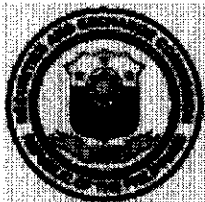




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Company Information

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ALPHALAND CORPORATION (formerly
MACONDRAY PLASTICS, INC.)

(Company's Full Name)

Penthouse Alphaland Southgate
Tower, Chino Roces corner EDSA,
Makati, City

(Business Address: No. Street City/ Town/ Province)

Rodolfo Ma. A. Ponferrada

Contact Person

(632) 338-5599

Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

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Annual Meeting

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Amended Articles Number/Section

4 1
Total No. of Stockholders

Total Amount of Borrowings
2,229,000,000
Domestic Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-3Q

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

1. For the fiscal year ended 30 September 2010

2. SEC Identification No. 183835 3. BIR Tax Identification No 001-746-612

4. Exact Name of Issuer as specified in its charter ALPHALAND CORPORATION
(formerly MACONDRAY PLASTICS, INC.)

Davao, Philippines ☐ 6. SEC Use Only
Industry Classification Code

5. Province, Country or other jurisdiction of
Incorporation or Organization

Penthouse, Alphaland Southgate Tower, Chino Roces Avenue corner 1232
EDSA, Makati City

7. Address of Principal Office Postal Code

(632) 338-5599

8. Issuer's telephone number, including area code

NA

9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding | Amount of Debt/ Liabilities Outstanding |
|---------------------|---|--|
| Common | 1,419,899,041 | 2,229,000,000 |

Are any of the securities listed on the Philippine Stock Exchange?

Yes ☒ No ☐

12. Check whether the issuer
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 Corporate Code of the Philippines during the
preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following discussion summarizes the significant factors affecting the operating results, financial condition and liquidity and cash flows of Alphaland Corporation formerly Macondray Plastics, Inc. (the "Company") for the period ended September 30, 2010 and 2009 and the audited financial statements for the year ended December 31, 2009. The following discussion should be read in conjunction with the accompanying unaudited financial statements as of and for the period ended September 30, 2010 and 2009 and notes thereto which form part of this Report. Such financial statements and notes thereto have been prepared in compliance with accounting principles generally accepted in the Philippines ("GAAP") as set forth in Philippine Financial Reporting Standards ("PFRS"). The Company's financial statements are presented in the functional currency of Philippine pesos.

Other than those items disclosed in the notes to financial statements and the management's discussion and analysis of financial condition and results of operations, the Company is not aware of any event, change, contingency or transaction which would have a material effect on the Company's operation or financial performance.

Other than those items disclosed in the notes to financial statements and the management's discussion and analysis of financial condition and results of operations, the Company is not aware of any material off-balance transactions, arrangements, obligations or any other relationship of the Company created during the reporting period.

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

Management Plan of Operations

Alphaland Corporation ("ALPHA" or the "Company") is a Philippine holding company currently with two principal businesses: real property development and plastics manufacturing. Each of these businesses are managed through two wholly-owned subsidiaries: Alphaland Development, Inc. ("ADI") for the property development business and Macondray Plastics Products, Inc. ("MPPI") for the plastics manufacturing interest. The acquisition of the property development business by the Company only became effective last April 7, 2010.

Nature of Business and Brief Historical Background

The Company was formerly known as Macondray Plastics, Inc. and, previous to that, Agro Plastics, Inc. On November, 19, 1990, it was incorporated as Agro Plastics, Inc. under Securities and Exchange Commission No. 183835 with Pioneer Ventures, Inc. as the controlling shareholder. Until 1994, the Company's sole business was to supply the requirements of the Lapanday Group's banana plantations.

Sometime in March 1995, the Company was sold to Macondray & Co., Inc. ("MCI") and was subsequently renamed Macondray Plastics, Inc. During the year, the Company implemented a major expansion program which involved the construction of a modern manufacturing facility in Panacan, Davao City, the acquisition of machinery and equipment which boosted production to an increased annual blown film capacity of 1,380 metric tons and, the addition of a twine production line with an annual capacity of 270 metric tons. In line with its new status as a stand alone, independent supplier, the Company expanded its customer base to companies outside of the Lapanday Group.

In the same year, 1995, with the procurement of the pertinent permit from the Fertilizer and Pesticide Authority ("FPA"), the facility in Panabo, Davao del Norte commenced producing treated banana bunch shrouds.

In 1997, the Company embarked on a program to reduce its total dependence on the banana industry by further expanding its customer base to commercial/industrial accounts. A new "triple-use" blown film machine with the flexibility of processing High Density Polyethylene ("HDPE"), Low Density Polyethylene ("LDPE") or Low Linear Density Polyethylene ("LLDPE") was commissioned together with a 6-color flexographic printing machine. With these machines, the Company acquired capability to serve the requirements of commercial/industrial companies engaged in the poultry business and export of fresh tuna and desiccated coconut, among others. At the same time, the Company organized a sales and marketing group to actively promote its new production capabilities and establish pro-active service to its banana industry customers.

In 1999, the Panabo plant was renovated and the capacity for banana bunch shrouds production was expanded with the installation and commissioning of an additional extruder, also with a "triple-use" capability.

In November 2000, the Company braved the sluggish stock market and became the first Davao-based, Davao-oriented company to list in the Philippine Stock Exchange ("PSE" or the "Exchange"). The proceeds of the initial public offering were used to expand the Company's production capacity and capabilities. The Company has since ventured into new products for agricultural and industrial applications, i.e., mulch sheets, tunnel covers, greenhouse film, foam net, stretch cling, high barrier, heat shrink film, with the increase in its production capacity from 2,400 MT/annum to 3,300 MT/ annum.

In 2003, in fulfillment of its promise during its initial public offering, it completed the construction of a new production facility, acquired additional machinery and equipment and exploited its market coverage towards non-traditional accounts. The Company likewise revisited its Competency Based HR System and reaffirmed its operational values of Quality, Service and Innovation.

In 2006, the Company acquired a 39,830 sqm property to construct a second facility to house its production facility for agricultural film products. It has since constructed a recycling facility which generates resin for its own consumption.

In September 2009, the Company decided to spin off the operations and maintenance of its plastics manufacturing interest to a separate juridical entity. Thus, MPPI was then incorporated and registered with the SEC on September 25, 2009 and became a wholly owned subsidiary of the Company. A deed of conveyance was subsequently executed where the Company shall transfer all of its assets and liabilities relating to the plastics manufacturing business to MPPI. The transfer and conveyance shall be effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI.

On October 1, 2009, a Share Purchase Agreement (the "SPA") was executed between RVO Capital Ventures Corporation ("RVO Capital") and MCI. The transaction involves the acquisition by RVO Capital of MCI's 99,444,000 shares in the Company which represents MCI's entire interest in the Company. Since MCI's interest represents approximately 66% of the Company's outstanding capital stock, the acquisition thereof triggered the application of the mandatory tender offer rule of the Securities Regulation Code ("SRC"). During the tender offer period (October 27, 2009 to November 5, 2009), shareholders tendered a total of 43,212,748 shares. Consequently, RVO Capital acquired a total of 142,656,748 shares representing 95% of the Company's then issued and outstanding capital stock.

Thereafter on November 18, 2009, the Company's Board of Directors approved the agreement among the Company and the stockholders of Alphaland Development, Inc. ("ADI") relating to the share-for-share swap of the ADI stockholders with the Company. The stockholders of ADI are as follows: Masrickstar Corporation (48%), Alphaland Holdings (Singapore) Pte. Ltd. (40%), Boerstar Corporation (10%) and Azurestar Corporation (2%). Under the Share Swap Agreement dated November 18, 2009 between the Company and the four shareholders of ADI (the "Share Swap Agreement"), each ADI share was exchanged for approximately 5.08 previously unissued shares of the Company. To accommodate the issuance, the Company increased its authorized capital stock from ₱400 million to ₱5 billion. Out of said increase, 1,269,734,041 shares will be issued to the stockholders of ADI (in proportion to their current respective shareholdings in ADI).

Aside from the increase in the authorized capital stock of the Company, the Board also approved the amendments of the Company's articles of incorporation to reflect the following changes: (i) change the corporate name of the Company from 'Macondray Plastics, Inc.' to 'Alphaland Corporation', (ii) change in its primary purpose to that of a holding company, and (iii) change in company address from KM 13 Agusan National Highway, Brgy. Panacan, Davao City to Alphaland Southgate

Tower, 2258 Chino Roces Ave. cor. EDSA, Makati City. The changes were effected to reflect the new diversified thrust of the Company. The Board also approved the amendment of the Company's By-Laws to provide for the creation of the executive, audit and compensation committees of the Board of Directors.

During the Special Stockholders' Meeting held on December 23, 2009, the Company's stockholders approved and ratified the share swap and the amendments to the Company's Articles of Incorporation and By-Laws (including the increase in authorized capital stock from P400 million to P5 billion).

On April 7, 2010, the Securities and Exchange Commission ("SEC") approved the application of the Company for the foregoing amendments to the Company's Articles of Incorporation and By-Laws.

With the SEC approval, the Company's primary corporate purpose has been changed to that of a holding company. And with the increase in the authorized capital stock of the Company and with the implementation of the Share Swap Agreement, ADI has become a wholly-owned subsidiary of the Company. With ADI, the Company can now diversify into the property development sector and will benefit from ADI's existing projects, namely: Alphaland Southgate Tower and Mall, Alphaland Makati Tower, Alphaland Bay City, Alphaland Makati Place, Alphaland Balesin Island Club, Alphaland Boracay Gateway, Alphaland Heavy Equipment and Shangri-La at the Fort.

Plastics Manufacturing

The plastics manufacturing interest of the Company is carried out through Macondray Plastics Products, Inc. ("MPPI"). MPPI is engaged in the manufacture of varied polyolefin plastic blown film (mono and multi layer) products, polyethylene ("PE") foam net products and polypropylene ("PP") twine, operating out of two (2) separate manufacturing facilities in Davao with 90% of its current production capacity serving the plastic packaging requirements of the agricultural sector.

The business activities of the Company are carried out in a competitive environment competing in terms of geographic distribution, market reach, market share, quality, diversity of products, and pricing, among others. MPPI acknowledges that it has been and shall continue to be a quality provider of plastic packaging products for the agricultural banana sector.

MPPI will continually endeavor its efforts to expand its performance along its current product lines and improve production capabilities as well as develop new products and product applications for blown film product applications. Deliberate efforts in pursuing its strategies to increase market coverage and broaden customer base are continually being undertaken to further boost fiscal performance and enhance the quality of its products.

MPPI competes directly with plastic manufacturers ArcMen Industries, Inc. and Davao Packaging Corporation, Southern Plastics, Inc., MCV Plastics, Davao Asian Plastics, EAGA International, Excel Plastics. MPPI considers as a competitive advantage its being one of the few plastic manufacturing companies with a dedicated and active sales and marketing team in the Southern Philippines whose main objective is to establish and maintain business relationships with potential customers through technical assistance on the benefits and constant monitoring of their packaging requirements. MPPI has likewise established a reputation for the innovation of other plastic product lines for other agricultural and aquaculture applications as well as commercial/industrial applications. MPPI is firm on its commitment to continuously undergo research and development on new products or innovative uses to existing products.

MPPI has sufficient access to funds with which to carry out its plan of operations, including any developmental costs it may incur in innovating new products. MPPI shall likewise procure the necessary machinery and equipment needed to bolster and improve business operations and increase productivity. Other than these acquisitions, MPPI does not foresee any other material acquisition of any other significant equipment not consistent with current operations. To support operations, MPPI intends to continually engage the services of a third party cooperative to supplement current manpower requirement. It shall continue to employ such manpower as necessary to support increased business operations.

Despite recurring and evolving challenges for all business enterprises with the escalating fuel and power costs, rising and limited supply of raw materials, intense competition and fluctuating foreign exchange rates, MPPI continues to prevail over these forces with the increase in production and generation of revenues from non-traditional sources, as well as enforce the resilience of its machinery and manpower.

Property Development

Alphaland Development Inc. (ADI), the newly-acquired subsidiary of the Company, is engaged in real estate acquisition and development, and property leasing. Its vision is to be the developer known for superior value enhancement by revitalizing prime but underdeveloped sites in order to further increase their value and appeal to the middle and high-end business and residential markets.

Almost all project locations are in the city as opposed to other developers that have moved their projects outside the Metro. The advantage that this brings is the quick access to business, commercial and residential areas and the prerequisite infrastructure needed to service these markets.

While ADI is a new entrant in the real-estate market, its mission of value creation and site revitalization will draw customer interest as well as investor participation. It's precise and strategic choice of locations; the range of amenities and services it offers are just a few of the significant factors that will enable it to rise above competition and carve out a significant and profitable share in the Philippine real estate realm.

