices 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.

A financial asset is presented net of a financial liability when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to the Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account.

Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs.

The 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 project engineers, are charged to the cost of residential and condominium units sold presented in the consolidated statement of income with a corresponding credit to the liability account Reserve for Property Development account.

Property Development Costs and Residential and Condominium Units for Sale are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

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 during the period in which the loss is determined (see also Note 2.15).

2.7 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property, and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation, (see also Note 2.15). Depreciation of investment property is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

2.8 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and 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 expenses as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and any 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. Amortization of office and land improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Condominium units	10-25 years
Office and land improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 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 also 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.

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 profit or loss in the year the item is derecognized.

2.9 Financial Liabilities

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables and Advances from Other Related Parties.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest related charges are recognized as expense in profit or loss under the caption Interest and Other Charges – net account in the consolidated statement of comprehensive income.

Interest-bearing Loans and Borrowings and Bonds Payable are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments.

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

A financial liability is presented net of a financial asset when the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

2.10 Business Combination

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

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

Negative goodwill, which is the excess of the Company’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 will now be 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 (see Note 2.2):

- (a) Transaction costs directly attributable to business acquisition previously formed part of the acquisition costs. These costs are now required to be expensed.
- (b) The non-controlling interest was previously measured at the proportionate share of the acquiree's identifiable net assets. There is now an option to measure this at fair value.
- (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. Currently, business combination achieved in stages requires the acquirer to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.
- (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. Changes in the fair value of contingent consideration as a result of additional information that existed after the acquisition date are now accounted for as follows:
 - (i) Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.
 - (ii) Contingent consideration classified as an asset or liability that:
 - is a financial instrument and is within the scope of PFRS 9 or PAS 39 is measured at fair value, with any resulting gain or loss recognized either in profit or loss or in other comprehensive income in accordance with PFRS 9 or PAS 29, as applicable.
 - is not within the scope of PFRS 9 or PAS 39 is accounted for in accordance with PAS 37 or other PFRSs, as appropriate.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC); its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and 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 technologies and other 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 is the same as those used in its consolidated financial statements. 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.

2.12 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, probable 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.

2.13 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

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 from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit 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 statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (current and non-current liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the parent company, MGAI and ECOC, while MDC report revenues for tax purposes based also on the percentage-of-completion method.

Any adjustments relative to previous years' sales are recorded in the current year as they occur.

- (b) *Sale of undeveloped land* – Revenues on sale of undeveloped land are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land have passed to the buyer and the amount of revenue can be measured reliably.
- (c) *Rental and hotel income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Rental income is recognized on a straight-line basis over the lease term.

Advance rentals and refundable rental deposits are recorded as deferred rental income. Deferred rental income is measured at amortized cost using the effective interest rate method.

- (d) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.
- (e) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (f) *Dividends* – Revenue is recorded when the stockholders' right to receive the payment is established.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.17) and estimated costs to complete the project, determined based on estimates made by the project engineers (see also Note 2.6).

Operating expenses and other costs (other than costs of real estate sold) are recognized in the profit or loss upon utilization of the service or receipt of goods or at the date they are incurred.

2.14 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 profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognized as income in profit or loss on a straight-line basis 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.

2.15 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill (included as part of Other Non-current Assets), Investment Property, Land for Future Development, and Property and Equipment are subject to impairment testing. 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, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's 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 discounted cash flow evaluation. Impairment loss is charged pro-rata to 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 impairment loss.

2.16 Employee Benefits

(a) Post-employment Benefit

Post-employment benefit is provided to employees through a defined benefit plan.

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

The liability recognized in the consolidated statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of 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 by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an 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 profit or loss, unless the changes to the post-employment 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 the Trade and Other Payables account of the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.17 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs 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 the cost of such asset. 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, interest and other borrowing costs are charged to expense when incurred.

2.18 Income Taxes

Tax expense recognized in 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 income 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 using 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 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 carry forward 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 income 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 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 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 profit or loss. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

2.19 Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their 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 Equity

Capital stock is determined using the nominal value of shares that have been issued.

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

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

Net unrealized gains (losses) on AFS financial assets represent gains or losses recognized due to changes in fair values of these assets.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign-currency denominated financial statements of certain subsidiaries into the Group's functional and presentation currency.

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

2.21 Earnings Per Share

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

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. As of December 31, 2010, 2009 and 2008, the Group does not have potential dilutive common shares.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Impairment of AFS Securities*

The determination when an investment is other-than-temporarily impaired 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, changes in technology and operational and financing cash flows. Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets are not impaired as of December 31, 2010, 2009 and 2008. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) *Distinction Between Investment Properties, Owner-Occupied Properties and Land for Future Development*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development.

(c) *Operating and Finance Leases*

The Group has entered into various lease agreements. 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. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(d) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.12 and relevant disclosures of contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts.

(b) Determining Net Realizable Value of Residential and Condominium Units for Sale and Property Development Costs

In determining the net realizable value of residential and condominium units for sale and property development costs, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate for sale and property development costs is affected by price changes in the different market segments as well as the trends in the real estate industry.

These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Company's Residential and Condominium Units for Sale and Property Development Costs within the next financial year.

Considering the Group's pricing policy, the net realizable values of real estate units for sale are higher than their related costs.

The carrying value of the Company's Residential and Condominium Units for Sale and Property Development Costs amounted to P6.3 billion and P3.8 billion, respectively, as of December 31, 2010, P5.7 billion and P3.7 billion, respectively, as of December 31, 2009 and P5.8 billion and P2.8 billion, respectively, as of December 31, 2008.

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

Investment Property is measured using the cost model. The fair value disclosed in Note 11 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: 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.

For financial assets, fair value determination is discussed in Note 2.5.

(d) *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. In addition, estimation of the useful lives of property and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase recorded operating expenses and decrease non-current assets.

Investment Property, net of accumulated depreciation, amounted to P9.7 billion, P9.1 billion and P7.1 billion as of December 31, 2010, 2009 and 2008, respectively (see Note 11). Property and equipment, net of accumulated depreciation and amortization, amounted to P360.5 million, P381.2 million and P430.2 million as of December 31, 2010, 2009 and 2008, respectively (see Note 12).

(e) *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 third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Allowance for impairment on Trade and Other Receivables amounted to P3.3 million at the end of 2010, P7.9 million at the end of 2009 and P8.0 million at the end of 2008 (see Note 6).

(f) *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. In cases when active market quotes are not available, 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 base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. The carrying amounts of cash and cash equivalents, financial assets at FVTPL and AFS financial assets are disclosed in Notes 5, 7 and 8, respectively.

(g) *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.

Net deferred tax assets amounted to P7.9 million as of December 31, 2010 and 2009, and P2.4 million as of December 31, 2008 (see Note 22).

(h) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. 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.

There were no impairment losses required to be recognized in 2010, 2009 and 2008 based on management's assessment.

(i) *Post-employment Benefit*

The determination of the Group's obligation and cost of post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit obligation amounted to P116.0 million, P90.8 million and P81.2 million as of December 31, 2010, 2009 and 2008, respectively (see Note 21.2).

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.11. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment property, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

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

2010

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 15,399,973,187	P 2,694,310,554	P 232,757,023	P 808,477,515	P -	P19,135,518,279
Intersegment sales	-	52,014,865	-	179,885,935	(231,900,800)	-
Total revenues	<u>P 15,399,973,187</u>	<u>P 2,746,325,419</u>	<u>P 232,757,023</u>	<u>P 988,363,450</u>	<u>(P 231,900,800)</u>	<u>P19,135,518,279</u>

RESULTS

Segment results	<u>P 3,042,478,040</u>	<u>P 2,062,875,628</u>	<u>P 38,125,649</u>	<u>P 752,871,759</u>	<u>P 25,888,854</u>	P 5,922,239,930
Unallocated expenses						(117,450,295)
Income from operations						5,804,789,635
Interest income	-	-	-	835,944,617	-	835,944,617
Finance costs	-	-	-	(516,440,321)	-	(516,440,321)
Equity in net earnings of associates	-	-	-	442,281,306	-	442,281,306
Fair value gains – net	-	-	-	83,500,000	-	83,500,000
Dividend income	-	-	-	40,630,134	-	40,630,134
Foreign currency gains – net	-	-	-	3,908,758	-	3,908,758
Profit before tax						6,694,614,129
Tax expense						(1,609,101,525)
Net profit before non-controlling interest						5,085,512,604
Non-controlling interest share in net profit						(59,332,029)
Net profit attributable to parent company's shareholders						<u>P 5,026,180,575</u>

ASSETS AND LIABILITIES

Segment assets	<u>P 63,241,644,678</u>	<u>P 5,919,037,407</u>	<u>P 178,376,810</u>	<u>P13,025,093,222</u>	<u>P -</u>	P82,364,152,117
Investments in and advances to associates and other related parties - net	-	-	-	13,671,332,490	-	13,671,332,490
Unallocated assets	-	-	-	994,038,204	-	994,038,204
Total assets	<u>P 63,241,644,678</u>	<u>P 5,919,037,407</u>	<u>P 178,376,810</u>	<u>P27,690,463,916</u>	<u>P -</u>	<u>P97,029,522,811</u>
Segment liabilities	<u>P 32,027,981,425</u>	<u>P 1,530,032,850</u>	<u>P 78,854,006</u>	<u>P 4,873,517,893</u>	<u>P -</u>	<u>P38,510,386,174</u>

OTHER SEGMENT INFORMATION

Project and capital expenditures	P 11,043,392,051	P 2,364,995,996	P 27,258,790	P 24,528,367	P -	P13,460,175,204
Depreciation and amortization	18,632,235	378,357,035	22,631,161	23,583,208	-	443,203,639

2009

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 14,566,449,663	P 2,000,477,427	P 216,143,646	P 59,044,461	P -	P16,842,115,197
Intersegment sales	-	62,047,938	-	71,112,463	(133,160,401)	-
Total revenues	<u>P 14,566,449,663</u>	<u>P 2,062,525,365</u>	<u>P 216,143,646</u>	<u>P 130,156,924</u>	<u>(P 133,160,401)</u>	<u>P16,842,115,197</u>