Currently, as its initial undertaking, ideal office spaces are available in a 20-storey tower (Alphaland Southgate Tower) complete with a commercial center (Alphaland Southgate Mall) at its base. Alphaland Southgate Tower and Mall ("Southgate") is located at the corner of Chino Roces Avenue and EDSA, near the Magallanes Interchange. Southgate Mall is designed to support the business establishments in the Southgate Tower as well as the surrounding offices, institutions and communities. It provides dining, shopping, repair, wellness, health, leisure and family support services. Southgate also houses car park spaces for lease and halls for events, conferences, seminars, conventions and job fairs. Two big electronic Light Emitting Diode (LED) billboards suitable for outdoor advertising are also available for lease. Lease terms vary depending on the type of tenant and property leased.

ADI has four more major property development projects lined-up to date: Alphaland Makati Place, Alphaland Makati Tower, Alphaland Bay City and Shangri-La at the Fort.

The Alphaland Makati Place project, a joint venture project with the Boy Scouts of the Philippines, which ADI is undertaking through its subsidiary, Alphaland Makati Place, Inc. (AMPI), is a mixed-use development with commercial center, a city club and three residential/office towers. Bulk excavation works are currently underway and is at 65.86% accomplishment as of September 30, 2010.

A 34-storey premiere corporate building, the Alphaland Makati Tower, will rise at the heart of Makati's Central Business District. The Company plans to start construction sometime in 2011.

Alphaland Bay City, a joint venture with D.M. Wenceslao, Inc., will be a development that will include a world class yacht club as well as hotels, retail establishments and residential towers.

Envisioned as the new flagship luxury development in the portfolio of Shangri-La Group - Shangri-La at the Fort will consist of mixed-use business, residential and retail tower. ADI has a twenty percent (20%) stake in Shangri-La at the Fort.

Further diversifying its business, Alphaland Heavy Equipment Corporation (AHEC), a joint venture company between ADI and Fabricom - XCMG Philippines, was incorporated in January 13, 2010 for the purpose of creating a pool of equipment which can be leased or sold to local government units, government departments, or private entities to construct and repair damaged infrastructure.

Revenue Sources

Plastics Manufacturing

MPPI generates revenues from the manufacture and production of varied polyolefin products utilized for varied applications. Blown film plastic products may be mono or multi-layer and printed or non-printed, and are custom-made to customer requirement and specifications.

MPPI total sales volume for the period ended 30 September 2010 marginally dropped by 2%, cushioning the 7% dip in sales volume in the 2nd quarter of 2010. Sales volume as at 30 September 2010 stood at 3,367MT from 3,446MT sold in September 2009. 3rd quarter 2010 sales volume was at 1,222MT from 1,033MT sold in the 2nd quarter of 2010 and 5% better than the 1,166MT sold in the 3rd quarter of 2009.

Approximately 85% of total sales volume as of September 2010 was generated from sales to customers engaged in the cultivation and export of bananas. Sales generated towards the export of bananas accounted for about 28% of total sales volume, or 942MT as of September 2010 compared to the 885MT generated in the same period last year. 3rd quarter 2010 sales volume of 293MT for this segment was marginally higher by 4% from 2nd quarter sales volume of 281MT but 7% lower than the 3rd quarter 2009 sales volume of 315MT.

Sales volume for the cultivation of bananas accounting for about 55% of total sales volume as of September 2010, with an equivalent of 1,475MT sold, marginally lower by 2% than the 1,511MT sold in September 2009. 3rd quarter 2010 sales volume of 498MT, however, was marginally better than the 489MT sold in the 3rd quarter of 2009 and significantly better than the 434MT sold in the 2nd quarter of 2010.

Adjunct sales volume for polypropylene twine reflected a marked decline over year-ago volume of 11%, or 432MT from 485MT, mainly arising from the increase in competition and tight supply of resin raw materials. 3rd quarter 2010 sales volume stood at 155MT, better than the 136MT sold in the 2nd quarter of 2010 but 5% lower than the 164MT sold in the 3rd quarter of 2009.

Sales volume generated from varied commercial industrial applications significantly improved by 11% over the comparable period, or 418MT from 378MT sold as of September 2009, with the increase in sales for varied primary and secondary food packaging applications. 3rd quarter 2010 sales volume of 140MT was also marginally better than the 3rd quarter 2009 sales volume of 138MT but lower than the 2nd quarter 2010 sales volume of 152MT.

Sales volume for varied agricultural film applications has reflected a slow but steady increase with the improvement and expansion of distribution channels and more aggressive marketing and selling activities. Sales volume for this segment was 13% better than the comparable period or 82MT from 72MT sold as of September 2009. 3rd quarter 2010 sales volume of 17MT was, however, significantly lower than the 27MT sold in the 3rd quarter of 2009 and lower still than the 2nd quarter 2010 sales volume of 22MT, mainly due to the effects of La Nina on various agricultural produce.

Sales for polyethylene foam dropped further with the continued shift in packaging medium for an export client, resulting in sales volume as of September 2010 to 15MT from 65MT sold in September 2009. 3rd quarter 2010 sales volume likewise experienced a significant decline to 6MT from 8MT sold in the 3rd quarter of 2009 but marginally better than the 5MT sold in the 2nd quarter of 2010. The Company has and will continue to develop and evaluate alternative product applications for polypropylene foam products to augment and improve sales volume contribution.

Despite the financial and economic global outlook, MPPI expects sales volume to further decline with the volume for the cultivation and export of bananas as a result of climate change and slow market demand. It has and shall continue to implement programs to enhance production output and capability despite the diversity of products it intends to generate.

Property Development

ADI generates its revenues mainly from Alphaland Southgate Tower and Mall tenant occupancy. As of September 30, 2010, the mall and tower's occupancy rate is 80% and 32% respectively. Tower and mall revenues are generally based on contractual terms agreed upon by the tenants as lessee and ADI as lessor. Other sources are the income from parking rentals, sales from vendo machines located at various locations in the mall, sales from the use of a customer lounge, food and beverage sales from "The Alpha", a restaurant catering for executive dining, and from a number of clientele renting the LED boards, Adboxes and The Tents, a venue for events.

Revenue is yet to be sourced from other development projects, as all the other projects have yet to be completed.

Revenue Contribution

Plastics Manufacturing

MPPI posted total revenues of P409M as of September 2010, a 2% decrease from the P418M posted as of September 2009. The marginal decline in revenues was attributed to several factors but more significantly due to the increase in competition for cheaper and alternative packaging materials. 3rd quarter 2010 revenue output of P150M was also 7% lower than comparable period in 2009 of P146M, but marginally better than the P122M contributed in the 2nd quarter of 2010. Revenues were achieved with the hold in average selling price per kilo, which was at P121 per Kg in September 2010 and also in June 2010.

Revenues generated from the export of bananas marginally increased by 9%, or P114M from P104M generated in September 2009. The increase in revenue contribution is attributed to the 6% increase in sales volume as well as increase in market share of current customers engaged in the export of bananas. Revenue contribution for the 3rd quarter of 2010 was at P36M, 16% lower than the P42M generated in the comparable period last year but better than the P32M generated in the 2nd quarter of 2010. The decline in revenues for the quarter were attributed to the tight competition in prices for export bananas, the residual effects of the over forecast of exports for certain markets as well as the embargo for exports to Iran which has been a traditional trans shipment point for the Middle Eastern markets.

Plastic packaging applications for the cultivation of bananas as of September 2010 marginally declined by 2% or P184M from P188M generated in the same period last year with the increase in competition for supply of impregnated bunch shrouds for SME customers and contract growers. Revenues from this segment are expected to further decline as a result of the Iran embargo, which is a main market for various contract growers, as well as the effects of El Nino on the quantity and quality of bananas produced. Revenue contribution for the cultivation of bananas for the 3rd quarter of 2010 marginally improved by one percentage point versus comparable period, or P62M from P61M sold in the 3rd quarter of 2009. 3rd quarter 2010 sales revenues were also better than the P53M sold in the 2nd quarter of 2010.

Corollary sales for monofilament twine as of September 2010 significantly declined by 13% resulting from the 11% decline in sales volume, or P44M from P51M sold as of September 2009. 3rd quarter 2010 sales revenues were also 4% lower than the comparable period last year, or P16M from P17M sold in the 3rd quarter of 2009. 3rd quarter 2010 sales volume was also better than the P14M sold in the 2nd quarter of 2010. The decline was mainly attributed to the shortage in supply for resin raw material for the production of polypropylene twine.

The development of varied product applications and innovations contributed to the significant increase in revenues for varied commercial industrial applications which stood at P51M from P44M sold as of September 2009, an increase of 14%. 3rd quarter 2010 sales revenues were 7% higher over the comparable period, or P17M from P16M in the 3rd quarter of 2009 but also 7% lower than the P18M sold in the 2nd quarter of 2010. The increase in revenue contribution is attributed to the increase in requirements for primary and high value food packaging as well as secondary packaging for the transport of food packaging materials. The improvement and positive outlook is also attributed to the increase in food

manufacturing industries within Mindanao and decentralization of the purchasing function from multinational corporations. Sales revenues for this segment are expected to further increase with the Company's various accreditations for its food packaging products and ISO certification. The Company has likewise begun its application for HACCP and Halal accreditation.

Improved market coverage as well as product innovations have contributed to the increase in sales revenues generated from agricultural film application, which amounted to P13M as of September 2010 compared to the P8M generated as of September 2009. 3rd quarter 2010 sales contribution was posted at P3M, comparative to the P3M posted in the 3rd quarter of 2009 but slightly lower than the P4M sold in the 2nd quarter of 2010. The Company markets and sells its agricultural film and corollary services to a wider market base, which requires a longer lead-time in re-ordering. The Company expects to generate more sales with an increased market acceptance of non-traditional agricultural practices which contribute to increased yield.

Sales generated from expanded polyethylene foam products significantly declined to P2M from P12M generated in September 2009, owing to the shift of a certain customer to paper trays for the export of its agricultural produce for an export market. 3rd quarter 2010 of P1M sales was also significantly lower than the P2M sold in the 3rd quarter of 2009 but marginally higher than the P0.8M sold in the 1st quarter of 2010. Sales for this segment are expected to further decline with this shift in packaging requirement. MPPI has and continues to seek out alternative applications for this product.

MPPI is committed to continually develop and innovate quality products matched with personalized technical service. The Company aims to further its strategic decision to look beyond traditional sources of revenue in developing new product applications and markets for its blown film, monofilament twine and foam net plastic products. This strategy however does not preclude MPPI from other risks, such as unfavorable weather conditions and natural disasters, which may have a significant impact on operations, and global financial concerns, which affect customer demand.

Property Development

ADI's gross revenue as of September 30, 2010 amounts to P136.9 Million. Rentals from the Alphaland Southgate Tower and Mall, including The Tents where events are held, LED and Adboxes totals P89.7M. However, rental escalation per PAS17 amounting to P24.9M is included in the P136.9M reported gross revenue. Sales from parking, from vendo, from The Alpha and other passed-on cost such as electricity, water, use of LPG, to name a few, amounts to P47.2M.

Cost and Expenses

Cost of Sales

Plastics Manufacturing

The Company posted an increase in cost of sales of about 3% over the comparable period, or P321M from P310M as of September 2009 owing to the 2% increase in sales volume and cost of resin raw materials and utilities. Average Cost of sales as of September 2010 was at P100 per kilo versus the P90 per kilo posted as of September 2009. 3rd quarter 2010 cost of sales was also 5% higher over the comparable period, or P112M from P107M in the 3rd quarter of 2009.

Owing to the diversified product mix and fluctuating cost of imported resin and other inputs, direct cost of materials increased by 4% or P248M from P235M reported in the as of September 2009. Average direct material cost was also higher or P73 per Kg from P68 per Kg posted as of September 2009. 3rd quarter 2010 cost of raw materials of P84M was marginally higher by a percentage point over the comparable period in 2009 of P82M. MPPI foresees a continuous increase in this cost category as global demand for petroleum continues to increase, and prices of resins products continue to rise.

Power shortages, fluctuating power supply and the high prices in diesel fuel contributed to the increase in total cost of utilities resulting in an 18% increase over comparable period, or P22M from P18M posted in September 2009. 3rd quarter 2010 cost of utilities significantly increased by 13% or P8M from P7M posted in the 3rd quarter 2009 mainly due to the

frequent power shortages. Mindanao has continued to experience rotating power disruptions, which greatly affect productivity and production capacity. MPPI has set in place power generators to help reduce the effect of these power disruptions.

Costs attributed to direct labor as of September 2010 amounted to P25M, 17% higher than the P21M reported as of September 2009. Direct labor costs for the 3rd quarter 2010 amounted to P10M, 13% higher than the P7M reported in the 3rd quarter of 2009 owing to the product mix and manpower required for its production. The Company operates 15 blown film extruder machines, a twine line and 3 expanded polyethylene lines and a recycling facility operation out of two manufacturing facilities.

The Company likewise employs the services of a manpower cooperative to support current operations. Indirect labor cost was more than double than the same period last year, or P14M from P6M posted as of September 2009 with the diversity of products and increase in production activity. 3rd quarter 2010 cost of direct labor of P10M was significantly than P2M reported in the 3rd quarter of 2009. The Company is evaluating methods by which to mechanize certain production enhancements for consistent quality output as well as lower costs.

Depreciation and amortization costs charged as of September 2010 was posted at P18M from P17M posted as of September 2009 with the acquisition of adjunct machinery and equipment to boost production capacity and capability. MPPI continued to invest in the improvement and enhancement of current machinery to further boost production capacity and capability, resulting in improved machine efficiency. To further extend useful life and machinery efficiency, MPPI expended cost for repairs and maintenance, which stood at P6M as of September 2010, comparable to the P6M expended as of September 2009.

MPPI continues efforts to further lower its total cost of sales through its efforts in increasing sales volume for higher yielding margins, reduce cost of waste and further boost productivity through mechanization of certain products, programmed maintenance of the Company's varied machinery and equipment and the implementation of a quality management system.

Cost of Revenue

Property Development

ADI's cost of revenue, which mainly comprises of reimbursable cost passed-on to tenants through monthly billings, is at P23M as of 30 September 2010.

Consumption of electricity, water and liquefied petroleum gas, if applicable are read through a meter assigned to each tenant for proper charging reflected in the monthly billing sent to mall and tower tenants. Cost of maintenance such as exhaust cleaning and bio-augmentation which is regularly done to ensure operational safety and cleanliness is likewise charged back to mall tenants.

Operating Expenses

Plastics Manufacturing

Increased business activity contributed to the 72% increase in total overhead cost, amounting to P66M from 40M spent in as of September 2009. Operating overhead accounted for 17% of total revenue turnover.

About 37% of total operating overhead was spent for taxes, licenses and business registrations. The Company spent P26M as of September 2010 in connection with the increase in capitalization and listing fees with the Exchange, aside from the regular local business operating taxes, significantly higher than the P3M spent in September 2009. 3rd quarter 2010 taxes and licenses of P3M were also significantly higher than that the P1M posted in the 3rd quarter of 2009.

Total salaries and wages which accounted for 16% of total overhead expenditures, likewise increased by 21% over the comparable period, or P12M from P9M mainly attributed to salary adjustments due to certain personnel movements within MPPI. Salaries and wages for the 3rd quarter of 2010 was, however, lower than the comparable period or P3M versus the P4M reported in the 3rd quarter of 2009. Corollary expenditures for employee benefits were 24% lower, or P3M from P4M spent as of September 2009. 3rd quarter 2010 expenditures for employee benefits amounted to P3M from P1M spent in the 3rd quarter of 2009. The Company has and shall continue to improve and enhance its manpower complement directed towards the delivery of value products and services. It continues to implement training programs across its manpower complement. MPPI continues to engage the services of a manpower cooperative to sustain the Company's diverse operations. MPPI continues to employ a Competency Based HR Management System.

Despite the increase in business activity, the Company reflected a reduction in marketing and selling expenses amounting to P3M from P5M posted as of September 2009 with the improved logistical and selling activities for its plastics products. 3rd quarter 2010 marketing and selling expenditures were however, almost double than the same period last year, or P2M from P1M reported in the 3rd quarter of 2009.

The Company, however, reflected an increase in transportation and travel expenditure amounting to P3M as of September 2010 from 1M reported in the September 2009, with the increase in travel geared towards product and process improvement and technology transfer.

The Company expended additional service and professional fees in connection with the increased business activities of the group. Expenses for service and professional fees amounted to P6M as of September 2010 from P3M spent in September 2009. 3rd quarter 2010 service and professional fees were marginally lower or P1M from P1M posted in the 3rd quarter of 2009.

The increase in depreciable assets, adjunct machinery and equipment and improvement in facilities to support MPPI's increased business activity resulted in an increase in total depreciation cost amounting to P5M from P3M posted in the same period last year. 3rd quarter 2010 depreciation expense was 14% higher than the comparable period or P1M from P1M spent in the 3rd quarter of 2009. Corollary expenditures for repairs and maintenance was 37% lower than the comparable period, or P2M from P2M reported as of September 2009 with the disposal of certain non performing assets. 3rd quarter 2010 expenditures were also slightly lower, or P1M from P1M reported in the 3rd quarter of 2009. Corollary expenditures for insurance increased with the increase in depreciable assets, which doubled from previous year, or P1M from P1M spent in September 2009.

Cost of rent and utilities in connection with the transfer of conveyance of assets from Alphaland to MPPI resulted in an increase in rental and utilities expenditure, which amounted to P3M from P1M posted as of September 2009. 3rd quarter 2010 rental and utilities expenditure was also significantly higher by P4.5M over the comparable period.

The Company spent net other charges amounting to P20M as of September 2010, 21% lower than the P25M spent as of September 2009 with the tighter fiscal management. Foreign exchange losses were significantly higher for the period, owing to the strengthening of the Philippine Peso versus the US Dollar, amounting to P1M from P1M expensed in September 2009. Interest expenditures were lower than prior year amounting to P10M from 13M reported in September 2009 with the increased collection efficiencies and improvement in monitoring fiscal performance. The Company spent miscellaneous non-operating expenditures amounting to P8M as of September 2010, lower than the P11M reported in September 2009.

Property Development

Operational sustenance of Alphaland Southgate Tower and Mall as of September 30, 2010 reports an amount of P124.3M. 25% expenditure for utilities and communication (P 31.5M) , 21% in personnel expenses (P26.4M) and 13% in both professional fees (P15.8M) and expenses for outsourced services (P15.6M) mainly attributes to the P124.3M operating expenses accumulated as of end of September.

Booked expenses for electricity of P27.7M out of the P31.5M total for utilities and communication expense causes this account to be the main factor for the accumulated P124.3M operating expenses.

Outsourced services include security, janitorial services among others. Permits and licenses of P15.3M also contribute 12% of the total operating expenses mainly due to the real property tax in the amount of P14.3M.

Other expenses which comprises the operating expenses reported are: marketing and promotions, P4.6M (4%), supplies and printing, P2.7M (2%), transportation and travel, P2.8M (2%), insurance of P2.9M (2%), doubtful accounts expense of P2.4M (2%), repairs and maintenance of P1.5M (1%), meals and representation of P1M (1%), miscellaneous of P.9M and implements of P.5M.

Alphaland Makati Place Inc. on the other hand incurred P1M in operating expenses. Necessary security services and professional fees for the project amounted to P.4M each.

Result of Operations

Plastics Manufacturing

The Company posted a 2% decline in total revenues for the period ended 30 September 2010 or P409M from P418M posted in September 2009. Gross Profit was also significantly lower, amounting to P88M in September 2010 as compared to the P108M posted in September 2009, mainly owing to the increase in cost of raw materials. Operating overhead, which stood at P66M as of September 2010 and P40M as of September 2009, resulted in a significant decline in operating income of P22M as of September 2010 as compared to the P67M reported in September 2009. Net other income/charges were, however, significantly lower, amounting to P19M from P25M reported in September 2009.

The Company reported a net loss as of September 2010 amounting to P6M, a significant decline from the P30M net income reported in September 2009, posting a negative loss margin of 6% versus year ago net profit margin of 7%.

Earnings Per Share

| | As at September 2010 | As at September 2009 |
|-----------------------------------|-----------------------------|-----------------------------|
| Weighted Ave. no of Shares | 272,592,650 | 150,562,000 |
| Net Income/(Loss) | (6,696,930) | 30,083,920 |
| Earnings/(Loss) per Share | (P0.02) | P0.20 |

Property Development

As of September 30, 2010, ADI incurred losses of P67.8M as revenues are not yet sufficient to sustain the company's operating expenses. Mall and tower spaces, though, has yet to meet its target occupancy rate by end of year 2010. Interest expense related to company loans amounting to P73.3M further depleted the profit and loss statement of ADI.

Liquidity and Capital Resources

Fiscal Position

Plastics Manufacturing

The Company posted a total asset base of P10,301B, significantly higher than the P549M posted in September 2009 and P549M posted as at December 2009. The increase in asset base is mainly attributed to the recording of investment properties under Alphaland Development. Current Assets stood at P311M, 6% higher than the P292M posted as at December 2009. Current Ratio was recorded at 0.93 to 1.

Cash and cash equivalents as at September 2010 amounted to P44M, significantly better than the P14M recorded in December 2009 with the increased collection efficiency of the plastic manufacturing interest and the increase in cash retained for property development. Cash and cash equivalents as of September 2010 were used mainly for working capital requirements of the Company, as well as bridge short term funding for various capital expenditures.

Tighter fiscal management contributed to the decline in accounts receivables as at September 2010, amounting to P148M from P155M reported in December 2009. Current receivable ratio stood at 70% as at September 2010. The Company provides an average credit term of 90 days to its regular customers for its plastics manufacturing interest. The Company believes that it shall be able to collect a major portion of these accounts and that no additional provision for doubtful accounts is necessary.

The Company posted a lower inventory level as at September 2010, amounting to P80M from P94M maintained as of December 2009. The Company maintained an inventory level of 82 days on hand, slightly lower than the 90 day inventory level target, with the delay in arrival of certain resin raw material from varied sources and tight supply due to the fluctuating increase in petroleum prices. About 98% of the Company's resin raw material is imported from foreign sources, any fluctuation in the foreign exchange, fluctuation in world market prices has a significant impact of the Company's operation and profitability.

Prepaid expenditures and other current assets marginally dipped to P28M as at September 2010 as compared to the P28M posted in December 2009 mainly with the increase in prepaid import charges.

Amounts owed by related parties amounted to P11M as at September 2010 mainly arising from the conveyance of net assets between Alphaland Corporation and Macondray Plastics Products, Inc.

The Company's net tangible assets marginally declined from P247M as at December 2009 to P240M as at September 2010 with the assumption of net assets between Alphaland Corporation and Macondray Plastics Products, Inc. The Company shall continue to acquire various machinery and equipment, consistent with its core business, to further boost the Company's production capabilities and capacity. It shall likewise implement necessary building and leasehold improvements to support its continually increasing business activities.

Other non-current assets significantly increased to P26M as at September 2010 from P9M reported in December 2009 due to the increase in deferred charges and recoverable deposits.

Total Liabilities amounted to P337M as at September 2010, significantly higher than the P281M posted as at December 2009 mainly due to the increase in amounts due to related parties, which stood at P68M as at September 2010 from only P30k in December 2009.

Loans payable amounted to P131M as at September 2010, significantly lower than the P149M secured as at December 2009, mainly attributed to the increased collection efficiency and tighter fiscal management.

Trust receipts payable stood at P105M as at September 2010, higher than the P99M posted as at December 2009 with the importation of resin raw materials.

Accounts payable marginally declined to P28M as at September 2010 from P29M posted in December 2009 with the settlement of liabilities with certain customers.

Summary of Certain Significant Balance Sheet Items

Below is a summary of certain significant balance sheet items:

| | Unaudited September | Audited December | Variance |
|--|------------------------|---------------------|----------|
| | | | |

| | 2010 | 2009 |
|---|-----------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalent | 44,302,742 | 13,995,258 |
| Accounts Receivable Trade - net | 147,855,716 | 155,351,714 |
| Inventories - net | 80,191,230 | 94,136,600 |
| Amounts owed by related parties | 11,236,115 | |
| Prepaid expenses and other current assets | 27,963,790 | 28,597,140 |
| Total Current Assets | 311,549,594 | 292,080,712 |
| Property, plant and equipment - net | 240,827,083 | 247,142,873 |
| Investment | 9,722,932,397 | |
| Other assets | 26,070,547 | 9,899,490 |
| Total Non Current Assets | 9,989,830,027 | 257,042,363 |
| TOTAL ASSETS | 10,301,379,621 | 549,123,075 |
| LIABILITIES & STOCKHOLDERS'S EQUITY | | |
| Current Liabilities | | |
| Loans payable, short term facility | 131,000,000 | 149,000,000 |
| Trust Receipts payable | 105,687,141 | 99,800,248 |
| Accounts payable and accrued expenses | 28,244,757 | 29,361,638 |
| Due to Affiliated Companies | 68,279,993 | 30,000 |
| Income tax payable | 4,607,774 | 634,207 |
| Total Current Liabilities | 333,556,614 | 278,826,093 |
| Non Current Liabilities | | |
| Retirement Benefits | 3,508,368 | 2,552,672 |
| TOTAL LIABILITIES | 337,064,982 | 281,348,765 |
| STOCKHOLDERS' EQUITY | | |
| Capital Stock - P1 par value | 400,596,400 | 150,588,900 |
| Deposit on future subscription | 6,792,054,636 | |
| Minority Interest | 15,544,713 | |
| Retained Earnings | 2,753,069,364 | 118,368,936 |
| TOTAL STOCKHOLDERS' EQUITY | 9,961,265,113 | 268,957,836 |
| Less: cost of treasury shares | -1,213,526 | -1,213,526 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 10,301,379,621 | 549,123,075 |

Property Development

Total assets of P13.1B is reflected in the books of ADI as of September 30, 2010. Cash and cash equivalents amounted to P1B. Cash and cash equivalents are used for the working capital requirement of ADI. Receivables of P237M are mostly receivables from mall and tower tenants and are due and demandable. P305M other current assets consists mainly of prepaid expenses, input tax, inventory and refundable deposits from Meralco.