RESULTS

Segment results	<u>P 3,721,385,850</u>	<u>P 1,535,784,727</u>	<u>P 44,321,641</u>	<u>P 31,021,942</u>	<u>P 25,888,853</u>	P 5,358,403,013
Unallocated expenses						(206,001,589)
Income from operations						5,152,401,424
Interest income	-	-	-	690,238,144	-	690,238,144
Finance costs	-	-	-	(556,326,705)	-	(556,326,705)
Equity in net earnings of associates	-	-	-	157,958,213	-	157,958,213
Dividend income	-	-	-	44,247,127	-	44,247,127
Fair value gains – net	-	-	-	24,100,000	-	24,100,000
Foreign currency loss – net	-	-	-	(8,464,596)	-	(8,464,596)
Profit before tax						5,504,153,607
Tax expense						(1,437,541,131)
Net profit before non-controlling interest						4,066,612,476
Non-controlling interest share in net profit						(11,211,285)
Net profit attributable to parent company's shareholders						<u>P 4,055,401,191</u>

ASSETS AND LIABILITIES

Segment assets	<u>P 55,378,759,577</u>	<u>P 5,072,588,995</u>	<u>P 182,070,130</u>	<u>P11,172,314,788</u>	<u>P -</u>	P71,805,733,490
Investments in and advances to associates and other related parties - net	-	-	-	12,665,714,849	-	12,665,714,849
Unallocated assets	-	-	-	782,324,106	-	782,324,106
Total assets	<u>P 55,378,759,577</u>	<u>P 5,072,588,995</u>	<u>P 182,070,130</u>	<u>P24,620,353,743</u>	<u>P -</u>	<u>P85,253,772,445</u>
Segment liabilities	<u>P 28,887,111,381</u>	<u>P 1,102,204,707</u>	<u>P 51,504,125</u>	<u>P 5,377,235,672</u>	<u>P -</u>	<u>P35,418,055,885</u>

OTHER SEGMENT INFORMATION

Project and capital expenditures	P 8,450,184,072	P 2,212,988,366	P 36,106,669	P 1,205,765	P -	P10,700,484,872
Depreciation and amortization	13,553,509	325,257,171	7,729,572	19,255,338	-	365,795,590

2008

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 13,795,323,274	P 1,300,910,039	P 246,919,573	P 310,557,611	P -	P15,653,710,497
Intersegment sales	-	76,532,769	-	76,702,719	(153,235,488)	-
Total revenues	<u>P 13,795,323,274</u>	<u>P 1,377,442,808</u>	<u>P 246,919,573</u>	<u>P 387,260,330</u>	<u>(P 153,235,488)</u>	<u>P15,653,710,497</u>
RESULTS						
Segment results	<u>P 3,081,106,749</u>	<u>P 998,942,887</u>	<u>P 54,807,975</u>	<u>P 194,364,735</u>	<u>P 25,888,852</u>	P 4,355,111,198
Unallocated expenses						(267,810,547)
Income from operations						4,087,300,651
Interest income	-	-	-	1,486,040,236	-	1,486,040,236
Finance costs	-	-	-	(766,416,111)	-	(766,416,111)
Foreign currency loss – net	-	-	-	(176,988,434)	-	(176,988,434)
Equity in net earnings of associates	-	-	-	109,464,838	-	109,464,838
Dividend income	-	-	-	48,880,085	-	48,880,085
Fair value losses – net	-	-	-	(42,653,717)	-	(42,653,717)
Profit before tax						4,745,627,548
Tax expense						(951,101,304)
Net profit before non-controlling interest						3,794,526,244
Non-controlling interest share in						
Net profit						(23,399,237)
Net profit attributable to parent company's shareholders						<u>P 3,771,127,007</u>
ASSETS AND LIABILITIES						
Segment assets	<u>P 40,952,630,176</u>	<u>P 3,013,855,655</u>	<u>P 167,402,312</u>	<u>P 9,289,609,706</u>	<u>P -</u>	P53,423,497,849
Investment in and advances to associates and other related parties - net	-	-	-	10,982,670,783	-	10,982,670,783
Unallocated assets	-	-	-	495,106,830	-	495,106,830
Total assets	<u>P 40,952,630,176</u>	<u>P 3,013,855,655</u>	<u>P 167,402,312</u>	<u>P20,767,387,319</u>	<u>P -</u>	<u>P64,901,275,462</u>
Segment liabilities	<u>P 19,236,885,198</u>	<u>P 553,618,261</u>	<u>P 54,366,165</u>	<u>P 5,363,454,991</u>	<u>P -</u>	<u>P25,208,324,615</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures	P 8,688,100,952	P 1,978,303,096	P 1,875,428	P 142,646,426	P -	P10,810,925,902
Depreciation and amortization	17,368,238	182,199,244	796,349	38,470,492	-	238,834,323

5. CASH AND CASH EQUIVALENTS

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash on hand and in banks	P 1,109,041,947	P 6,384,861,752	P 731,319,856
Short-term placements	<u>20,922,542,996</u>	<u>14,491,143,721</u>	<u>11,594,013,208</u>
	<u>P 22,031,584,943</u>	<u>P 20,876,005,473</u>	<u>P 12,325,333,064</u>

Cash in banks and short-term placements generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods between 15 to 30 days and earn effective interest ranging from 3.5% to 4.8% in 2010, 3.5% to 8.5% in 2009 and 3.0% to 8.5% in 2008.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current:			
Trade receivables	P 12,899,356,339	P 9,938,940,019	P 11,012,739,154
Allowance for impairment	<u>(3,324,211)</u>	<u>(7,895,021)</u>	<u>(8,043,660)</u>
	12,896,032,128	9,931,044,998	11,004,695,494
Advances to contractors and suppliers	710,223,731	570,214,061	382,752,035
Others	<u>527,545,525</u>	<u>248,384,875</u>	<u>32,677,850</u>
	<u>14,133,801,384</u>	<u>10,749,643,934</u>	<u>11,420,125,379</u>
Non-current:			
Trade receivables	15,617,214,463	13,533,275,932	6,660,823,617
Others	<u>-</u>	<u>1,026,423</u>	<u>1,026,424</u>
	<u>15,617,214,463</u>	<u>13,534,302,355</u>	<u>6,661,850,041</u>
	<u>P 29,751,015,847</u>	<u>P 24,283,946,289</u>	<u>P 18,081,975,420</u>

A reconciliation of the allowance for impairment at the beginning and end of 2010, 2009 and 2008 is shown below.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of year	P 7,895,021	P 8,043,660	P 3,502,310
Write-off of trade receivables previously provided with allowance	<u>(4,570,810)</u>	<u>(937,382)</u>	<u>(1,783,690)</u>
Impairment loss during the year	<u>-</u>	<u>788,743</u>	<u>6,325,040</u>
	<u>P 3,324,211</u>	<u>P 7,895,021</u>	<u>P 8,043,660</u>

The installment period of sales contracts averages to five years. Trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income recognized amounted to P933.4 million in 2010, P714.2 million in 2009 and P612.3 million in 2008; these amounts are presented as Interest Income on Real Estate Sales in the consolidated statements of income.

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. Certain receivables from trade customers are covered by postdated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

The fair values of trade and other receivables are disclosed in Note 28.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of investments in marketable securities which are presented at their fair values determined directly by reference to published prices quoted in an active market as of December 31, 2010, 2009 and 2008. The changes in fair values of these financial assets are presented as Fair Value Gains - net in 2010 and 2009 under Equity in Net Earnings of Associates, Interest and Other Income - net (see Note 19) and as Fair Value Losses - net in 2008 under Interest and Other Charges - net (see Note 20) in the consolidated statements of income.

RHGI has sold certain marketable securities and recognized a net loss amounting to P5.3 million in 2008 which amounts are presented as part of Miscellaneous - net under the Interest and Other Charges account in the 2008 consolidated statement of income (see Note 20). In addition, RHGI entered into forward contracts covering U.S. dollars in 2007, which were settled in 2008. Foreign exchange losses on this transaction are presented as part of Foreign Currency Losses - net under Interest and Other Charges - net account in the 2008 consolidated statement of income (see Note 20).

8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

AFS financial assets comprise the following as of December 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Investment in equity instruments	P 5,535,716,669	P 2,778,231,823	P 1,076,571,258
Investment in debt instruments	<u>675,467,827</u>	<u>148,299,890</u>	<u>3,273,653,414</u>
	<u>P 6,211,184,496</u>	<u>P 2,926,531,713</u>	<u>P 4,350,224,672</u>

The fair values of AFS financial assets have been determined directly by reference to published prices in an active market.

The aggregate cost of AFS financial assets as of December 31, 2010, 2009 and 2008 amounted to P2.4 billion, P2.8 billion and P5.7 billion, respectively. The fair value gains/losses arising from these financial assets which significantly comprised the movements in the carrying amounts of AFS, are reported as part of Net Unrealized Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

A portion of the AFS financial assets of RHGI placed with a certain bank is covered by a set-off provision. The amount of compensating loan set-off against AFS financial assets amounted to U.S.\$3.1 million (P145.8 million) and U.S.\$6.9 million (P325.6 million) as of December 31, 2009 and 2008, respectively. There was no compensating loan set-off against AFS financial assets in 2010.

A portion of the AFS financial assets are owned by RHGI and FIPHI, which are wholly owned subsidiaries of the Company. Hence, the movements in the AFS financial assets arising from fair value gains/losses are fully allocated to the parent company's shareholders.

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The Group enters into numerous joint venture agreements for the joint development of various projects. These are treated as jointly controlled operations; there were no separate entities created by these joint venture agreements. 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 Costs account in the consolidated statements of financial position (see Note 2.6). The amounts of other related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group (see Note 2.3)

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's 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.