Accounting for non-current assets are advances to related party and investment in and advances to associates. Investment properties account is at P10.7B as at report date. While property and equipment, net of accumulated depreciation is P14.7M.

Total liabilities, with current portion at P.5B and non-current portion at P2.9B, totals P3.4B. Trade and other payables are non-interest-bearing and are due for payment within 30-120 days. ADI has an existing Omnibus Loan and Security Agreement with Development Bank of the Philippines, Land Bank of the Philippines and Bank of the Philippine Islands for a loan facility of P1,400M.

Deposit for future stock subscription of P6.792M pertains to BOD approved conversion of advances from stockholders. Furthermore, any conversion by a stockholder of its deposits back into advances shall entitle the other stockholders to likewise convert their respective deposits back to advances. At the appropriate time, ADI will apply for an adequate increase in capitalization to effect the conversion of said deposits for future stock subscription into equity.

Sources and Uses of Cash

Plastics Manufacturing

MPPI's primary source of liquidity and capital resource is cash provided from manufacturing operations. Incremental cash is sourced from short-term borrowings. MPPI mainly utilizes cash to fund the acquisition of raw materials and supplies, payment of trade payables and capital expenditures to increase and enhance productivity.

MPPI is confident that cash generated from operations and financing from existing and pending credit facilities shall be adequate to provide sufficient liquidity to fund the Company's current operations, investments and capital expenditures, as well as service its payables to financial institutions and suppliers. This does not preclude the Company from pursuing various initiatives towards further improving the Company's balance sheet and cash flows.

The Company is not aware of any material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the company with affiliated entities or other persons created during the reporting period.

Property Development

ADI sources its fund out of the collections from space leases at Alphaland Southgate Tower and Mall. Additional cash, however, is augmented through bank loans and borrowings. ADI uses its fund to support the tower and mall operations and to sustain the overhead back-end support of the company as a whole.

In much the same capacity, ADI is, likewise, confident that cash generated from operations and financing from existing and pending credit facilities shall be adequate to provide sufficient liquidity to fund the Company's current operations, investments and capital expenditures, as well as service its payables to financial institutions and suppliers. This does not preclude the Company from pursuing various initiatives towards further improving the Company's balance sheet and cash flows.

The Company is not aware of any material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the company with affiliated entities or other persons created during the reporting period.

Manpower Complement

Plastics Manufacturing

| | September 2010 | June 2010 | March 2010 | December 2009 |
|----------------------|----------------|------------|------------|---------------|
| Executive/Managerial | 10 | 10 | 9 | 12 |
| Supervisor | 41 | 40 | 39 | 23 |
| Rank and File | 109 | 111 | 101 | 99 |
| Probationary | 9 | 7 | 23 | 32 |
| Manpower Cooperative | 224 | 209 | 201 | 167 |
| Total | 373 | 377 | 373 | 353 |

MPPI is one of the first companies in Davao to have employed a competency-based human resource system in the management of its human resource. The competency-based system is hinged on compensating employees based on an inventory of competencies required and expected of each employee plus incentives based on performance.

MPPI engaged the services of a Labor Cooperative to provide non-critical tasks in the production of the Company's various products. These personnel assist in the productivity efforts of the Company to better improve plant efficiency.

MPPI's employees are not unionized. No labor-related litigation or claim is pending or, to the best knowledge of the Company, threatened against the Company.

Property Development

| | September 2010 |
|-----------------|----------------|
| Executive | 5 |
| Department Head | 17 |
| Manager | 9 |
| Consultant | 3 |
| Supervisor | 17 |
| Rank & File | 23 |
| Probationary | 22 |
| TOTAL | 96 |

ADI currently has a management team comprising of renowned and proven leaders from the real estate, manufacturing, financial, legal, IT and telecommunications sectors. Their combined expertise and experience will serve to effectively guide and accelerate the growth of the company. ADI expects to increase its manpower complement in the next twelve (12) months to fill the necessary vacant positions needed for its upcoming projects.

Plastics Manufacturing

| | September 2010 | December 2009 |
|---|----------------|---------------|
| Liquidity | | |
| Current Ratio (Current Asset/Current Liabilities) | 0.93:1 | 1:1 |
| Days Sales Outstanding (Accounts Receivables/Sales) | 97 | 120 |
| Solvency | | |
| Debt to Equity (Total Liabilities/Stockholders' Equity) | 0.03 | 1:1 |
| Profitability | | |
| Return of Average Stockholders' Equity (Net Income/Stockholders Equity) | 1.6% | 0.8% |
| Financial Efficiency | | |
| Return on Assets (Net Income/Total Assets) | - | - |

Property Development

| | September 2010 |
|---|----------------|
| Liquidity | |
| Current Ratio (Current Asset/Current Liabilities) | 2.96:1 |
| Solvency | |
| Debt to Equity (Total Liabilities/Stockholders' Equity) | 0.36 |
| Profitability | |
| Return of Average Stockholders' Equity (Net Income/Stockholders Equity) | - |
| Financial Efficiency | |
| Return on Assets (Net Income/Total Assets) | - |

Discussion and Analysis of Material Events and Uncertainties

As of reporting date:

There are no known trends or events, which may have a material effect on the Company's short-term or long-term liquidity.

There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. Funding of maturing obligations shall be sourced from internally generated cash flow or from borrowings under the available credit facilities.

There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons during the reporting period.

The commitment for capital expenditures is those within the ordinary course of trade or business and will be funded partly from short term credit and operations.

There were no significant trends, events, or uncertainties that will have a material impact on the registrant's sales. There are no significant elements of income or loss not arising from the Company's continuing operations. There are no seasonal aspects that had or have a material effect on the financial condition or results of operations. The effects of seasonality or cyclicity on the operations of the Company's business are not material.

There are no items this year affecting assets, liabilities and equity, net income or cash flows that are unusual because of their nature, size or incidents, except those stated in the Management's Discussion and Analysis.

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

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date. No material contingencies and any other events or transactions exist that are material to an understanding of the current year.

There are no issuances, repurchases, repayments of debt and equity securities during the year except for those which have been disclosed and those which occur within the ordinary course of business.

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the year.

There are no effects of changes in the composition of the Company during the year, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

Disclosures on Market Risks

Plastics Manufacturing

MPPI is exposed to various risks in its regular operations, including foreign exchange risks, interest rate risks, liquidity risks, inflation risks and supply risks.

In view of improving its current operations and safeguarding shareholder interests, and faced with the inherent changes in the political and business environment, the Company has and continues to seek and implement measures to curtail these risks.

Foreign Exchange Risks

MPPI recognizes approximately 30% of its revenues in US Dollars, as it is an indirect exporter of plastic materials. Sales of export bags are mostly paid for in U.S. Dollars. Most of its raw materials and certain operating supplies, however, are imported and are paid for in U.S. Dollars. This makes the Company a net user of U.S. Dollars. A weakening of the

Philippine Peso vis-à-vis the U.S. Dollar may have an adverse effect on the Company's financial performance. However, the Company believes that its pricing policy helps mitigate such risk.

Interest Rate Risk

MPPI has unsecured loans from local banks in peso and US Dollar currency with an average borrowing rate of 6.0%. Any fluctuations in interest rates may have a significant impact on the company's financial position. MPPI believes that it has sufficient cash from its operations to liquidate and mitigate these risks should the need arise.

Liquidity Risk

MPPI intends to utilize internally generated funds and proceeds from debts to finance operating and investing requirements. Cash flows are regularly evaluated based on projected and actual cash flow in order to assess the Company's financial requirements at any given time.

Inflation Risks

MPPI believes that changes in local inflation will have a material, adverse impact on the Company's operations.

Supply Risks

The manufacture of the Company's plastic products requires various types of polyethylene and polypropylene resins, 98% of which is paid for in US Dollars. Prices of these materials are dictated by seasonal supply and demand in the world market. A significant increase in the prices of these materials would have an adverse effect on the Company's profit margins.

MPPI has established a program of tracking prices of its raw material requirements in the world market thereby enabling it to enter into purchase contracts during seasons of low prices and continues to seek alternative sources of raw materials to curtail any risks in the shortage of raw material supply. The Company constantly updates its customers on price trends and assists them in planning inventory requirements at times of rising prices.

Natural Occurrences

MPPI is subject to various other risks that are beyond the Company's and its clients' control. These include weather conditions and natural disasters, which may disrupt the Company's operations. There can be no assurance that the above risks will not have an adverse effect on the Company.

Compliance with Environmental Regulations

Treated bunch shrouds contain the active ingredient chlorpyrifos, a pesticide which requires proper handling and disposal. As such, plastic manufacturers are under constant supervision from the Department of Environment and Natural Resources ("DENR") and the Fertilizer and Pesticide Authority ("FPA") insofar as plastic production and storage facilities are concerned. Any violation of DENR and FPA regulations may cause disruption of MPPI's operations.

The Company has always been in compliance with health, sanitary, and environmental regulations as imposed by the DENR and the FPA, evidenced by its DENR Permit to Operate and FPA License, and is currently working with the said agencies in establishing the production facility standards for producing pesticide-impregnated bunch shrouds. In addition, MPPI sells such bunch shrouds only to clients who have secured the required licenses from the FPA.

Economic and Political Conditions

The Company's continuing operations are influenced by the general economic and political condition of the Philippines. Any event that would trigger economic and/or political instability may adversely affect the Company's growth and financial performance.

The prevailing peace and order situation in Davao, where the Company's manufacturing facilities and its customers' plantations are located, is generally stable. Nevertheless, a political disturbance that may be brought about by the existing crisis in Mindanao remains to be a threat to companies operating in Davao, including MPPI.

Property Development

The main risks arising from ADI's financial instruments are credit risk, interest rate risk and liquidity risk. ADI's exposure to foreign currency risk is minimal because most of its transactions are denominated in its functional currency. ADI's Board of Directors and management review and approve the policies for managing each of these risks and they are summarized as follows:

Credit Risk

ADI only trades with recognized, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit are subject to credit verification procedures.

Interest Rate Risk

ADI's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt subject to floating interest rates.

Liquidity Risk

ADI's exposure to liquidity risk relates to raising funds to meet obligations associated with financial liabilities. ADI manages its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, ADI intends to use internally generated funds and available credit facilities.

As part of its liquidity risk management, ADI regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

PART II - OTHER INFORMATION

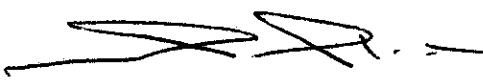
There are no disclosures not reported under SEC Form 17-C.

SIGNATURES

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

Issuer : **ALPHALAND CORPORATION**

Signature and Title : 
MARIO A. ORETA
President

Principal Financial Officer : 
RAUL C. PAGDANGANAN
Chief Financial Officer

Date :

ALPHALAND CORPORATION
CONSOLIDATED BALANCE SHEETS

| | Unaudited September 2010 | September 2009 | Audited December 31 2009 |
|---|--------------------------------|--------------------|--------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash equivalent | 1,246,994,828 | 7,452,025 | 13,995,258 |
| Accounts Receivable | 404,450,452 | 160,272,735 | 155,351,714 |
| Inventories | 80,191,230 | 81,405,845 | 94,136,600 |
| Prepaid expenses and other current assets | 341,898,241 | 32,858,277 | 28,597,140 |
| Total Current Assets | 2,073,534,751 | 281,988,882 | 292,080,712 |
| Non Current Assets | | | |
| Advances to Related Party - net | 173,253,115 | | |
| Investments in and advances to associates | 1,156,626,234 | | |
| Investment Properties | 12,820,953,910 | | |
| Property and equipment - net | 259,488,984 | 247,250,711 | 247,142,873 |
| Goodwill | 23,229,684 | | |
| Other noncurrent assets | 26,079,025 | 17,333,641 | 9,899,490 |
| Total Noncurrent Assets | 14,459,630,952 | 264,584,353 | 257,042,363 |
| TOTAL ASSETS | 16,533,165,703 | 546,573,235 | 549,123,075 |
| Current Liabilities | | | |
| Trust receipts payable | 105,687,141 | 98,319,645 | 99,800,248 |
| Short Term Loan | 579,000,000 | 134,000,000 | 149,000,000 |
| Accounts payable and accrued expenses | 298,025,437 | 32,731,476 | 29,361,638 |
| Current portion of long-term debt | 124,997,600 | | |
| Current portion of customer's deposit | 9,412,959 | | |
| Due to Affiliated Companies | | 4,929,105 | 30,000 |
| Income Tax Payable | | 4,688,882 | 634,207 |
| Total Current Liabilities | 1,117,123,136 | 274,669,107 | 278,826,093 |
| Non Current Liabilities | | | |
| Loans payable, net of current portion | 1,525,002,400 | | |
| Deferred tax liability | 1,436,040,603 | | |
| Customer's deposit, net of current portion | 39,583,230 | | |
| Retirement benefits | 3,508,368 | 3,526,693 | 2,552,672 |
| Total Non Current Liabilities | 3,004,134,601 | 3,526,693 | 2,552,672 |
| TOTAL LIABILITIES | 4,121,257,737 | 278,195,800 | 281,378,765 |
| STOCKHOLDER'S EQUITY | | | |
| Capital Stock | 1,420,322,941 | 150,562,000 | 150,588,900 |
| Treasury Shares | (1,213,526) | (1,213,526) | (1,213,526) |
| Additional Paid-In Capital | 5,918,623,901 | | |
| Minority Interest | 3,196,420 | | |
| Deposit on Subscriptions | 2,147,819,426 | | |
| Retained Earnings/(Deficit) | 2,923,158,804 | 119,028,961 | 118,368,936 |
| Total Stockholder's Equity | 12,411,907,966 | 268,377,435 | 267,744,310 |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | 16,533,165,703 | 546,573,235 | 549,123,075 |