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

The net commitment for cash advances under the joint venture agreements amounts to:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total commitment for cash advances	P 1,500,000,000	P 958,720,120	P 247,730,000
Total cash advances granted	(1,500,000,000)	(958,720,120)	(247,730,000)
	<u>P -</u>	<u>P -</u>	<u>P -</u>

The net commitment for construction expenditures amounts to:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total commitment for construction expenditures	P 7,911,278,595	P 6,999,089,356	P 6,164,100,646
Total expenditures incurred	(5,505,759,467)	(4,014,820,948)	(3,244,787,600)
	<u>P 2,405,519,128</u>	<u>P 2,984,268,408</u>	<u>P 2,919,313,046</u>

The Group's interests in jointly-controlled operations and projects range from 72% to 95% in 2010, 2009 and 2008. The listing and description of the Group's jointly controlled projects are as follows:

- McKinley Hills
- Newport City
- Manhattan Parkway Residences
- Greenbelt Excelsior
- Forbeswood Heights
- Forbeswood Parklane 1 & 2

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as of and for the years ended December 31, 2010, 2009 and 2008 related to the Group's interests in joint ventures are not presented as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

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

10. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

The details of investments in and advances to associates and other related parties, are as follows:

	% Interest Held as of End of 2010 (see Note 1)	2010	2009	2008
Investments in associates – at equity				
Acquisition costs:				
EELHI	48.38%	P 5,726,128,415	P 5,726,128,415	P 5,726,128,415
SHDI	42.48%	875,445,000	875,445,000	875,445,000
PTHDC	40.00%	64,665,000	64,665,000	64,665,000
GPMAI	39.83%	98,806,194	-	-
AGPL	39.44%	2,463,056,417	1,583,687,182	-
TIHGI	10.00%	570,000,000	1,000,000,000	1,000,000,000
		<u>9,798,101,026</u>	<u>9,249,925,597</u>	<u>7,666,238,415</u>
Accumulated equity in comprehensive income :				
Balance at beginning of year		1,403,518,676	1,245,560,463	1,148,146,700
Dividends received from TIHGI		(90,736,000)	-	-
Equity in net earnings for the year (see Note 19)		442,281,307	157,958,213	109,464,838
Share in other comprehensive income		71,176,649	-	-
Deduction due to sale of investment		-	-	(12,051,075)
Balance at end of year		<u>1,826,240,632</u>	<u>1,403,518,676</u>	<u>1,245,560,463</u>
Advances to associates and other related parties (see Note 23.3)				
		<u>2,046,990,832</u>	<u>2,012,270,576</u>	<u>2,070,871,905</u>
		<u>P 13,671,332,490</u>	<u>P 12,665,714,849</u>	<u>P 10,982,670,783</u>

The shares of stock of EELHI and SHDI are listed in the PSE. The total quoted or market value of investments in these two listed associates amounted to P3.3 billion, P2.7 billion and P2.4 billion as of December 31, 2010, 2009 and 2008, respectively. Overall, the related book values of the Group's holdings in all of its associates are substantially in excess of both the investments' cost and market values, hence, management has assessed that the recognition of impairment losses was not deemed necessary.

On April 30, 2008, AGI, TIHGI and the Company entered into a Deed of Exchange to swap certain real estate properties for TIHGI's shares of stock. The Company and AGI initially received 6.125 billion shares of TIHGI in exchange for parcels of land and the hotel and office buildings with approximate aggregate values of P6.125 billion at the time of exchange. Several transactions with other related parties covering the TIHGI's shares held by the Company took place thereafter, and as a result of these transactions, the Company holds 1.0 billion shares or 10% ownership in TIHGI as of December 31, 2010, 2009 and 2008.

In August 2010, TIHGI amended its Articles of Incorporation to convert P9.9 billion or 99% of its common shares to redeemable, voting and participating preferred shares. This was approved by the Securities and Exchange Commission on October 14, 2010. Consequently, the investment of the Company in TIHGI of 1.0 billion common shares was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. As this was just a conversion of shares and did not change the Company's 10% ownership in TIHGI, no gain or loss from the transaction was recorded in the Company's books. In November 2010, TIHGI redeemed 430.0 million preferred shares held by the Company at par value. There are no outstanding receivables as of December 31, 2010 arising from TIHGI's redemption of preferred shares held by the Company. Despite of the 10% ownership, the Company considers TIHGI as an associate due to the presence of significant influence over TIHGI's operations since two out of the five directors of TIHGI are also members of the Company's BOD.

In 2010, the Company received cash dividends from TIHGI amounting to P90.7 million. The amount received is considered a return of investment and is presented as deduction from the Accumulated Equity in Comprehensive Income shown in the previous table presented.

In October 2010, AGPL issued additional 57.7 million common shares. Out of the total number of shares that AGPL issued, RHGI, a 100% owned subsidiary of the Company, subscribed to only 19.1 million shares (lesser than its proportionate share) at a cost of P20.4 million. This resulted in the decline of RHGI's percentage ownership in AGPL to 39.44% in 2010.

Also, in October 2010, GPMAI issued additional 27.0 million shares to EELHI resulting in the decline of TDI's percentage ownership in GPMAI to 48.08% and MREI's and the Company's indirect ownership to 28.85% and 39.83%, respectively. Accordingly, GPMAI was deconsolidated and treated as an associate as of December 31, 2010. GPMAI's issuance of new shares was made at book value, hence, no dilution gain or loss was recognized.

The balance of the Accumulated Equity in Comprehensive Income of P1.8 billion, P1.4 billion and P1.3 billion as of December 31, 2010, 2009 and 2008, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for declaration as dividend.

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

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
2010:				
EELHI	P 27,830,579,495	P 8,313,108,199	P 2,313,768,713	P 225,222,976
SHDI	574,744,907	463,771,003	8,263,029	4,730,857
PTHDC	1,137,581,235	1,005,298,094	64,128	(178,157)
GPMAI	748,619,721	157,143,964	252,107,804	165,840,133
AGPL	6,352,873,392	7,846,770	205,630,984	95,518,781
TIHGI	<u>41,043,334,923</u>	<u>27,086,278,378</u>	<u>14,876,965,463</u>	<u>3,220,646,817</u>
	<u>P 77,687,733,673</u>	<u>P 37,033,446,408</u>	<u>P 17,656,800,121</u>	<u>P 3,711,781,407</u>

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
2009:				
EELHI	P 25,401,749,839	P 7,459,494,647	P 2,171,236,867	P 155,035,423
AGPL	2,786,358,428	8,288,592	242,641,296	182,881,935
SHDI	569,630,769	463,451,254	7,987,805	3,917,117
PTHDC	1,142,753,539	1,010,292,242	350,027	21,676
TIHGI	<u>23,125,565,794</u>	<u>7,186,796,066</u>	<u>2,305,037,279</u>	<u>5,430,402</u>
	<u>P 53,026,058,369</u>	<u>P 16,128,322,801</u>	<u>P 4,727,253,274</u>	<u>P 347,286,553</u>
2008:				
EELHI	P 26,023,446,296	P 8,567,842,527	P 1,978,904,355	P 215,545,491
SHDI	581,036,188	478,773,790	9,716	(74,297,845)
PTHDC	1,143,271,195	1,010,831,573	4,558,843	663,210
TIHGI	<u>16,072,026,556</u>	<u>138,687,230</u>	<u>303,496,167</u>	<u>115,680,708</u>
	<u>P 43,819,780,235</u>	<u>P 10,196,135,120</u>	<u>P 2,286,969,081</u>	<u>P 257,591,564</u>

11. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation at the beginning and end of 2010, 2009 and 2008 are shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Condominium Units</u>	<u>Total</u>
December 31, 2010				
Cost	P 1,412,634,527	P 5,878,941,281	P 3,954,063,399	P 11,245,639,207
Accumulated depreciation	<u>-</u>	<u>(930,323,176)</u>	<u>(598,785,986)</u>	<u>(1,529,109,162)</u>
Net carrying amount	<u>P 1,412,634,527</u>	<u>P 4,948,618,105</u>	<u>P 3,355,277,413</u>	<u>P 9,716,530,045</u>
December 31, 2009				
Cost	P 1,427,094,149	P 5,621,910,029	P 3,219,937,754	P 10,268,941,932
Accumulated depreciation	<u>-</u>	<u>(724,584,211)</u>	<u>(438,572,652)</u>	<u>(1,163,156,863)</u>
Net carrying amount	<u>P 1,427,094,149</u>	<u>P 4,897,325,818</u>	<u>P 2,781,365,102</u>	<u>P 9,105,785,069</u>
December 31, 2008				
Cost	P 1,288,942,006	P 3,869,991,271	P 2,865,320,562	P 8,024,253,839
Accumulated depreciation	<u>-</u>	<u>(581,313,122)</u>	<u>(302,621,153)</u>	<u>(883,934,275)</u>
Net carrying amount	<u>P 1,288,942,006</u>	<u>P 3,288,678,149</u>	<u>P 2,562,699,409</u>	<u>P 7,140,319,564</u>
January 1, 2008				
Cost	P 1,222,942,006	P 3,862,879,850	P 1,112,886,197	P 6,198,708,053
Accumulated depreciation	<u>-</u>	<u>(481,146,675)</u>	<u>(232,318,198)</u>	<u>(713,464,873)</u>
Net carrying amount	<u>P 1,222,942,006</u>	<u>P 3,381,733,175</u>	<u>P 880,567,999</u>	<u>P 5,485,243,180</u>

A reconciliation of the carrying amounts at the beginning and end of 2010, 2009 and 2008 of investment property is shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Condominium Units</u>	<u>Total</u>
Balance at January 1, 2010, net of accumulated depreciation	P 1,427,094,149	P 4,897,325,818	P 2,781,365,102	P 9,105,785,069
Additions	-	257,140,943	734,125,645	991,266,588
Transfers	-	(109,691)	-	(109,691)
Investment property of a deconsolidated subsidiary	(14,459,622)	-	-	(14,459,622)
Depreciation charges for the year	<u>-</u>	<u>(205,738,965)</u>	<u>(160,213,334)</u>	<u>(365,952,299)</u>
Balance at December 31, 2010, net of accumulated depreciation	<u>P 1,412,634,527</u>	<u>P 4,948,618,105</u>	<u>P 3,355,277,413</u>	<u>P 9,716,530,045</u>
Balance at January 1, 2009, net of accumulated depreciation	P 1,288,942,006	P 3,288,678,149	P 2,562,699,409	P 7,140,319,564
Additions	138,152,143	1,751,918,758	371,192,706	2,261,263,607
Transfers	-	-	(12,168,571)	(12,168,571)
Depreciation charges for the year	<u>-</u>	<u>(143,271,089)</u>	<u>(140,358,442)</u>	<u>(283,629,531)</u>
Balance at December 31, 2009, net of accumulated depreciation	<u>P 1,427,094,149</u>	<u>P 4,897,325,818</u>	<u>P 2,781,365,102</u>	<u>P 9,105,785,069</u>
Balance at January 1, 2008, net of accumulated depreciation	P 1,222,942,006	P 3,381,733,175	P 880,567,999	P 5,485,243,180
Additions	-	7,111,421	1,752,434,365	1,759,545,786
Transfers	66,000,000	-	-	66,000,000
Depreciation charges for the year	<u>-</u>	<u>(100,166,447)</u>	<u>(70,302,955)</u>	<u>(170,469,402)</u>
Balance at December 31, 2008, net of accumulated depreciation	<u>P 1,288,942,006</u>	<u>P 3,288,678,149</u>	<u>P 2,562,699,409</u>	<u>P 7,140,319,564</u>

Certain properties held for lease with a net book value of P2.0 billion as of December 31, 2007 were used as collateral for ECOC's Interest-bearing Loan (see Note 14). In 2008, ECOC asked for the partial release of the mortgage which was approved by the creditor. As of December 31, 2010, 2009 and 2008, the carrying value of investment properties that remained as collateral to this loan amounted to P800.0 million.