ALPHALAND CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the Quarter ended September 30 | | Year to Date ended September 30 | |
|--|---------------------------------------|-------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| NET SALES | 264,499,181 | 146,204,560 | 523,527,495 | 418,332,954 |
| COST OF SALES | 112,791,843 | 107,037,935 | 321,207,524 | 310,452,712 |
| GROSS PROFIT | 151,707,338 | 39,166,625 | 202,319,971 | 107,880,242 |
| OPERATING EXPENSES | 153,104,669 | 11,135,875 | 204,068,120 | 40,281,737 |
| OTHER INCOME/EXPENSES | | | | |
| Gain on fair value change of investment properties | 80,000,000 | | 80,000,000 | |
| Interest Expense | (77,223,241) | (3,637,115) | (84,350,031) | (12,835,931) |
| Other Financing Charges | (1,902,533) | | (1,902,533) | |
| Interest Income | 2,718,077 | | 2,718,077 | |
| Foreign exchange gain(loss) | (6,525,208) | (54,861) | (6,766,611) | (642,136) |
| Other Income - Mgt. Service Fee | 25,200,000 | | 25,200,000 | |
| Others | (1,940,662) | (4,489,112) | (7,119,099) | (11,573,079) |
| EQUITY IN NET INCOME (LOSS) OF ASSOCIATES | 665,804 | | 665,804 | |
| INCOME (LOSS) BEFORE INCOME TAX | 19,594,906 | 16,167,352 | 6,697,458 | 42,547,359 |
| PROVISION FOR INCOME TAX | 36,506,314 | 4,911,465 | 40,980,887 | 12,463,439 |
| NET INCOME (LOSS) | (16,911,408) | 11,255,888 | (34,283,429) | 30,083,920 |

ALPHALAND CORPORATION

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the period ended September 30, 2010 and 2009 and for the year ended December 31, 2009

| | Capital Stock | Deposit on Future Subscription | Minority Interest | Retained Earnings | Treasury Stock | Total |
|----------------------------------|---------------|--------------------------------|-------------------|-------------------|----------------|---------------|
| Balance at December 31, 2008 | 125,562,000 | | | 118,967,521 | (557,328) | 243,972,193 |
| Net Income | | | | 30,083,920 | | 30,083,920 |
| Stock Dividend | 25,026,900 | | | (25,026,900) | | |
| Cash Dividend | | | | (5,022,480) | (656,198) | (5,678,678) |
| Balance at September 30, 2009 | 150,588,900 | | | 119,002,061 | (1,213,526) | 268,377,435 |
| Net Income | | | | 633,125 | | 633,125 |
| Balance at December 31, 2009 | 150,588,900 | | | 118,368,936 | (1,213,526) | 267,744,310 |
| Share Swap | 250,007,500 | | | | | 250,007,500 |
| Deposit on Future Subscription | | 6,792,054,636 | | | | 6,792,054,636 |
| Equity in Earnings of Affiliates | | | | 2,641,397,358 | | 2,641,397,358 |
| Minority Interest | | | 15,544,713 | | | 15,544,713 |
| Net Income | | | | (6,696,930) | | (6,696,930) |
| Balance at September 30, 2010 | 400,596,400 | 6,792,054,636 | 15,544,713 | 2,753,069,364 | (1,213,526) | 9,960,051,587 |

See accompanying Notes to Financial Statements

ALPHALAND CORPORATION
CONSOLIDATED STATEMENTS OF CASHFLOW

| | 2010 | 2009 |
|---|------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (Loss) before income tax | 6,697,459 | 42,547,360 |
| Adjustments for: | | |
| Depreciation | 7,725,025 | 20,412,378 |
| Provisions for Doubtful accounts | | 2,998,427 |
| Provisions for retirement benefit costs | | (1,817,979) |
| Gain on fairvalue of investment properties-net | (80,000,000) | |
| Equity in net earnings | (665,804) | |
| Interest income | (2,718,077) | (31,504) |
| Interest expense | 84,350,031 | 12,812,392 |
| Unrealized foreign exchange (gain) loss | | |
| Operating loss before working capital changes | 15,388,633 | 76,920,828 |
| (Increase) Decrease in: | | |
| Receivables | (357,220,289) | 7,189,809 |
| Inventories | | 10,878,183 |
| Other current assets | (67,068,728) | (9,867,118) |
| Increase (Decrease) in: | | |
| Other payables and accruals | 152,329,767 | 10,467,653 |
| Customer's deposits | 17,548,435 | |
| Liabilities under trust receipt and acceptances | | (62,481,385) |
| Net cash provided by (used in) operating activities | (239,022,182) | 33,107,970 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Properties | (733,578,675) | |
| Plant and equipment | (252,587,540) | (51,303,310) |
| (Increase) Decrease in: | | |
| Advances to associates & related parties | 23,793,884 | (316,415) |
| Investments in associates | (476,749,138) | |
| Other noncurrent assets | (26,070,546) | |
| Interest received | 2,340,469 | 31,504 |
| Net cash used in investing activities | (1,462,851,547) | (51,588,221) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from availment of long term debt | 829,000,000 | 92,000,000 |
| Payment of notes payable | | (55,000,000) |
| Cash dividends | | (5,022,480) |
| Purchases of treasury shares | | (656,197) |
| Payment of Interest | (83,101,976) | (12,812,392) |
| Payment of Income Taxes | | (8,612,954) |
| Deposits for future stock subscriptions | 2,147,819,426 | |
| Net cash provided by financing activities | 2,893,717,450 | 9,895,977 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,191,843,721 | (8,590,274) |
| Effect of Foreign Exchange rate on Cash and Cash Equivalent | - | |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 55,151,107 | 16,132,299 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 1,246,994,828 | 7,542,025 |

ALPHALAND CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

a. Organization

Alphaland Corporation, formerly Macondray Plastics, Inc. (the Company) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Company, through its wholly owned subsidiaries Macondray Plastics Products, Inc. (MPPI) and Alphaland Development Inc. (ADI), collectively referred to as the Group, is (a) engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail, any and all kinds of goods, including bags, containers, agricultural products, insecticide bags and other goods of similar nature, and any and all equipment, materials, supplies used or employed in or related to the manufacture of such finished products as managed by MPPI and (b) engaged in real estate acquisition and development as managed by ADI.

The Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office of the Company is Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City.

b. Change in Ownership

On October 1, 2009, Macondray and Company, Inc. (MCI) entered into a share purchase agreement (the SPA) with RVO Capital Venture Corporation (RVO) with the latter to acquire MCI's existing 66% ownership in the Company. The sale and purchase of the shares was transacted and executed through the PSE on November 11, 2009. Under the SPA, upon execution thereof, RVO shall make a tender offer for the approximately 34% of the remaining interest in the Company. As a result of the foregoing transaction, MCI and all companies under common control of MCI and other related parties ceased to be a related of the Company starting November 12, 2009. RVO became the new parent company of the Company owning 95% of the voting shares as of December 31, 2009.

On November 12, 2009, a new set of directors and officers were elected from representatives of RVO. Effective this date, any financial and operating decisions relating to the activity of the Company shall require majority votes from the new set of directors and officers.

On a special stockholders' meeting held on December 23, 2009, the following matters were taken and approved by the Company's stockholders:

1. The amendment of the Company's articles of incorporation to reflect the following:

- a. change in its corporate name from 'Macondray Plastics, Inc.' to 'Alphaland Corporation';
- b. change its primary purpose from that of a manufacturing company to that of a holding company;
- c. change the principal place of business from 'Davao City' to 'Alphaland Southgate Tower, Chino Roces Avenue corner EDSA, Makati City';
- d. increase the Company's authorized capital stock from P400 million to P5 billion, the increase to be supported by a share-for-share swap with the stockholders of Alphaland Development, Inc. at a conversion rate of one (1) Alphaland Development, Inc. share for approximately every 5.08 shares of the Company.

2. The amendment of the Company's By-laws to provide for the creation of the executive, audit and compensation committees of the Board of Directors.
3. The Company's application for additional listing with the Philippine Stock Exchange, Inc. with respect to the 1,269,734,041 Primary Shares to be issued to the stockholders of Alphaland Development, Inc. out of the increase in authorized capital stock in connection with the share-for-share swap between the Company and the stockholders of Alphaland Development, Inc.

The amendments to the Company's Articles of Incorporation and By-laws enumerated above were approved by the Philippine SEC on April 7, 2010. Further, the Company, ADI and the shareholders of ADI have completed the process of implementing the share-for-share swap including: the issuance of primary shares of the Company to the stockholders of ADI and the transfer of the latter's ADI shareholdings in favor of the Company. Thus, ADI is now wholly-owned by the Company and the previous ADI shareholders are now shareholders of the Company.

c. Incorporation of Macondray Plastics Products, Inc. (MPPI)

The Company decided to spin off the operation and maintenance of its plastic manufacturing to a new entity. Thereafter, MPPI was incorporated and registered with the SEC on September 25, 2009 and became a wholly-owned subsidiary of the Company. The Company incorporated MPPI for initial capitalization of ₱250,000.00 consisting of 250,000 shares with par value of ₱1.00. Of the total subscribed capital, ₱62,500.00 of which were already paid by the Company.

d. Spin off of operations of MPPI

The Company spun off the operation and maintenance of its plastic manufacturing operations to MPPI. In view of this, the Company and MPPI entered into a deed of conveyance on October 13, 2009 where the Company shall transfer and convey in favor of MPPI all of the Company's rights, titles and interests in and obligations to its net assets in consideration of and solely in exchange for shares of stock of MPPI. The transfer of the specific assets and liabilities of the Company to MPPI shall be tax free. The transfer of properties and obligations to MPPI from the Company shall be effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI.

As of April 8, 2010, necessary steps have already been undertaken by management to obtain the approval of the SEC for the increase in MPPI's authorized capital stock so that transfer can be done as specified in the deed of conveyance.

Effective December 1, 2009, MPPI manages the Company's plastic and manufacturing operation. On the same date, all the employees of the Company were transferred to MPPI.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on a historical cost basis. The Company's financial statements are presented in Philippine peso, which is the functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with PFRS.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following revised and amended PFRS which the Company has adopted starting January 1, 2009:

Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present a single statement of comprehensive income.

PAS 23, *Borrowing Costs*

The revised PAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended PAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after January 1, 2009. For the period ended September 30, 2010 and December 31, 2009, there were no borrowing costs capitalized as there were no new qualifying assets for which commencement date for capitalization is on or after January 1, 2009 and September 30, 2010.

Amendments to PFRS 7, *Financial Instruments, Disclosures*

The amendments to PFRS 7 require additional disclosures about fair value measurement and liquidity risk. Fair value measurement related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, presented by class, for all financial instruments remeasured at fair value. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments. Adoption of this amendment did not have significant impact on the fair value disclosures.

PFRS 8, *Operating Segments*

PFRS 8 replaced PAS 12, *Segment Reporting* upon its effective date. As the Group is operating only in one business segment, the adoption of this standard has no significant impact to the Group's consolidated financial statements (see Note 21).

Amendments to PFRS 1, *First-time Adoption of PFRS* and PAS 27, *Consolidated and Separate Financial Statement- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amendments to PFRS1 allowed an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the parent company statement of comprehensive income. The revision of PAS 27 was applied prospectively. The new requirement affects only the parent company financial statements and does not have an impact on the consolidated financial statements.

Adoption of the following new, revised and amended PFRS and Philippine Interpretations from International Reporting Interpretations Committee (IFRIC) and improvements to PFRS did not have any significant impact to the Group.