Rental income earned from these properties amount to P2.7 billion, P2.0 billion and P1.3 billion in 2010, 2009 and 2008, respectively, and are shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amounted to P91.4 million in 2010, P94.7 million in 2009 and P109.7 million in 2008. The operating lease commitments of the Group as a lessor are fully disclosed in Note 26.1.

The fair market values of these properties are P52.9 billion, P36.1 billion and P22.7 billion as of December 31, 2010, 2009 and 2008, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate of 10% in 2010, 2009 and 2008.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2010, 2009 and 2008 are shown below.

	<u>Condominium Units</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Office and Land Improvements</u>	<u>Transportation Equipment</u>	<u>Land</u>	<u>Total</u>
December 31, 2010						
Cost	P 629,423,370	P 208,009,574	P 125,515,520	P 73,056,949	P -	P1,036,005,413
Accumulated depreciation and amortization	(419,607,035)	(137,705,039)	(68,848,502)	(49,326,636)	-	(675,487,212)
Net carrying amount	<u>P 209,816,335</u>	<u>P 70,304,535</u>	<u>P 56,667,018</u>	<u>P 23,730,313</u>	<u>P -</u>	<u>P 360,518,201</u>
December 31, 2009						
Cost	P 636,068,482	P 164,774,710	P 110,228,731	P 68,340,932	P -	P 979,412,855
Accumulated depreciation and amortization	(384,211,287)	(112,828,976)	(62,091,448)	(39,104,161)	-	(598,235,872)
Net carrying amount	<u>P 251,857,195</u>	<u>P 51,945,734</u>	<u>P 48,137,283</u>	<u>P 29,236,771</u>	<u>P -</u>	<u>P 381,176,983</u>
December 31, 2008						
Cost	P 632,401,752	P 143,937,386	P 109,833,026	P 62,607,743	P -	P 948,779,907
Accumulated depreciation and amortization	(339,497,192)	(92,673,661)	(55,230,345)	(31,197,924)	-	(518,599,122)
Net carrying amount	<u>P 292,904,560</u>	<u>P 51,263,725</u>	<u>P 54,602,681</u>	<u>P 31,409,819</u>	<u>P -</u>	<u>P 430,180,785</u>
January 1, 2008						
Cost	P 601,292,072	P 123,945,281	P 109,663,808	P 50,010,694	P 66,000,000	P 950,911,855
Accumulated depreciation and amortization	(300,540,877)	(74,922,406)	(47,108,599)	(27,662,319)	-	(450,234,201)
Net carrying amount	<u>P 300,751,195</u>	<u>P 49,022,875</u>	<u>P 62,555,209</u>	<u>P 22,348,375</u>	<u>P 66,000,000</u>	<u>P 500,677,654</u>

A reconciliation of the carrying amounts at the beginning and end of 2010, 2009 and 2008 of property and equipment is shown below.

	<u>Condominium Units</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Office and Land Improvements</u>	<u>Transportation Equipment</u>	<u>Land</u>	<u>Total</u>
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 251,857,195	P 51,945,734	P 48,137,283	P 29,236,771	P -	P 381,176,983
Additions	2,476,163	43,273,546	14,583,113	2,040,275	-	62,373,098
Transfers	(9,121,275)	(38,682)	703,675	2,675,742	-	(5,780,540)
Depreciation and amortization charges for the year	(35,395,748)	(24,876,063)	(6,757,054)	(10,222,475)	-	(77,251,340)
Balance at December 31, 2010, net of accumulated depreciation and amortization	<u>P 209,816,335</u>	<u>P 70,304,535</u>	<u>P 56,667,018</u>	<u>P 23,730,313</u>	<u>P -</u>	<u>P 360,518,201</u>

	<u>Condominium Units</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Office and Land Improvements</u>	<u>Transportation Equipment</u>	<u>Land</u>	<u>Total</u>
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 292,904,560	P 51,263,725	P 54,602,681	P 31,409,819	P -	P 430,180,785
Additions	3,666,730	20,837,324	395,705	8,262,498	-	33,162,257
Depreciation and amortization charges for the year	(44,714,095)	(20,155,315)	(6,861,103)	(10,435,546)	-	(82,166,059)
Balance at December 31, 2009 net of accumulated depreciation and amortization	<u>P 251,857,195</u>	<u>P 51,945,734</u>	<u>P 48,137,283</u>	<u>P 29,236,771</u>	<u>P -</u>	<u>P 381,176,983</u>
Balance at January 1, 2008, net of accumulated depreciation and amortization	P 300,751,195	P 49,022,875	P 62,555,209	P 22,348,375	P 66,000,000	P 500,677,654
Additions	31,109,680	19,992,105	185,825	12,921,826	-	64,209,436
Transfers	-	-	(16,607)	(324,777)	(66,000,000)	(66,341,384)
Depreciation and amortization charges for the year	(38,956,315)	(17,751,255)	(8,121,746)	(3,535,605)	-	(68,364,921)
Balance at December 31, 2008 net of accumulated depreciation and amortization	<u>P 292,904,560</u>	<u>P 51,263,725</u>	<u>P 54,602,681</u>	<u>P 31,409,819</u>	<u>P -</u>	<u>P 430,180,785</u>

13. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Goodwill	P 264,768,344	P 264,768,344	P 264,768,344
Guarantee and other deposits	174,767,810	135,516,056	99,014,532
Others	<u>2,559,242</u>	<u>6,395,536</u>	<u>3,606,197</u>
	<u>P 442,095,396</u>	<u>P 406,679,936</u>	<u>P 367,389,073</u>

Goodwill is subject to impairment testing at least annually. No impairment losses were recognized in 2010, 2009 and 2008.

Guarantee deposits pertain mainly to payments made for compliance with construction requirements in relation to the Group's real estate projects.

14. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as of December 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current:			
Megaworld Corporation	P 1,203,380,952	P 736,690,476	P 232,000,000
ECOC	<u>107,973,945</u>	<u>114,053,553</u>	<u>116,831,327</u>
	<u>1,311,354,897</u>	<u>850,744,029</u>	<u>348,831,327</u>
Non-current:			
Megaworld Corporation	6,074,595,238	7,277,976,191	5,614,666,667
ECOC	<u>53,988,238</u>	<u>171,081,667</u>	<u>292,079,687</u>
	<u>6,128,583,476</u>	<u>7,449,057,858</u>	<u>5,906,746,354</u>
	<u>P 7,439,938,373</u>	<u>P 8,299,801,887</u>	<u>P 6,255,577,681</u>

In 2008, the Company signed a financing deal with local bank in which the Company may avail of a P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion). The Company had availed of P4.5 billion out of the P5.0 billion facility in 2008 while the remaining P500.0 million was availed of in 2009. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. Interest is payable every quarter based on the Philippine Dealing System Treasury Fixing rate (PDSTF-R) plus a certain spread.

In February 2009, the Company issued unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan shall commence in February 2010 and interest shall be paid semi-annually based on a 9.0% annual interest rate.

Also, in May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDSTF-R plus a certain spread, subject to semi-annual reprising.

The remaining portion of the loans payable by the Company pertains to the balance of a long-term loan obtained in 2003 from a local bank with an original amount of P950.0 million which is payable in 10 years, inclusive of a three-year grace period on principal payments. Interest is payable every quarter based on 91-day treasury bill plus a certain spread. The Company also obtained an additional loan with original amount of P403.0 million in 2006 from the same local bank subject to the same terms and conditions. Collateral for the loans consisted of a mortgage over certain investment property of the Company (see Note 11).

The amount payable by ECOC pertains to the balance of a long-term loan facility obtained in 2002 with an original amount of U.S.\$25 million (approximately P1.3 billion) from a foreign financial institution. The proceeds of the loan were used in the construction of several information technology buildings at the Eastwood CyberPark which is operated by ECOC. The drawdown from the loan facility amounting to U.S.\$20 million (P1.06 billion) was made on October 15, 2002. The loan is payable in 10 years, inclusive of a two-and-a-half year grace period on principal payment. Interest is payable every six months at London Inter-bank Offer Rate plus certain spread. Collaterals for the loan consisted of a mortgage over ECOC's certain Investment Property (see Note 11), and a full guarantee from the parent company.

The Group complied with loan covenants, including maintaining certain financial ratios at the reporting date.

Total finance costs attributable to these loans amounted to P620.6 million, P647.0 million, and P394.4 million in 2010, 2009 and 2008, respectively. Of these amounts, the balance of the interest is presented as part of Finance Costs under Interest and Other Charges - net in the consolidated statements of income (see Note 20). Interest charges capitalized in 2010 and 2009 amount to P384.1 million and P408.0 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.29%. There were no interest charges capitalized in 2008.

15. BONDS PAYABLE

On November 18, 2009, the Group issued P5.0 billion fixed rate unsecured bonds with a term of five years and six months which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. The proceeds received are intended to be used by the Group to finance its capital expenditures from 2009 until 2011 mainly for the development of its real estate projects. Interest charges capitalized arising from these bonds amounted to P423.0 million and P50.5 million in 2010 and 2009, respectively.

On August 4, 2006, the Group issued five-year term bonds totalling U.S.\$100 million at a discount of U.S.\$1.5 million. The bonds bear interest at 7.875% per annum payable semi-annually in arrears every February 4 and August 4 of each year, starting on February 4, 2007. The bond will mature in August 2011. Interest expense from bonds payable is presented as part of Finance Costs under Interest and Other Charges in the consolidated statements of income (see Note 20). During 2008, RHGI bought a portion of the five-year term bonds aggregating to U.S.\$22.2 million (P1.1 billion) and these were classified as financial assets at FVTPL by RHGI. The bonds' fair market value as of December 31, 2010, 2009 and 2008 amounted to U.S.\$22.2 million (P972.4 million), U.S.\$20.5 million (P950.3 million) and U.S.\$20.5 million (P972.7 million), respectively. The effects of this transaction were eliminated in the preparation of consolidated financial statements.

16. TRADE AND OTHER PAYABLES

This account consists of:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Trade	P 2,203,109,184	P 2,141,390,249	P 1,557,670,470
Retention	1,211,950,863	1,022,182,625	746,002,184
Accrued interest	285,314,152	278,921,115	178,849,672
Accrued construction cost	77,369,336	119,191,945	126,320,491
Miscellaneous	<u>259,969,813</u>	<u>100,687,324</u>	<u>80,179,855</u>
	<u>P 4,037,713,348</u>	<u>P 3,662,373,258</u>	<u>P 2,689,022,672</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

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. Upon completion of the contracted projects, the amounts are returned to the contractors.

Miscellaneous payable consist primarily of withholding taxes payable and accrual of salaries and wages and utilities.

17. OTHER LIABILITIES

This account consists of:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current:			
Unearned income	P 939,203,207	P 917,778,341	P 724,444,707
Deferred rent	797,618,036	429,664,920	203,755,106
Other payables	<u>4,843,817</u>	<u>-</u>	<u>3,551,786</u>
	<u>P 1,741,665,060</u>	<u>P 1,347,443,261</u>	<u>P 931,751,599</u>
Non-current:			
Deferred rent	P 732,378,814	P 554,608,690	P 320,518,099
Other payables	<u>286,744,561</u>	<u>459,210,071</u>	<u>531,271,278</u>
	<u>P 1,019,123,375</u>	<u>P 1,013,818,761</u>	<u>P 851,789,377</u>

Other payables is mainly comprised of commission payable to the Group's real estate agents.

18. OPERATING EXPENSES

Presented below are the details of this account.

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Commission		P 467,977,819	P 471,837,004	P 418,549,272
Depreciation and amortization	11, 12	443,203,639	365,795,590	238,834,323
Salaries and employee benefits	21	437,045,219	343,257,217	310,302,336
Advertising and promotions		189,619,585	148,996,615	147,650,445
Utilities and supplies		141,065,957	79,752,963	118,649,476
Taxes and licenses		110,188,073	134,286,970	97,278,394
Transportation		103,626,296	100,083,640	172,123,399
Professional fees and outside services		68,426,284	28,773,878	30,601,649
Rent		60,263,992	47,103,336	94,944,445
Association dues		51,261,055	28,355,868	31,242,652
Miscellaneous		67,547,715	59,877,805	84,802,101
		<u>P 2,140,225,634</u>	<u>P 1,808,120,886</u>	<u>P 1,744,978,492</u>

19. EQUITY IN NET EARNINGS OF ASSOCIATES, INTEREST AND OTHER INCOME – Net

Presented below are the details of this account.

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Interest income		P 835,944,617	P 690,238,144	P 1,486,040,236
Gain on sale of AFS financial assets		646,720,788	-	-
Equity in net earnings of associates	10	442,281,307	157,958,213	109,464,838
Construction income – net		101,962,175	26,473,236	216,754,914
Fair value gains – net	7	83,500,000	24,100,000	-
Dividend income		40,630,134	44,247,127	48,880,085
Foreign currency gains – net		3,908,758	-	-
Miscellaneous – net		59,794,552	32,571,224	93,802,697
		<u>P 2,214,742,331</u>	<u>P 975,587,944</u>	<u>P 1,954,942,770</u>

In 2008, RHGI entered into contracts wherein it sold certain European bond put options and knock-out put options. In consideration of these contracts, RHGI received premiums amounting to U.S.\$2,094,000 (P93,129,812) in 2008, which are shown as part of Miscellaneous Income above.

20. INTEREST AND OTHER CHARGES - Net

Presented below are the details of this account.

	Notes	2010	2009	2008
Finance costs	14, 15	P 516,440,321	P 556,326,705	P 766,416,111
Underwriting fees		-	21,505,376	-
Foreign currency losses – net	7	-	8,464,596	176,988,434
Fair value losses – net	7	-	-	42,653,717
Miscellaneous – net	7	<u>27,960,793</u>	<u>1,247,492</u>	<u>4,726,236</u>
		<u>P 544,401,114</u>	<u>P 587,544,169</u>	<u>P 990,784,498</u>

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below (see Note 18).

	2010	2009	2008
Salaries and wages	P 271,233,637	P 229,301,717	P 196,098,245
Retirement benefit expense	37,271,665	23,547,960	34,747,913
13 th month and other employee benefits	<u>128,539,917</u>	<u>90,407,540</u>	<u>79,456,178</u>
	<u>P 437,045,219</u>	<u>P 343,257,217</u>	<u>P 310,302,336</u>

21.2 Post-employment Benefit

The Group maintains a funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	2010	2009	2008
Present value of the obligation	P 209,714,448	P 163,802,833	P 91,871,990
Fair value of plan assets	(<u>53,207,861</u>)	(<u>40,427,396</u>)	(<u>26,200,243</u>)
Deficiency of plan assets	156,506,587	123,375,437	65,671,747
Unrecognized actuarial gains (losses)	(<u>40,467,402</u>)	(<u>32,607,917</u>)	<u>15,547,813</u>
	<u>P 116,039,185</u>	<u>P 90,767,520</u>	<u>P 81,219,560</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of year	P 163,802,833	P 91,871,990	P 128,399,196
Actuarial loss (gain)	11,732,057	47,992,843	(70,297,468)
Current service costs	23,934,917	14,995,640	23,074,609
Interest costs	15,086,241	10,363,160	10,695,653
Benefits paid	(4,841,600)	(1,420,800)	-
Balance at end of year	<u>P 209,714,448</u>	<u>P 163,802,833</u>	<u>P 91,871,990</u>

The movements in the fair value of plan assets are presented below.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of year	P 40,427,396	P 26,200,243	P 21,000,000
Expected return on plan assets	2,425,644	1,545,814	651,000
Contributions paid into the plan	12,000,000	14,000,000	9,000,000
Actuarial gain (loss)	3,196,421	102,139	(4,450,757)
Benefits paid	(4,841,600)	(1,420,800)	-
Balance at end of year	<u>P 53,207,861</u>	<u>P 40,427,396</u>	<u>P 26,200,243</u>

The Group's plan assets as of December 31, 2010, 2009 and 2008 are solely in the form of cash and cash equivalents which are being administered by a trustee. The contributions to the plan are made annually by the Company based on availability of funds.

The amounts of retirement benefits expense recognized in the consolidated statements of income are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current service costs	P 23,934,917	P 14,995,640	P 23,074,609
Interest costs	15,086,241	10,363,160	10,695,653
Expected return on plan assets	(2,425,644)	(1,545,814)	(651,000)
Net actuarial losses (gains) recognized during the year	<u>676,151</u>	<u>(265,026)</u>	<u>1,628,651</u>
	<u>P 37,271,665</u>	<u>P 23,547,960</u>	<u>P 34,747,913</u>

Presented below are the historical information related to the present value of the retirement benefit obligation, fair value of plan assets and deficiency of plan assets.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Present value of the obligation	P 209,714,448	P 163,802,833	P 91,871,990	P 128,399,196	P 51,601,897
Fair value of plan assets	(53,207,861)	(40,427,396)	(26,200,243)	(21,000,000)	(5,000,000)
Deficiency of plan assets	<u>P 156,506,587</u>	<u>P 123,375,437</u>	<u>P 65,671,747</u>	<u>P 107,399,196</u>	<u>P 46,601,897</u>

In determining the amount of retirement benefit obligation, the following actuarial assumptions were used:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Discount rates	9.2%	11.3%	8.3%
Expected rate of return on plan assets	6.0%	5.9%	3.1%
Expected rate of salary increase	10.0%	10.0%	10.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the age of 65 is 29 for both males and females.

22. TAXES

22.1 Current and Deferred Tax

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2010 and 2009 and 35% in 2008	P 813,802,554	P 512,512,346	P 463,489,162
Final tax at 20% and 7.5%	111,933,084	86,375,275	87,996,370
Special tax rate at 5%	19,479,041	15,866,373	14,373,247
Minimum corporate income tax (MCIT) at 2%	<u>425,765</u>	<u>26,324</u>	<u>97,773</u>
	945,640,444	614,780,318	565,956,552
Deferred tax expense relating to origination and reversal of temporary differences	<u>663,461,081</u>	<u>822,760,813</u>	<u>385,144,752</u>
	<u>P 1,609,101,525</u>	<u>P 1,437,541,131</u>	<u>P 951,101,304</u>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>(P 55,967,408)</u>	<u>(P 26,041,986)</u>	<u>P 11,728,077</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to income tax expense reported in the consolidated statements of income is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax on pretax profit at 30% in 2010 and 2009 and 35% in 2008	P 2,008,384,239	P 1,651,246,082	P 1,660,969,642
Adjustment for income subjected to lower income tax rates	(152,228,235)	(139,778,356)	(156,474,496)
Tax effects of:			
Non-taxable income	(462,560,168)	(170,042,598)	(921,295,050)
Non-deductible expenses	214,450,368	50,688,383	496,265,189
Dividend income	(52,444,145)	(1,356,764)	(45,613,386)
Non-deductible interest expense	49,245,102	38,308,284	60,251,011
Unrecognized deferred tax assets	10,225,726	3,514,346	934,000
Excess of optional standard deduction over itemized deductions	(5,784,318)	(3,672,931)	-
Net operating loss carry over (NOLCO)	1,000,962	8,483,984	11,121,784
Reduction in deferred tax rate	-	-	(150,082,436)
Miscellaneous	(<u>1,188,006</u>)	<u>150,701</u>	(<u>4,974,954</u>)
Tax expense	<u>P 1,609,101,525</u>	<u>P 1,437,541,131</u>	<u>P 951,101,304</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Deferred tax assets:			
NOLCO	P 4,141,606	P 4,935,423	P 44,797
Retirement benefit obligation	3,186,559	2,585,319	1,987,731
Accrued rent expense	68,417	218,344	358,495
Allowance for impairment on receivables	-	-	24,859
Others	<u>463,957</u>	<u>148,627</u>	<u>2,391</u>
	<u>P 7,860,539</u>	<u>P 7,887,713</u>	<u>P 2,418,273</u>
Deferred tax liabilities:			
Uncollected gross profit	P 2,697,434,301	P 2,294,929,189	P 1,527,833,787
Capitalized interest	443,717,090	222,651,148	108,100,501
Difference between the tax reporting base and financial reporting base of:			
Investment property	201,696,863	148,804,564	172,865,496
Property and equipment	(19,790,916)	(20,050,630)	(19,478,257)
Translation adjustments	(70,281,317)	(14,313,909)	11,728,077
Accrued retirement cost	(43,301,756)	(33,170,257)	(33,095,868)
Uncollected rental income	-	-	32,091,485
Others	<u>39,556,389</u>	<u>42,713,450</u>	<u>43,308,540</u>
	<u>P 3,249,030,654</u>	<u>P 2,641,563,555</u>	<u>P 1,843,353,761</u>

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2010	2009	2008	2010	2009	2008
Changes in deferred tax assets:						
NOLCO	P 793,817	(P 4,890,626)	(P 231,143)	P -	P -	P -
Retirement benefit obligation	(601,240)	(597,588)	(340,712)	-	-	-
Accrued rent expense	149,927	140,151	55,402	-	-	-
Allowance for impairment losses on receivables	-	24,859	947,948	-	-	-
Depreciation expense	-	-	(7,667)	-	-	-
Others	(315,330)	(146,236)	(425,483)	-	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	402,504,512	767,095,402	359,278,205	-	-	-
Capitalized interest	221,065,942	114,550,647	(26,071,447)	-	-	-
Difference between tax reporting base and financial reporting base of:						
- Investment property	52,892,299	(24,060,932)	32,345,673	-	-	-
- Property and equipment	259,714	(572,373)	2,592,215	-	-	-
Translation adjustments	-	-	-	(55,967,408)	(26,041,986)	11,728,077
Accrued retirement cost	(10,131,499)	(74,389)	(6,330,792)	-	-	-
Uncollected rental income	-	(32,091,485)	26,374,103	-	-	-
Amortization of preoperating expenses	-	-	30,415	-	-	-
Others	(3,157,061)	3,383,383	(3,071,965)	-	-	-
Deferred Tax Expense (Income)	<u>P 663,461,081</u>	<u>P822,760,813</u>	<u>P 385,144,752</u>	<u>(P55,967,408)</u>	<u>(P 26,041,986)</u>	<u>P11,728,077</u>

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Majority of the entities within the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations.