New and Revised Standards and Interpretations

- Philippine Interpretation IFRIC 13, Customer Loyalty Programmes
- Philippine Interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- Philippine Interpretation IFRIC 18, Transfers of Assets from Customers

Amendments to Standards and Interpretations

- PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- PFRS 2, Share-based Payment – Vesting Conditions and Cancellations
- Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives and PAS 39, Financial Instruments: Recognition and Measurement – Embedded Derivatives

Improvements to PFRS

- PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations
- PAS 1, Presentation of Financial Statements
- PAS 7, Statement of Cash Flows
- PAS 16, Property, Plant and Equipment
- PAS 18, Revenue
- PAS 19, Employee Benefits
- PAS 20, Accounting for Government Grants and Disclosures of Government Assistance
- PAS 23, Borrowing Costs
- PAS 27, Consolidated and Separate Financial Statements
- PAS 28, Investment in Associates
- PAS 29, Financial Reporting in Hyperinflationary Economies
- PAS 31, Interest in Joint Ventures
- PAS 34, Interim Financial Reporting
- PAS 36, Impairment of Assets
- PAS 38, Intangible Assets
- PAS 39, Financial Instruments: Recognition and Measurement
- PAS 40, Investment Property
- PAS 41, Agriculture

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2009

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations from IFRIC to have significant impact on its financial statements.

Effective in 2010

Revised PFRS 3, Business Combinations, and Amendments to PAS 27, Consolidated and Separate Financial Statements
The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes in PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.

Amendments to PFRS 2, Share-based Payments – Group Cash-settled share-based Payment Transactions

The amendments to PFRS 2, effective for annual period beginning on or after January 1, 2010, clarify the scope and accounting for group cash-settled share-based payment transactions. The Company has concluded that the amendment will have no impact on the parent company balance sheet or parent company statement of comprehensive income, as the Company has not entered into any such share-based payment transactions.

Amendment to PAS 39, Financial Instruments: Recognition and Measurement- Eligible Hedged Items

The amendment to PAS 39, effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the parent company balance sheet or parent company statement of comprehensive income, as the Company has not entered into any such hedges.

Philippine Interpretations IFRIC 17, Distribution of Non-Cash Assets to Owners

This Interpretation is effective for annual period beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Company does not expect the interpretation to have an impact of the parent company financial statements as the Company has not made non-cash distributions to stockholders in the past.

Improvements to PFRS Effective 2010

The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarify wording. The amendments are effective for annual period beginning on or after January 1, 2010, except as otherwise stated. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the parent company financial statements.

- **PFRS 2, Share Based Payments**
 - Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3 (Revised). The amendment is effective for financial years on or after July 1, 2009
- **PFRS 5, Non Current Assets Held for Sale and Discontinued Operations**
 - Clarifies that the disclosures required with respect to noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such noncurrent assets or discontinued operations.
- **PFRS 8, Operating Segments**
 - Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- **PAS 1, Presentation of Financial Statements**
 - Clarifies that the term of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- **PAS 7, Statement of Cash Flows**
 - Explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- **PAS 17, Leases**
 - Removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as

either "finance" or "operating" in accordance with the general principals of PAS 17. The amendments will be applied retrospectively.

- PAS 36, Impairment of Assets
 - Clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 38, Intangible Assets
 - Clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided that the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, Financial Instruments, Recognition and Measurement
 - Clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract;
 - The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and,
 - Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect comprehensive income.
- Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives
 - Clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
 - States that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenues. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sales of goods, shown as "Net Sales", is recognized when the title passes to the buyer. Net sales is measured at the fair value of the consideration received, excluding discounts, returns, rebates and sales tax.

Interest Income

Interest income from bank deposits is recognized as it accrues using effective interest rate method.

Cost and Expenses

Costs and expenses decreases in economic benefit during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity

participants. Costs and expenses are generally recognized when the services are used or the expenses arise while the interest expense is accrued in the appropriate period.

Cost of Goods Sold

Cost of goods sold are recognized when the inventories are sold and title is transferred to the buyer.

General and Administrative Expenses

General and administrative expenses are generally recognized when the services are used or expense arises.

Financial Instruments

Financial instruments are recognized in the balance sheet when the Company becomes a party to the contractual provision of the instrument. The Company determines the classification of its financial instruments on initial recognition, and where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are initially measured at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial instruments in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) investments, loans and receivables, financial liabilities at FVPL, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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 are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated as FVPL.

Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Any amortization will be included in "Interest income" in the statement of income. Any losses arising from impairment are recognized in "Provision for impairment losses of receivables" in the statement of income.

Other Financial Liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transactions costs. Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Impairment of Financial Assets Carried at Amortized Cost

The Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., trade receivable) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

The Company first assesses whether its objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in payments, the probability that they will enter bankruptcy, or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

1. the rights to receive cash flows from the assets have expired;
2. the Company retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
3. the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and reward of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished Goods and Work-in-Process

Determined primarily on the basis of average production cost; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs.

Raw Materials and Supplies

Determined primarily on the basis of weighted average cost.

NRV for finished goods and work-in-process is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for raw materials and supplies and spare parts is the current replacement cost.

Import Bills and Others

Import bills and others represent advance payments to government regulatory agencies to cover taxes, duties, and other fees on imported raw materials, spare parts and other consumable supplies which will be applied against the actual taxes and other fees billed by such government agency to the Company. These advances will form part of the cost of inventories when the related inventories are received. The amount of advance payments is recognized under "Prepaid expenses and other current assets" account in the balance sheet.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT are recognized as asset and will be used to offset the Company's current VAT liabilities. Input VAT are stated at their estimated NRV and are recognized under the "Prepaid expenses and other current assets" account in the balance sheet.

Tax Credit Certificates (TCC)

TCCs represent instruments evidencing the amount of tax credits granted by tax authorities which can be used as payment for income taxes and/or sold, transferred or assigned, subject to limitations, as prescribed by rules and regulations of Philippine taxation. TCCs are classified as current if these can be used in the next twelve months. TCCs are recognized under the "Prepaid expenses and other current assets" account in the balance sheet.

Property, Plant and Equipment

Property, plant and equipment, except for land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment if the recognition criteria are met. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Plastics Manufacturing

| Category | Number of Years |
|--------------------------------|-----------------|
| Land improvements | 20 |
| Leasehold improvements | 2-10 |
| Buildings and structures | 10-20 |
| Machinery, equipment and tools | 2-15 |
| Transportation equipment | 5 |
| Office furniture and equipment | 2-5 |

Property Development

| Category | Number of Years |
|--------------------------------|---|
| Leasehold improvements | 5 or term or lease whichever is shorter |
| Transportation equipment | 5 |
| Office furniture and equipment | 3 |

The depreciation method and useful lives are reviewed periodically to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits from items of transportation and office equipment.

Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed and adjusted if appropriate, at each financial year-end.

Construction in progress, included in property, plant and equipment, is stated at cost. This includes cost of construction and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are available for use.

Other Noncurrent Assets

Other noncurrent assets consist of deferred charges and refundable deposits. Other noncurrent assets are initially recorded at transaction costs and subsequently measured at costs less impairment losses, if any.

Impairment of Non-Financial Assets

An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount. An asset's recoverable amount is the higher of the asset's value in use or its net selling price. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Retirement Benefit

The Company has a funded, non-contributory defined benefit retirement plan.

Retirement costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit liability and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan. Actuarial valuation of the Company's retirement plan is done as necessary.

Past service costs, if any, are recognized immediately in income, unless the changes to the retirement 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.

The defined benefit asset or liability comprises the present value of the defined benefit retirement liability less past service costs not yet recognized and less the fair value of any plan assets out of which the liabilities are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Capital Stock

The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Company's stockholders until the shares are cancelled or reissued. Where such shares are substantially reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's stockholders.

Retained Earnings

The amount included in retained earnings include accumulated profits attributable to the Company's stockholders and reduced by dividends. Dividends, if any, are recognized as a liability and deducted from equity where they are approved by the Company's Board of Directors, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provisions of new and amended standards.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in statement of changes in equity are recognized in statement of changes in equity and not in the parent company statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes related to the same taxable entity and the same taxation authority.

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. Foreign exchange differences between the rates at the transaction date and settlement date or reporting date are recognized in the statement of comprehensive income. Non monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

Operating Leases

Operating leases represent those leased under which substantially all risks and rewards of ownership of the leased assets remains with the lessor. Lease payments under an operating lease are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditure and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

All other borrowing costs are expensed in the period they occur. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Earnings Per Share

Earnings per share is determined by dividing net income by the weighted average number of shares outstanding during the period after giving retroactive effect to any stock dividends declared.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale of goods and the costs of producing the goods, in which funds from financing activities are generated and of which receipts from operating activities are generally retained.

Operating Lease Commitments-Company as Lessee

The Company has entered into commercial property lease on its facility. The Company has determined that the lessor retains all the significant risks and rewards of ownership over these properties.

Legal Contingencies

The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. 30 September 2010, the Company is not involved in any legal cases that will have material impact to the Company. No provision for probable losses arising from legal contingencies was recognized in the Company's unaudited financial statement as of September 2010 and December 2009.

Estimates

Estimating Allowance for Impairment Losses on Trade Receivables

The Company estimates the allowances for impairment losses related to trade receivables based on a specific evaluation of accounts and collectivity for receivables that are not individually significant, and where the Company has information that certain customers are unable to meet their financial obligations. In these cases, the use of judgment is based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtors and known market factors, to record specific reserves against amounts due from debtors to reduce the receivable amount that is expected to be collected. Provisions for impairment losses on trade receivables amounting to P3.8 million was recognized in September 2010 and P3.4M in December 2009.

Estimating Inventory Writedown

The Company maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their net realizable values. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. No writedown of inventories was recognized as of September 30, 2010 and December 31, 2009.

Estimating Useful Lives of Property, Plant and Equipment

The Company estimates the useful lives of the property, plant and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives 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 these assets. In addition, estimation of the useful life

Estimating Impairment of Investment in a Subsidiary

The Company performs an impairment review on its investment in a subsidiary whenever an impairment indicator exists. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Company to make an estimate of the expected future cash flows of the subsidiary and to make use of a suitable discount rate to calculate the present value of those future cash flows. Management has determined that there are no events or circumstances that may indicate that the carrying amount of the investment in a subsidiary is not recoverable. Thus, no impairment loss was recognized for the period ended September 30, 2010 and the year ended December 31, 2009.

Estimating Impairment of Import Bills and Others, Input VAT, TCCs and Property, Plant and Equipment

The Company assesses impairment of import bills and others, input VAT, TCCs and property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be

recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an assets or, if it is no possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements. No impairment loss was recognized as at December 2009 and September 2010.

Assessing Realizability of Deferred Income Tax Assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Determining Retirement Benefits

The determination of the Company's obligation and cost for retirement benefits its dependent on the selection of certain assumptions used by actuaries in calculating such amounts.

4. Trade Receivables

Plastics Manufacturing

| | September 2010 | December 2009 |
|---------------------------------------|--------------------|--------------------|
| Trade Receivables | ₱151,722,989 | ₱159,218,987 |
| Less: allowance for impairment losses | 3,867,273 | 3,867,273 |
| | 147,855,716 | 155,351,714 |

Property Development

| | September 2010 |
|---------------------------------------|--------------------|
| Accounts Receivable – Trade | 31,171,982 |
| Less: Allowance for Doubtful Accounts | 2,400,000 |
| Accounts Receivable - Trade, Net | 28,771,982 |
| Accounts Receivable – Others | 9,997 |
| Advances to Officers & Employee | 4,096,575 |
| Advances to Contractors | 65,866,105 |
| Accrued Interest Income | 355,111 |
| Accrued Rent Income | 37,738,844 |
| Receivables, Net | 236,838,615 |

Trade receivables are non-interest bearing and are generally on a 30-day term. Advances to contractors and accrued rent income are considered as nonfinancial instruments. Advances to contractors will be applied against future billings from contractors, while accrued rent income are based on contractual rental escalation effected in accordance with PAS17.

5. Inventories

Plastics Manufacturing

| | September 2010 | December 2009 |
|---|--------------------|--------------------|
| Finished Goods at NRV | ₱22,298,480 | ₱30,252,668 |
| Raw materials and supplies at cost | 47,216,957 | 53,508,401 |
| Work in process at cost | 5,682,791 | 6,087,593 |
| | 75,198,228 | 89,848,662 |
| Raw materials and supplies in transit at cost | 4,993,002 | 4,287,938 |
| | 80,191,230 | 94,136,600 |

The cost of inventories charged to cost of goods sold amounted to 245 million as at September 2010 and P324.8 million as at December 2009.

Under the terms of the agreements covering the Group's liabilities under trust receipts, certain inventories have been released to the Group in trust for the banks. The Group is accountable to the banks for the trusted inventories or their sales proceeds.

Property Development

Inventory account is not applicable to ADI as of report date.