The details of MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Subsidiary	Year incurred	Amount	Valid Until
MNPFI	2010	P 233,530	2013
	2009	230,427	2012
MLI	2010	37,479	2013
	2008	83,571	2011
FTPHI	2010	7,052	2013
	2009	2,386	2012
	2008	1,909	2011
		<u>P 596,354</u>	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT.

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

<u>Subsidiary</u>	<u>Year incurred</u>	<u>Amount</u>	<u>Valid Until</u>
MCPI	2009	P 29,346,465	2012
	2008	27,347,116	2011
MLI	2010	12,118,518	2013
	2009	9,932,923	2012
	2008	4,950,545	2011
OPI	2010	4,508,189	2013
	2009	4,036,439	2012
	2008	4,169,609	2011
MNPFI	2010	227,849	2013
	2009	189,760	2012
FTPHI	2010	159,226	2013
	2009	323,508	2012
	2008	72,322	2011
PIPI	2010	81,682	2013
	2009	<u>83,140</u>	2012
		<u>P 97,547,291</u>	

Certain subsidiaries within the Group did not recognize the deferred tax assets on their NOLCO.

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

2010

	<u>Assets</u>	<u>Retained Earnings (Deficit)</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
OPI	P 924,044,751	(P 11,869,688)	P 5,409	(P 3,231,949)
MLI	163,934,861	(59,590,765)	4,467,567	7,673,047
FTPHI	126,445,219	24,324,992	967,688	84,000,630
MNPFI	88,640,039	2,485,828	75,840,143	334,225
MCPI	73,900,576	(136,355,521)	68,714,334	(40,417,472)
PIPI	<u>5,049,628</u>	<u>(16,522)</u>	<u>40,251</u>	<u>(47,949)</u>
	<u>P 1,382,015,074</u>	<u>(P 181,021,676)</u>	<u>P 150,035,392</u>	<u>P 48,310,532</u>

2009

		<u>Assets</u>	<u>Retained Earnings (Deficit)</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
OPI	P	889,329,679	(P 8,637,739)	P 23,930	(P 2,808,135)
GPMAI		658,718,614	251,993,072	2,554,950	938,907
MLI		191,642,758	(51,917,718)	2,334,341	(12,171,355)
MREI		63,360,474	814,274	1,345,935	1,030,840
MCPI		47,291,076	(96,024,989)	5,672,878	29,399,277
FTPHI		42,639,638	(59,675,638)	136,043	23,886,928
PIPI		<u>5,094,427</u>	<u>31,427</u>	<u>49,960</u>	<u>(40,055)</u>
		<u>P 1,898,076,666</u>	<u>P 36,582,689</u>	<u>P 12,118,037</u>	<u>P 40,236,407</u>

2008

GPMAI	P	308,020,556	P 250,064,414	P -	P 962,384
MLI		202,369,120	242,937,331	7,258,976	(3,355,478)
MCPI		43,726,583	79,102,295	4,570,750	(27,278,908)
PIPI		<u>5,131,482</u>	<u>60,000</u>	<u>185,846</u>	<u>132,358</u>
		<u>P 559,247,741</u>	<u>P 572,164,040</u>	<u>P 12,015,572</u>	<u>(P 29,539,644)</u>

Management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

22.2 Optional Standard Deduction

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

In 2010, 2009 and 2008, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD for 2010 and 2009.

22.3 Change in Applicable Tax Rate

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 effective January 1, 2009.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include associates, the Group's key management and others as described below. Transactions with related parties are also discussed below.

23.1 Rendering of Services to Related Parties and Rentals

	<u>Amount of Transactions</u>					
	<u>2010</u>		<u>2009</u>		<u>2008</u>	
Associates	P	5,289,782	P	3,381,056	P	1,798,628
Other related parties		13,659,040		13,809,067		12,533,262
	P	18,948,822	P	17,190,123	P	14,331,890

Services rendered are usually on a cost-plus basis, allowing a margin ranging from 10% to 20%. The related receivables from these transactions were all settled and collected as of December 31, 2010, 2009 and 2008.

23.2 Obtaining of Services from Related Parties

	<u>Amount of Transactions</u>			<u>Outstanding Balances</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Associates	P	-	P 2,286,178	P 3,048,237	P	-
Other related parties		126,454,782	146,626,602	152,278,332		81,408,167
	P	126,454,782	P 148,912,780	P 155,326,569	P	84,088,445
					P	79,678,432
						P 79,678,432

Services obtained are usually on a cost-plus basis, allowing a margin ranging from 10% to 20%. There are no outstanding payables for services obtained from the associates as of December 31, 2010, 2009 and 2008. The outstanding balances payable to other related parties pertain to unpaid commissions presented as part of Other Non-current Liabilities in the consolidated statements of financial position (see Note 17).

23.3 Advances to Associates and Other Related Parties

Associates and other related parties are granted noninterest-bearing, unsecured advances by the parent company and other entities in the Group for working capital purposes. The outstanding balances of Advances to Associates and Other Related Parties shown as part of Investments in and Advances to Associates and Other Related Parties in consolidated statements of financial position (see Note 10) are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Advances to Associates			
EELHI	P	394,211,729	P 378,888,334
SHDI		338,598	-
PTHDC		1,004,986,820	1,009,986,216
AGPL		-	211,708,104
		1,399,537,147	1,600,582,654
Advances to other related parties		647,453,685	411,687,922
	P	2,046,990,832	P 2,012,270,576
			P 2,070,871,905

Advances to other related parties pertain to advances granted to entities under common ownership of the ultimate parent company.

23.4 Advances from Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The outstanding balances from these transactions are presented as Advances from Other Related Parties account in the consolidated statements of financial position and are broken down as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
EELHI	P 209,116,174	P 547,523,599	P 721,047,847
TIHGI	12,906,530	-	-
Others	<u>67,845,553</u>	<u>78,412,882</u>	<u>115,210,399</u>
	<u>P 289,868,257</u>	<u>P 625,936,481</u>	<u>P 836,258,246</u>

23.5 Key Management Personnel Compensations

The Group's key management personnel compensation includes the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Short-term benefits	P 47,174,219	P 42,243,477	P 38,009,337
Post-employment benefits	<u>4,962,292</u>	<u>4,437,829</u>	<u>4,002,041</u>
	<u>P 52,136,511</u>	<u>P 46,681,306</u>	<u>P 42,011,378</u>

24. EQUITY

Capital stock consists of:

	Shares			Amount		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Preferred shares Series A						
– P0.01 par value						
Authorized	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	P 60,000,000	P 60,000,000	P 60,000,000
Issued and outstanding:	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	P 60,000,000	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	<u>30,140,000,000</u>	<u>30,140,000,000</u>	<u>30,140,000,000</u>	P 30,140,000,000	P 30,140,000,000	P 30,140,000,000
Issued and outstanding:						
Balance at beginning of year	25,769,203,626	20,641,646,901	20,641,646,901	P 25,769,203,626	P 20,641,646,901	P 20,641,646,901
Issued during the year	<u>-</u>	<u>5,127,556,725</u>	<u>-</u>	<u>-</u>	<u>5,127,556,725</u>	<u>-</u>
Balance at end of year	<u>25,769,203,626</u>	<u>25,769,203,626</u>	<u>20,641,646,901</u>	<u>P 25,769,203,626</u>	<u>P 25,769,203,626</u>	<u>P 20,641,646,901</u>
Subscribed:						
Balance at beginning of year	-	-	-	P -	P -	P -
Subscribed during the year	-	5,127,556,725	-	-	5,127,556,725	-
Issued during the year	<u>-</u>	<u>(5,127,556,725)</u>	<u>-</u>	<u>-</u>	<u>(5,127,556,725)</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
Total Capital Stock				<u>P 25,829,203,626</u>	<u>P 25,829,203,626</u>	<u>P 20,701,646,901</u>

24.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P600,000 in 2010, 2009 and 2008.

24.2 Common Shares

On April 28, 2009, the Company offered 5,127,556,725 common shares, by way of pre-emptive stock rights offering, to eligible existing common shareholders at the rate of one right for every four common shares held as of May 4, 2009 at an exercise price of P1 per share. Moreover, shareholders were given four additional stock warrants for every five stock rights subscribed. For every stock warrant, shareholders can avail of one common share at P1 per share.

As a result of the stock rights offering, 5,127,556,725 common shares were subscribed and issued on June 1, 2009. Of the total exercise price, 50% was paid as of May 31, 2009 and the remaining 50% shall be paid within one year from issue date. Unpaid subscriptions amounted to P2.3 billion as of December 31, 2009 and are presented as Subscriptions Receivable under the current assets section of the 2009 consolidated statement of financial position. The amount was fully paid by the subscribers in 2010. Relative to the issuance of pre-emptive stock rights, 4,102,045,380 stock warrants were issued and these will be exercisable beginning on the second year until five years from issue date.

24.3 Additional Paid-in Capital

The additional paid-in capital pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares. There were no movements in the Company's Additional Paid-in Capital accounts in 2010, 2009 and 2008.

24.4 Cash Dividends

The details of the Company's cash dividend declarations, both for preferred and common shares, are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Declaration date / date of approval by BOD	May 18, 2010	June 19, 2009	June 5, 2008
Date of record	July 6, 2010	July 17, 2009	July 4, 2008
Date paid	July 30, 2010	August 12, 2009	July 30, 2008
Amounts declared and paid	<u>P 479,885,465</u>	<u>P 479,061,765</u>	<u>P 402,353,813</u>

On May 18, 2010, MDC's BOD approved the declaration of cash dividends amounting to P100.0 million to stockholders of record as of said date. Out of the P100.0 million dividends declared, P60.0 million was eliminated during consolidation.

24.5 Treasury Shares

In 2008, the Company's BOD approved the buy-back of shares of up to P2.0 billion worth of common shares in the open market at prevailing market prices. The share buy-back program is made through the trading facilities of the PSE and the funds used for the buy-back were taken from internally-generated funds. As of December 31, 2008, the Company reacquired 131.4 million shares at a total cost of P118.6 million.

This account also includes the Company's common shares held and acquired by RHGI and GPMAI. The number of treasury common shares aggregated to 537.4 million as of December 31, 2009 and 2008. The changes in market values of these shares recognized as fair value gains (losses) by RHGI and GPMAI were eliminated in full and were not recognized in the consolidated financial statements. Accordingly, in 2010, the cost of the treasury held by GPMAI of P555.1 million was removed from the Treasury Stock account presented under equity. GPMAI was deconsolidated starting 2010 (see Note 10).

A portion of the Company's retained earnings is restricted up to the cost of treasury stock as of the end of the reporting period.

25. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net profit attributable to parent company's shareholders	P 5,026,180,575	P 4,055,401,191	P 3,771,127,007
Dividends on cumulative preferred shares series "A"	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>
Profit available to parent company's common shareholders	<u>P 5,025,580,575</u>	<u>P 4,054,801,191</u>	<u>P 3,770,527,007</u>
Divided by weighted number of outstanding common shares	<u>25,130,015,061</u>	<u>23,088,192,857</u>	<u>20,132,817,980</u>
Basic and diluted earnings per share	<u>P 0.200</u>	<u>P 0.176</u>	<u>P 0.187</u>

There were no outstanding convertible preferred shares and bonds or other stock equivalents that may be considered as potential dilutive common shares as of December 31, 2010, 2009 and 2008.

26. COMMITMENTS AND CONTINGENCIES

26.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use (see Note 11). The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to about P2.7 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Within one year	P 3,145,772,222	P 3,000,082,437	P 2,001,508,184
After one year but not more than five years	14,998,070,516	10,809,294,660	7,582,583,273
More than five years	<u>4,731,453,360</u>	<u>3,410,016,874</u>	<u>1,922,768,964</u>
	<u>P 22,875,296,098</u>	<u>P 17,219,393,971</u>	<u>P 11,506,860,421</u>

26.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 11 years, with renewal options, and include a 5% to 10% annual escalation rate. The average annual rental covering these agreements amounts to about P10.0 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as of December 31, are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Within one year	P 12,247,168	P 16,891,737	P 17,583,865
After one year but not more than five years	19,039,825	17,951,311	26,489,885
More than five years	<u>18,908,935</u>	<u>23,528,646</u>	<u>27,886,864</u>
	<u>P 50,195,928</u>	<u>P 58,371,694</u>	<u>P 71,960,614</u>

26.3 Others

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS securities, bank loans, bonds, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

27.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents, and bonds payable which have been used to fund new projects.

Foreign currency-denominated financial assets and liabilities, translated into Philippine pesos at the closing rate are as follows:

	2010		2009		2008	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	\$ 245,812,793	P10,790,198,346	\$ 186,778,590	P 8,658,308,333	\$ 138,542,551	P6,578,693,016
Financial liabilities	(7,098,646)	(311,602,166)	(87,449,638)	(4,053,815,436)	(90,043,539)	(4,275,717,458)
	<u>\$ 238,714,147</u>	<u>P10,478,596,180</u>	<u>\$ 99,328,952</u>	<u>P 4,604,492,897</u>	<u>\$ 48,499,012</u>	<u>P2,302,975,558</u>

The following table illustrates the sensitivity of the consolidated net results for the year in regards to the Group's financial assets and financial liabilities as shown previously and the U.S. dollar – Philippine peso exchange rate:

Increase (decrease) in exchange rate	Effect on consolidated profit before tax		
	2010	2009	2008
P1	P 238,714,147	P 99,328,952	P 48,499,011
(P1)	(238,714,147)	(99,328,952)	(48,499,011)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and only affect consolidated profit or loss of the Group. There are no exposures on foreign exchange rate that affect the Group's other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

27.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. These long-term borrowings and all other financial assets and liabilities are subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 88.12, 87.13 and 86.14 as of December 31, 2010, 2009 and 2009, respectively.

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity to a reasonably possible change in interest rates of +1% and -1% in 2010, 2009 and 2008. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2010		2009		2008	
	+1%	-1%	+1%	-1%	+1%	-1%
Consolidated net results for the year	(P 15,873,037)	P 15,873,037	(P 23,850,402)	P 23,850,402	(P 30,111,330)	P 30,111,330
Consolidated equity	(11,111,126)	11,111,126	(16,695,282)	16,695,282	(19,572,364)	19,572,364

27.3 Credit Risk

Generally, the Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. 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.

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

	Notes	2010	2009	2008
Cash and cash equivalents	5	P 22,031,584,943	P 20,876,005,473	P 12,325,333,064
Trade and other receivables	6	29,040,792,116	23,713,732,228	17,699,223,385
Advances to associates and other related parties	10, 23.3	2,046,990,832	2,012,270,576	2,070,871,905
AFS financial assets	8	675,467,827	148,299,890	3,273,653,414
		P 53,794,835,718	P 46,750,308,167	P 35,369,081,768

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

(b) Trade and Other Receivables

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. Certain receivables from trade customers are covered by post-dated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

27.4 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, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-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 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, 2009 and 2008, the Group's financial liabilities have contractual maturities which are presented below.

	2010			
	Current		Non-current	
	Within	6 to 12	1 to 5	Later
	6 Months	Months	Years	5 Years
Interest-bearing loans and borrowings	P 655,677,449	P 655,677,448	P 6,128,583,476	P -
Bonds payable	-	3,416,062,159	5,000,000,000	-
Trade and other payables	1,847,488,610	2,190,224,738	-	-
Advances from other related parties	-	-	289,868,257	-
	<u>P2,503,166,059</u>	<u>P 6,261,964,345</u>	<u>P 11,418,451,733</u>	<u>P -</u>
	2009			
	Current		Non-current	
	Within	6 to 12	1 to 5	Later
	6 Months	Months	Years	5 Years
Interest-bearing loans and borrowings	P 192,026,776	P 658,717,253	P 5,672,557,858	P 1,776,500,000
Bonds payable	-	-	8,608,407,826	-
Trade and other payables	1,474,550,021	2,187,823,237	-	-
Advances from other related parties	-	-	625,936,481	-
	<u>P1,666,576,797</u>	<u>P2,846,540,490</u>	<u>P14,906,902,165</u>	<u>P 1,776,500,000</u>
	2008			
	Current		Non-current	
	Within	6 to 12	1 to 5	Later
	6 Months	Months	Years	5 Years
Interest-bearing loans and borrowings	P 174,415,663	P 174,415,664	P 5,257,857,465	P 648,888,889
Bonds payable	-	-	3,696,290,569	-
Trade and other payables	1,227,141,699	1,461,880,973	-	-
Advances from other related parties	-	-	836,258,246	-
	<u>P1,401,557,362</u>	<u>P1,636,296,637</u>	<u>P 9,790,406,280</u>	<u>P 648,888,889</u>

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

27.5 Other Price Risk Sensitivity

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

For corporate bonds and equity securities listed in other countries, an average volatility of 105%, 71% and 107% has been observed during 2010, 2009 and 2008, respectively. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P2.7 billion, P14.6 million, P21.7 million in 2010, 2009 and 2008, respectively.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the Group's consolidated net profit in 2010 and consolidated equity as of December 31, 2010 are summarized as follows:

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+51.53%	-51.53%	P 64,414,912	P 2,073,193,927	(P 64,414,912)	(P2,073,193,927)
Property company	+51.54%	-51.54%	-	71,024,936	-	(71,024,936)
			<u>P 64,414,912</u>	<u>P 2,144,218,863</u>	<u>(P 64,414,912)</u>	<u>(P2,144,218,863)</u>

This compares with the following volatility rates and impact on consolidated net profit in 2009 and 2008:

2009

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+50.32%	-50.32%	P 20,883,283	P 900,762,327	(P 20,883,283)	(P 900,762,327)
Property company	+61.55%	-61.55%	-	85,613,014	-	-
			<u>P 20,883,283</u>	<u>P 986,375,341</u>	<u>(P 20,883,283)</u>	<u>(P 900,762,327)</u>

2008

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
Investment in equity securities in:						
Holding company	+78.04%	-78.04%	P 240,225	P 426,127,945	(P 240,225)	(P 426,127,945)
Property company	+106.24%	-106.24%	-	145,010,939	-	(145,010,939)
Bank	+111.21%	-111.21%	-	324,464	-	(324,464)
			<u>P 240,225</u>	<u>P 571,463,348</u>	<u>(P 240,225)</u>	<u>(P 571,463,348)</u>

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 favour.

28. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

28.1 Comparison of Carrying Amounts and Fair Values

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

	2010		2009		2008	
	Carrying Values	Fair Values	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	P 22,031,584,943	P 22,031,584,943	P 20,876,005,473	P 20,876,005,473	P 12,325,333,064	P 12,325,333,064
Trade and other receivables – net	29,040,792,116	29,040,792,116	23,713,732,228	23,713,732,228	17,699,223,385	17,699,223,385
Advances to associates and other related parties	<u>2,046,990,832</u>	<u>2,046,990,832</u>	<u>2,012,270,576</u>	<u>2,012,270,576</u>	<u>2,070,871,905</u>	<u>2,070,871,905</u>
	P 53,119,367,891	P 53,119,367,891	P 46,602,008,277	P 46,602,008,277	P 32,095,428,354	P 32,095,428,354
Financial assets at FVTPL	<u>P 125,000,000</u>	<u>P 125,000,000</u>	<u>P 41,500,000</u>	<u>P 41,500,000</u>	<u>P 17,400,000</u>	<u>P 17,400,000</u>
AFS financial assets:						
Equity instruments	P 5,535,716,669	P 5,535,716,669	P 2,778,231,823	P 2,778,231,823	P 1,076,571,258	P 1,076,571,258
Debt instruments	<u>675,467,827</u>	<u>675,467,827</u>	<u>148,299,890</u>	<u>148,299,890</u>	<u>3,273,653,414</u>	<u>3,273,653,414</u>
	P 6,211,184,496	P 6,211,184,496	P 2,926,531,713	P 2,926,531,713	P 4,350,224,672	P 4,350,224,672
Financial Liabilities						
Financial liabilities at amortized cost						
Interest-bearing loans and borrowings	P 7,439,938,373	P 7,439,938,373	P 8,299,801,887	P 8,299,801,887	P 6,255,577,681	P 6,255,577,681
Bonds payable	8,416,062,159	8,416,062,159	8,608,407,826	8,608,407,826	3,696,290,569	3,696,290,569
Trade and other payables	4,037,713,348	4,037,713,348	3,662,373,258	3,662,373,258	2,689,022,672	2,689,022,672
Advances from other related parties	<u>289,868,257</u>	<u>289,868,257</u>	<u>625,936,481</u>	<u>625,936,481</u>	<u>836,258,246</u>	<u>836,258,246</u>
	P 20,183,582,137	P 20,183,582,137	P 21,196,519,452	P 21,196,519,452	P 13,477,149,168	P 13,477,149,168

See Notes 2.5 and 2.9 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Fair Value Hierarchy

The Group's investments in financial assets at FVTPL and AFS financial assets are comprised of equity and debt instruments listed in foreign and local stocks exchange. Fair value measurements of these financial assets were determined directly by reference to published prices quoted in an active market (Level 1 of the fair value hierarchy).