6. Prepaid Expenses and Other Current Assets

Plastics Manufacturing

| | September 2010 | December 2009 |
|---------------------------|--------------------|--------------------|
| Import bills and others | ₱5,338,385 | ₱13,778,054 |
| Net input value added tax | 51,603 | 6,888,816 |
| Tax credit certificates | 11,267,037 | 4,477,950 |
| Advances to suppliers | 6,319,960 | 386,284 |
| Others | 4,986,805 | 3,065,496 |
| | ₱25,921,381 | ₱28,597,140 |

Property Development

| | September 2010 |
|---------------------------|---------------------|
| Prepayments | ₱31,770,883 |
| Net input value added tax | 262,419,996 |
| Inventory (Stock Items) | 3,110,142 |
| Refundable Deposits | 8,218,951 |
| | ₱305,519,972 |

7. Property, Plant and Equipment – Net –

Plastics Manufacturing

| 2010 | | | | | | |
|--------------------------|--------------------------|---------------------------|-----------------------------|-----------------------------------|---|-------------|
| | Land and Improvements | Leasehold Improvements | Buildings and Structures | Machinery, Equipment and Tools | Office Furniture and Construction Equipment in Progress | Total |
| Cost: | | | | | | |
| At January 1 | 37,657,227 | 4,963,815 | 131,175,373 | 228,759,753 | 7,341,309 | 426,888,478 |
| Additions | 505,190 | | | 16,018,194 | 4,941,569 | 18,629,159 |
| Disposals | | | (649,102) | | (1,373,085) | (2,022,186) |
| At September 30 | 38,162,417 | 4,963,815 | 130,526,271 | 244,777,947 | 12,282,878 | 443,495,451 |
| Accumulated depreciation | | | | | | |
| At January 1 | 5,014,848 | 4,963,815 | 42,676,703 | 112,602,992 | 5,997,329 | 179,745,605 |
| Additions | 1,026,430 | - | 6,082,640 | 13,496,305 | 1,549,302 | 22,922,043 |
| Disposals | | | | | 767,366 | |
| At September 30 | 6,041,278 | 4,963,815 | 48,759,343 | 126,099,297 | 10,039,220 | 209,551,555 |
| Net Book Values | 32,121,139 | - | 81,766,928 | 118,678,650 | 5,518,183 | 240,827,083 |

| 2009 | | | | | | |
|---|--------------------------|---------------------------|-----------------------------|-----------------------------------|--|--------------|
| | Land and Improvements | Leasehold Improvements | Buildings and Structures | Machinery, Equipment and Tools | Office Furniture and Construction Equipment in Progress | Total |
| Cost: | | | | | | |
| At January 1 | ₱32,518,994 | ₱4,963,815 | ₱124,452,314 | ₱157,196,304 | ₱5,858,033 | ₱368,496,355 |
| Additions | 5,040,683 | | 708,519 | 20,045,914 | 1,405,151 | 60,312,473 |
| Disposals | | | | (1,920,350) | | (1,920,350) |
| Reclassifications | 97,550 | | 6,014,540 | 51,517,535 | 78,125 | - |
| At December 31 | 37,657,227 | 4,963,815 | 131,175,373 | 228,759,753 | 7,341,309 | 426,888,478 |
| Accumulated depreciation and amortization: | | | | | | |
| At January 1 | 3,641,101 | 4,662,596 | 35,268,705 | 95,131,351 | 8,166,600 | - |
| | | | | | 5,272,222 | 152,142,575 |

| | | | | | | | | |
|-----------------|-------------|-----------|-------------|--------------|------------|------------|------------|--------------|
| Additions | 1,373,747 | 301,219 | 7,407,998 | 17,471,641 | 2,243,668 | 725,107 | - | 29,523,380 |
| At December 31 | 5,014,848 | 4,963,815 | 42,676,703 | 112,602,992 | 8,489,918 | 5,997,329 | - | 179,745,605 |
| Net Book Values | P32,642,379 | P- | P88,498,670 | P116,156,761 | P5,467,373 | P1,343,980 | P3,033,710 | P247,142,873 |

Property Development

| Cost: | Mail Equipment | Office & Computer Equipment | Office Furniture & Fixtures | Transportation Equipment | Other Machinery & Equipment | Software & Licenses | TOTAL |
|---|-------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------------|------------------------|------------|
| Balance at beginning of year | | 903,249 | | 9,827,054 | | | 10,730,303 |
| Additions | 328,900 | 1,938,025 | 2,509,712 | 1,356,071 | 688,350 | 3,608,419 | 10,429,477 |
| Disposals | | | | | | | |
| At September 30 | 328,900 | 2,841,274 | 2,509,712 | 11,183,125 | 688,350 | 3,608,419 | 21,159,780 |
| Accumulated depreciation and amortization: | | | | | | | |
| Balance at beginning of year | 9,136 | 222,315 | | 3,597,408 | | | 3,828,859 |
| Depreciation and amortization | 73,089 | 486,138 | 172,696 | 1,496,661 | 165,464 | 200,468 | 2,594,516 |
| At September 30 | 82,225 | 708,453 | 172,696 | 5,094,069 | 165,464 | 200,468 | 6,423,375 |
| Net Book Value | 246,675 | 2,132,821 | 2,337,016 | 6,089,056 | 522,886 | 3,407,951 | 14,736,405 |

8. Notes Payable

Plastics Manufacturing

| | September 2010 | December 2009 |
|--|---------------------|---------------------|
| China Banking Corporation (CBC) | P45,000,000 | P42,000,000 |
| Security Bank and Trust Company (SBTC) | 40,000,000 | 40,000,000 |
| Union Bank of the Philippines | 26,000,000 | 31,000,000 |
| Metropolitan Bank and Trust Company (MBTC) | 20,000,000 | 20,000,000 |
| MCI | - | 16,000,000 |
| | P131,000,000 | P149,000,000 |

On December 14, 2009, the Company entered into a loan agreement with MCI totaling P16.0 million to finance the Company's working capital requirements. The said loan is subject to 7.5% interest per annum with a term of 90 days.

To secure the payment of the loan from MCI, the Company has assigned (in favor of MCI) its rights and interest by way of pledge over the subscribed and outstanding capital stock of its wholly owned subsidiary, MPPI.

The unsecured loans obtained from local commercial banks bear interest rates of 6.0 to 6.25 % in 2010 and 2009, and renewable on an annual basis.

Property Development

| | September 2010 |
|--|-----------------------|
| OLSA (Omnibus Loan & Security Agreement) | P1,400,000,000 |
| Bank of Commerce | 448,000,000 |
| | P1,848,000,000 |

On September 11, 2008, ADI entered into an Omnibus Loan and Security Agreement with a syndicate of banks led by Development Bank of the Philippines for the purpose of funding the development of AlphaLand Southgate Tower and Mall. The loan has a term of seven (7) years from September 18, 2008, payable in twenty consecutive quarterly installments commencing on December 20, 2010. Further, AlphaLand Southgate Tower and Mall was used as collateral for the loan.

ADI secured additional loan from Bank of Commerce to augment working capital requirement for AlphaLand Southgate Mall & Tower.

9. Trade and Other Payables

Plastics Manufacturing

| | September 2010 | December 2009 |
|--------|--------------------|--------------------|
| Trade | P15,232,633 | P13,256,562 |
| Others | 13,129,880 | 16,105,076 |
| | P28,244,757 | P29,361,638 |

Property Development

| | September 2010 |
|---|---------------------|
| Trade Payable | P146,981,827 |
| Retention Payable | 52,366,603 |
| Accrued Interest & Expenses | 12,872,507 |
| Taxes Payable | 1,335,572 |
| SSS, Philhealth, HDMF Payable | 241,182 |
| Unearned Revenue | 22,087,324 |
| Tenant Utility Deposits & Construction Bond | 6,242,400 |
| | P242,127,414 |

Trade payables are non-interest bearing with a 30-day to a 60-day settlement term.

10. Liabilities Under Trust Receipts and Acceptances**Plastics Manufacturing**

| | September 2010 | December 2009 |
|------|---------------------|--------------------|
| SBTC | 51,308,058 | P38,234,413 |
| MBTC | 12,078,077 | 36,723,433 |
| UBP | 42,301,006 | 23,929,142 |
| PNB | - | 913,260 |
| | P105,687,141 | P99,800,248 |

Under the terms of the agreements covering the Company's liabilities under trust receipts, certain inventories have been released to the Company in trust for the bank. The Company is accountable to the banks for the trusted inventories or their sales proceeds.

Property Development

There are no liabilities under trust receipt for ADI as of report date.

11. Equity**Plastics Manufacturing**

On May 27, 2009, the BOD approved the declaration of a 20% stock dividend or 25,026,900 common shares and P0.04 per share or P5 million cash dividend in favor of all stockholders of record as of June 16, 2009. As of December 31, 2009, the stock dividends were issued and the corresponding shares and cash dividends were fully paid.

In accordance with the buy-back of P10.0 million worth of the Company's shares as approved by the BOD on February 12, 2001, the Company bought 217,000 shares in 2009, amounting to P0.7 million.

Property Development

The composition of ADI's capital stock as of September 30, 2010 are: 1,000,000,000 authorized and 250,007,500 issued.

On January 22, 2008, the SEC approved the increase in the ADI's authorized capital stock from P10,000 consisting of 10,000 common shares with par value of P1 per share to P1,000million consisting of 1,000,000,000 common shares at P1 per share.

Deposit for future stock subscription of P6.792M pertains to BOD approved conversion of advances from stockholders. Furthermore, any conversion by a stockholder of its deposits back into advances shall entitle the other stockholders to likewise convert their respective deposits back to advances. At the appropriate time, ADI will apply for an adequate increase in capitalization to effect the conversion of said deposits for future stock subscription into equity.

12. Related Party Disclosures

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.

As of September 30, advances to related party amounts to P173million.

Compensation of Key Management Personnel of the Company

Plastics Manufacturing

The Company's key management personnel includes its senior managers.

| | September 2010 | December 2009 |
|------------------------------|----------------|---------------|
| Short-term employee benefits | P9,723,469 | P8,334,801 |
| Post-employment benefits | | 121,778 |
| | 9,723,469 | P8,456,579 |

Property Development

Compensation of key management personnel of ADI, which comprised compensation and short-term employee benefits, amounted to P18.8million as of September 30, 2010.

13. Cost of Goods Sold/Cost of Revenue

Plastics Manufacturing

| | September 2010 | December 2009 | September 2009 |
|--------------------------------|----------------|---------------|----------------|
| Inventories | P248,891,998 | P324,833,792 | P251,723,522 |
| Utilities and others | 21,265,150 | 51,832,176 | 18,836,320 |
| Depreciation and amortization | 17,998,138 | 25,864,393 | 18,179,680 |
| Salaries, wages and allowances | 25,364,026 | 13,095,272 | 27,402,317 |
| Repairs and maintenance | 5,498,163 | 12,245,417 | 5,663,236 |
| Employees' benefits | 1,912,977 | 4,229,127 | |
| Others | 277,072 | | 451,289 |
| | P321,207,524 | P432,100,177 | P322,256,365 |

Property Development

| | September 2010 |
|-------------|----------------|
| Utilities | P20,240,260 |
| Maintenance | 1,482,330 |
| Others | 1,346,419 |
| | P23,069,009 |

14. General and Administrative**Plastics Manufacturing**

| | September 2010 | December 2009 | September 2009 |
|--|----------------|---------------|----------------|
| Salaries, wages and allowances | P12,313,745 | P17,501,196 | P 8,452,907 |
| Selling | 2,781,752 | 7,028,041 | 3,331,759 |
| Taxes and licenses | 25,511,310 | 6,213,349 | 2,573,325 |
| Service and professional fees | 6,406,385 | 6,199,264 | 2,638,128 |
| Depreciation and amortization | 4,923,904 | 3,658,987 | 2,353,844 |
| Employees' benefits | 2,869,022 | 5,149,325 | 2,350,974 |
| Repairs and maintenance | 1,998,441 | 2,320,314 | 1,917,829 |
| Rental and Utilities | 3,022,357 | - | 1,886,246 |
| Travel and transportation | 3,183,062 | 1,541,149 | 870,286 |
| Retirement costs | 502,347 | 599,351 | 310,444 |
| Communication | 649,678 | 657,495 | 499,505 |
| Entertainment, amusement and recreation | 174,102 | 244,483 | 195,575 |
| Provision for impairment losses | - | 3,446,874 | - |
| Miscellaneous | 1,940,756 | 5,816,812 | 3,385,739 |
| | P66,276,862 | P60,376,640 | P 33,572,307 |

Property Development

| | September 2010 |
|-----------------------------|----------------|
| Personnel Expenses | P26,418,538 |
| Professional Fees | 15,804,819 |
| Outsourced Services | 15,634,687 |
| Marketing and Promotion | 4,649,007 |
| Repairs & Maintenance | 1,482,008 |
| Implements | 561,912 |
| Utilities and Communication | 31,556,898 |
| Supplies and Printing | 2,778,257 |
| Permits and Licenses | 15,343,614 |
| Transportation and Travel | 2,887,123 |
| Meals and Representation | 1,048,206 |
| Insurance | 2,908,753 |
| Doubtful Accounts Expense | 2,400,000 |
| Miscellaneous | 883,097 |
| | P124,356,920 |

15. Others**Plastics Manufacturing**

| | September 2010 | December 2009 |
|---------------------------------------|----------------|---------------|
| Interest Income | (P10,187,260) | P52,835 |
| Foreign exchange gains (losses) – net | (1,044,482) | (839,282) |
| Miscellaneous – net | (8,067,728) | (3,808,409) |
| | (P19,299,470) | P(4,594,856) |

Property Development

September 2010

| | |
|---------------------------------|----------------------|
| Interest Expense | (P73,274,951) |
| Other Financing Costs | (1,172,533) |
| Agent's Fee | (730,000) |
| Foreign exchange gains (losses) | 102,970 |
| Other Income – Mgt. Service Fee | 25,200,000 |
| Other Income (Charges) | 948,629 |
| Interest Income | 1,603,935 |
| | <u>(P47,321,950)</u> |

16. Retirement Benefit Plan

Plastics Manufacturing

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all its regular employees. Benefits are dependent on the years of service and the respective employee's compensation. The retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the periods ended June 2010 and for the year ended December 31, 2009.