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Interest-bearing loans and borrowings	P 7,439,938,373	P 8,299,801,887	P 6,255,577,681
Bonds payable	<u>8,416,062,159</u>	<u>8,608,407,826</u>	<u>3,696,290,569</u>
	<u>P 15,856,000,532</u>	<u>P 16,908,209,713</u>	<u>P 9,951,868,250</u>
Equity attributable to parent company's shareholders	<u>P 57,776,023,630</u>	<u>P 49,111,847,183</u>	<u>P 38,980,292,755</u>
Debt-to-equity ratio	<u>0.27 : 1</u>	<u>0.34 : 1</u>	<u>0.26 : 1</u>

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

30. OTHER MATTERS

30.1 Registration with Philippine Economic Zone Authority (PEZA)

ECOC, as operator of the Eastwood City CyberPark, is registered with PEZA. As a PEZA registered entity, it is entitled to a preferential tax rate of 5% on gross income earned from its PEZA registered activities, in lieu of all local and national taxes, and to other tax privileges.

30.2 International Organization for Standardization (ISO) Certification

The parent company was awarded a Certificate of Registration ISO 9001:1994 effective November 26, 1999 by Certification International Philippines, Inc. Effective November 21, 2002, the parent company has upgraded its Certification to ISO 9001:2000 series. The scope of the certification covers all areas of the parent company's operations, which include planning, design, project management and customer service for its real estate business. Among others, the parent company is required to undergo surveillance audits every six months.

30.3 Awards

As a testament to the Company's industry leadership, the Company was recognized by various award-giving bodies in 2009 and 2008 as follows:

2009

- Best Investor Relations by Finance Asia
- Best Managed Philippine Company by Finance Asia
- Asia's Best Managed Company by Finance Asia

2008

- Small Cap Corporate of the Year by Asia Money Polls
- Best in Investor Relations by Finance Asia
- Best Managed Philippine Company by Finance Asia

Megaworld Corporation and Subsidiaries
INDEX TO SUPPLEMENTARY SCHEDULES
December 31, 2010

Statement of Management's responsibility for the Consolidated Financial Statements

**Independent Auditor's Report on the SEC Supplementary Schedules filed separately
from the Basic Financial Statements**

Supplementary Schedules to Consolidated Financial Statements (Form 17-A, Item 7)

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
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C	Noncurrent Marketable Equity Securities, Other Long-Term Investments in Stock and Other Investments	<u>3</u>
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E	Intangible Assets - Other Assets	<u>5</u>
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**Supplementary Schedule to Parent Financial Statements
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Reconciliation of Parent Company Retained Earnings for Dividend Declaration	<u>8</u>
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Megaworld Corporation and Subsidiaries
Schedule A - Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)
December 31, 2010

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the market quotation at balance sheet date</i>	<i>Income received and accrued</i>
<i>Short-term Cash Investments:</i>				
<i>RHGI</i>				
HSBC - HK*	-	P 312,314,712	P -	5,368
DEUTSCHE	-	5,740,671,805	-	93,422
<i>MC</i>				
BANCO DE ORO	-	4,853,958,584	-	252,609,724
UNIONBANK	-	189,109,064	-	14,446,582
BPI	-	5,607,792,760	-	90,879,884
CBC	-	842,710,749	-	13,617,696
LANDBANK	-	603,459,996	-	69,891,336
MBTC	-	-	-	43,422,560
RCBC	-	515,320,472	-	44,332,895
PLANTERS BANK	-	20,439,924	-	524,301
PNB	-	411,753,580	-	5,113,662
SECURITY BANK	-	-	-	1,317,774
BANK OF COMMERCE	-	-	-	-
<i>MREI</i>				
BANCO DE ORO	-	25,438,630	-	76,669
<i>FTPHI</i>				
BANCO DE ORO	-	355,897	-	1,073
<i>PIPI</i>				
PLANTERS BANK	-	955,174	-	1,953
<i>ECOC</i>				
BDO	-	616,839,130	-	24,196,782
PLANTERS BANK	-	94,772,162	-	2,899,558
BPIF	-	549,706,932	-	6,963,941
BPI	-	168,151,294	-	9,590,736
UNIONBANK	-	6,277,789	-	107,628
RCBC	-	P 40,000,000	-	1,416,408
<i>MDC</i>				
METROBANK	-	-	-	-
PLANTERS BANK	-	76,782,911	-	1,250,527
BANCO DE ORO	-	227,598,124	-	6,875,308
RCBC-AYALA	-	12,368,161	-	2,511,344
<i>MNPHI</i>				
BANCO DE ORO	-	3,741,246	-	11,276
<i>MOPHI</i>				
BANCO DE ORO	-	2,023,900	-	40,523
<i>FTPHI</i>				
	-	125,000,000	-	-
Total	P -	P 21,047,542,996	P -	P 592,198,930

*Translated at current exchange rate on December 31, 2010

Megaworld Corporation and Subsidiaries
Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2010

Name of Issuing entity and description of Investee	Percentage of Ownership	Beginning Balance		Additions		Deductions		Ending Balance		Dividends received from investments not accounted for by the equity method
		Number of shares or principal amount of bonds and notes	Amount in Peso	Equity in earnings (losses) of investee for the period/ Increase in Fair Values	Other	Distribution of earnings by investees/ Decrease in Fair Values	Other	Number of shares or principal amount of bonds and notes	Amount in Peso	
Investment in Associates at Equity										
Empire East Landholdings	48.38%	5,077,256,249	P 7,790,800,063	(P 22,322,249)	P 276,754,896	-	(P 156,204,071)	5,077,256,249	7,889,028,639	-
Alliance Global Properties, Ltd.	39.44%	33,257,878	P 1,664,777,007	P 37,672,625	P 879,369,235	-	-	33,257,878	2,581,818,867	-
Suntrust Home Developers, Inc.	42.48%	768,334,992	119,522,597	2,009,668	-	-	-	768,334,992	121,532,265	-
Palm Tree Holdings and Development Corp.	40.00%	47,559,995	70,089,519	(71,263)	-	-	0.00	47,559,995	70,018,256	-
Gilmore Properties Marketing Associates	39.83%	-	-	102,927,844	48,932,018	-	-	995,750,000	151,859,862	-
Traveller's International Hotel Group Inc.	10.00%	1,000,000,000	1,008,255,087	322,064,682	500,000	-	(P 520,736,000)	1,000,000,000	810,083,769	-
		<u>6,926,409,114</u>	<u>10,653,444,273</u>	<u>442,281,307</u>	<u>1,205,556,149</u>	<u>-</u>	<u>(P 676,940,071)</u>	<u>P 7,922,159,114</u>	<u>P 11,624,341,658</u>	<u>-</u>
Investments in Associates at Cost										
Asian E-Commerce		3,125,000	P 3,125,000	-	-	-	-	3,125,000	P 3,125,000	-
Bonifacio West		461,600	186,116,337	-	-	-	-	461,600	186,116,337	-
			<u>189,241,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,586,600</u>	<u>189,241,337</u>	<u>-</u>
			<u>P 10,842,685,610</u>						<u>P 11,813,582,995</u>	

Megaworld Corporation and Subsidiaries
Schedule D - Indebtedness of Unconsolidated Subsidiaries and Related Parties (Other than Affiliates)
December 31, 2010

<i>Name of Related Parties</i>	<i>Balance at beginning of period</i>		<i>Balance at end of period</i>	
<i>Unconsolidated Subsidiary:</i>				
Empire East Land holdings, Inc.	P	378,888,334	P	394,211,729
Suntrust Home Developers, Inc.*		-		338,598
Palm Tree Holdings, Inc.		1,009,986,216		1,004,986,820
<i>Other Related Parties:</i>				
Suntrust Properties, Inc.		25,462,573		156,959,179
Asia's Finest Cuisine, Inc.		28,488,454		55,028,018
Eastwood Cinema		7,662,497		7,698,925
First Oceanic Property Management		6,948,923		6,364,604
Eastwood Property Holdings, Inc.		102,645,243		124,873,829
Eastwood Locator		139,431		151,065
Alliance Global Group, Inc.		3,461		54,664
Alliance Global Properties, Ltd.		211,708,104		-
Others	P	<u>240,337,340</u>		<u>296,323,401</u>
	P	<u>2,012,270,576</u>	P	<u>2,046,990,832</u>

*Formerly Fairmont Holdings, Inc.

Megaworld Corporation and Subsidiaries
Schedule E - Intangible Assets - Other Assets
December 31, 2010

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deduction</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Goodwill	P <u>264,768,344</u>	P <u>-</u>	<u>-</u>	P <u>-</u>	P <u>-</u>	P <u>264,768,344</u>

Megaworld Corporation and Subsidiaries
Schedule F - Long-Term Debt
December 31, 2010

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>
Long -term loan	P 15,694,038,349	4,619,443,111	11,074,595,238
Foreign borrowings	161,962,183	107,973,945	53,988,238.00 ^a
	<u>P 15,856,000,532</u>	<u>P 4,727,417,056</u>	<u>P 11,128,583,476</u>

a. Libor plus spread interest rate, 15 semi-annual payments of U. S. \$1,230,193.98

Megaworld Corporation and Subsidiaries
Schedule I - Capital Stock
December 31, 2010

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value	30,140,000,000	25,637,783,626	-	9,915,844,163	103,883,261	15,618,056,202
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		