The following tables summarize the retirement cost recognized in the statements of income, the funded status and the amounts recognized in the balance sheets and other information about the plan.

Components of retirement costs recognized in the statements of income for the year ended December 2009 follow:

| | |
|--------------------------------|------------------|
| Current service cost | <u>P723,100</u> |
| Interest cost | <u>938,600</u> |
| Expected return on plan assets | <u>(543,100)</u> |
| Actuarial losses (gains) | <u>(254,800)</u> |
| Retirement benefit expense | <u>P863,800</u> |

Components of retirement obligation recognized in the balance sheets follow:

| | |
|---------------------------------------|---------------------|
| Present value of obligation | <u>P6,919,768</u> |
| Fair value of plan assets | <u>(10,227,462)</u> |
| Unfunded (funded) status | <u>(3,307,694)</u> |
| Unrecognized actuarial losses (gains) | <u>5,860,366</u> |
| Retirement obligation | <u>P2,552,672</u> |

Changes in the present value of defined benefit obligations as of December 31, 2009 are as follows:

| | |
|-------------------------|--------------------|
| Balances at January 1 | <u>P5,323,900</u> |
| Current service cost | <u>723,100</u> |
| Interest cost | <u>938,600</u> |
| Benefits paid | <u>(65,832)</u> |
| Actuarial loss (gain) | <u>(112,206)</u> |
| Balances at December 31 | <u>P10,227,462</u> |

Changes in the fair value of plan assets as of December 31, 2009 are as follows:

| | |
|--------------------------------|--------------------|
| Balances at beginning of year | <u>P6,206,600</u> |
| Expected return on plan assets | <u>543,100</u> |
| Contributions by the Company | <u>3,655,800</u> |
| Benefits paid | <u>(65,832)</u> |
| Actuarial losses | <u>(112,206)</u> |
| Balances at end of year | <u>P10,227,462</u> |

Based on the Company's actuarial valuation report for funding requirements, the Company's normal cost for the year 2009 amounts to ₱1.8 million or approximately 6.83% of the annual covered compensation. Total unfunded actuarial liability amounts to ₱8.0 million which the Company may fund over five to 22 years. The Company expects to contribute to its defined benefit retirement plan in 2009 the amount of its normal cost plus the chosen annual amortization payment.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| | 2009 |
|-----------------------|------|
| Government securities | 52% |
| Deposits in bank | 28% |
| Others | 2% |

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Principal actuarial assumptions used to determine retirement benefit obligations in 2008 were as follows:

| | 2009 |
|--|----------|
| Discount rate | 18% |
| Salary increase rate | 8% |
| Expected rate of return | 9% |
| Average expected future service years of active plan members | 19 years |

Property Development

ADI, being a new entrant to the real-estate market, is currently considering obtaining an actuarial for its retirement benefit plan. The retirement benefit plan will cover all regular and permanent employees. The benefits will be based on employees' projected salaries and number of years of service.

17. Income Taxes

Plastics Manufacturing

Major components of income tax expenses are as follows:

| | September 2010 | December 2009 | September 2009 |
|----------|----------------|---------------|----------------|
| Current | ₱9,511,732 | ₱14,292,648 | ₱12,463,439 |
| Deferred | | (1,663,869) | |
| | ₱9,511,732 | ₱12,628,779 | ₱12,463,439 |

The Company's regular corporate income tax for the period ended September 30, 2010 and 2009 and for the year ended December 31, 2009 exceeded its minimum corporate income tax.

The components of net deferred tax assets are as follows:

| | December 2009 |
|------------------------------------|---------------|
| Deferred tax assets: | |
| Allowance for | |
| Impairment losses | 1,160,182 |
| Inventory writedown | 299,126 |
| Unamortized past service cost | 816,889 |
| Retirement obligation | 765,802 |
| NOLCO | 665,643 |
| Unrealized foreign exchange losses | 226,834 |

3,974,476

On May 24, 2005, Republic Act (RA) 9337 was signed into law, amending certain provisions of the National Internal Revenue Code of 1997. Effective January 1, 2009, the rate of regular corporate income tax was reduced from 35% to 30% and unallowable interest rate is reduced from 42% to 33%.

Property Development

As of September 30, 2010, ADI has no provision for current income tax because it is in a tax loss position. The deferred tax liability pertains to the excess of rental income under operating lease computed on a straight –line basis.

18. Basic and Diluted Earnings Per Share

Earnings per share was computed as follows:

| | September 2010 | December 2009 | September 2009 |
|--|----------------|---------------|----------------|
| Net income/ (loss) | (P34,283,428) | P29,450,795 | P30,083,920 |
| Divided by: Weighted average number of shares outstanding | 709,554,707 | 150,211,624 | 150,165,000 |
| Earnings/(Loss) per share | (P0.05) | P0.20 | P0.20 |

19. Financial Risk Management and Objectives

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and notes payable. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, trade and other payables and liabilities under trust receipts and acceptances for the plastic manufacturing business and amounts owed by/to related parties, which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, foreign currency risk, credit risk and interest rate risk.

The Company's BOD reviews and approves the policies for managing each of these risks and are summarized below.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related business and policies are overseen by management. The Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Company only places funds in the money market which are exceeding the Company's

requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

Foreign Currency Risk

The Company, specifically MPPI, follows a policy to manage its currency risk by (a) not maintaining major cash accounts aside from US dollar (US\$) and Philippine peso and (b) exposures in non-Philippine peso currencies shall be locked on a per event basis at the rate effective at the date of signing the contract.

The Company also has transactional currency exposures. Such exposure arises from the sale of products and purchases of raw materials by the Company in currencies other than its functional currency. Approximately 38% of its revenues are in US\$ and 97% of raw materials and certain operating supplies used in production are imported and paid in US\$. The Company's policy is to match cash flows from highly probable future sales and costs in foreign currency.

ADI is not generally affected by foreign currency risk as most of its transactions are denominated in its functional currency.

Credit Risk

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Company, the Company does not offer credit terms without the specific approval of the Vice President - Finance and General Managers.

With respect to credit risk arising from the other financial assets, which comprise cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Company trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Company.

Trade and other receivables and amounts owed by related parties are non-interest bearing and are generally on 30-90 days' term.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Except for those impaired accounts receivable, the Company assessed the accounts receivable as collectible and in good standing.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. To manage this risk, the Company's policy is to obtain loans with interest rates similar to the actual market rates. The Company has minimal exposure to changes in interest rates since the Company avails only short-term loans at prevailing market rates. The Company has no floating rate financial instruments. Hence, the Company is not sensitive to cash flow interest rate fluctuations.

20. Registration with the Board of Investments

Plastics Manufacturing

On December 26, 2007, the Company obtained a registration with the Board of Investments for its recycling plant operations as a new producer of recycled plastic resin on a non-pioneer status under the Omnibus Investments Code of 1987, otherwise known as Executive Order 226. The Company is entitled to income tax holiday (ITH) incentive for its recycling plant operations for four years starting December 26, 2007 and certain tax and nontax incentives (subject to compliance with certain requirements), among them are as follows:

- a. Income tax holiday (ITH) for three years from January 2008;
- b. Additional deduction from taxable income for the first five years from the date of registration equivalent to fifty (50%) percent of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment against the previous year subject to certain qualifications;
- c. Tax credit on the National Internal Revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of 10 years from the start of commercial operations;
- d. Exemption from wharfage dues, any export tax, duty and fees for a period of 10 years from date of registration;
- e. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to the Bureau of Customs rules and regulations;
- f. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; and,
- g. Simplification of customs duties and procedures for the importation of equipment, spare parts, raw materials and supplies.

No tax incentives have been availed by the Company for the year ended December 31, 2009 as it has not met the production volume and sales value requirement.

21. Registration with Philippine Economic Zone Authority (PEZA)

Property Development

On January 12, 2009, the Philippine Economic Zone Authority (PEZA), pursuant to Presidential Proclamation No. 1692 dated December 22, 2008, approved the registration of the Alphaland Southgate Tower as an Information Technology Center. As such, ADI is allowed to lease Alphaland Southgate Tower as an IT Center. Provided, however, that with respect to the lease of area within the IT Center, the same may be made only in favor of entities who are registered or entitled to be registered with PEZA and who in fact subsequently register pursuant to the provisions of RA No. 7916 as amended. ADI, as the developer/operator of Alphaland Southgate Tower, shall not be entitled to PEZA incentives under RA 7916, as amended.

22. Segment Reporting

The group has two reportable segment, MPPI, manufactures and sells only one product line and ADI, acquires and develops real property for the purpose of selling, leasing or otherwise deal in and dispose of for itself or for others all kinds of real estate projects.

All segment revenue is derived from external customers. MPPI sells virtually all its plastic products to companies engaged in the production of bananas, pineapples and other agricultural fruits. While ADI leases its property to third party occupants.

Operating results of the Company are regularly reviewed by the Company's Chief Operating Decision Maker (CODM), which is the Company's BOD, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of comprehensive income.

The CODM uses percentage analysis and financial highlights as the key performance indicators for the Company's operations

ALPHALAND CORPORATION

Schedule of Amounts Receivable as of 30 September 2010

Plastics Manufacturing

| | Balance at Beginning of Period | January to September Additions | January to September Collections | Write Off | Current | Non Current | Balance at the End of the Period |
|---|--------------------------------------|--------------------------------------|--|-----------|-------------|-------------|--|
| Lapanday Foods Corporation | 11,017,500 | 30,986,923 | 31,855,206 | | 8,976,418 | 1,172,800 | 10,149,218 |
| Laysun Services Co Limited | 7,711,405 | 88,091,217 | 74,717,388 | | 20,407,922 | 677,312 | 21,085,234 |
| Mt. Kitanglad Agri Ventures, Inc. | 10,986,830 | 15,917,733 | 18,078,821 | | 6,285,921 | 2,539,821 | 8,825,742 |
| La Frutera Inc | 5,114,780 | 7,489,286 | 8,950,724 | | 3,653,342 | 0 | 3,653,342 |
| Lapanday Agricultural and Development Corp | 4,380,703 | 13,746,585 | 13,277,286 | | 4,230,002 | 620,000 | 4,850,002 |
| Lead Export and Agro Development Corp | 3,330,962 | 13,510,857 | 8,354,569 | | 5,405,700 | 3,081,550 | 8,487,250 |
| Marsman Estate Plantation, Inc. | 4,998,880 | 17,179,580 | 18,816,480 | | 3,361,980 | 0 | 3,361,980 |
| MD Rio Vista Agri Ventures, Inc. | 2,231,616 | 6,261,931 | 7,685,247 | | 808,300 | 0 | 808,300 |
| Agrinanas Development Co, Inc. | 12,263,920 | 15,850,295 | 24,321,595 | | 2,975,620 | 817,000 | 3,792,620 |
| Darbmupco B | 4,808,621 | 4,074,422 | 6,184,459 | | 562,712 | 2,135,873 | 2,698,584 |
| Universal Prime Trading and Logistics Corp | 6,324,296 | 180,804 | 3,748,557 | | 202,500 | 2,554,042 | 2,756,542 |
| Manupali Agri Development Corp | 2,812,769 | 6,469,649 | 8,028,508 | | 1,253,910 | 0 | 1,253,910 |
| Mt. Kalatungan Agri Ventures, Inc. | 4,358,665 | 7,261,997 | 6,195,823 | | 2,191,520 | 3,233,320 | 5,424,839 |
| Pristine Meadows Agri Development | 9,838,736 | 5,352,224 | 3,247,631 | | 2,523,870 | 9,419,459 | 11,943,329 |
| Dole Philippines | 1,698,503 | 5,300,025 | 5,726,476 | | 1,238,226 | 33,826 | 1,272,052 |
| Cornval Tropical Fruits, Inc. | 2,794,866 | 4,168,560 | 5,869,410 | | 1,079,150 | 14,866 | 1,094,016 |
| Nader and Ebrahim S O Hassan Phils | 5,484,016 | 10,458,234 | 12,186,262 | | 3,755,988 | 0 | 3,755,988 |
| Others | 60,598,537 | 157,298,335 | 161,385,562 | | 34,797,312 | 21,713,998 | 56,511,310 |
| Subtotal | 160,755,605 | 409,598,658 | 418,630,004 | | 103,710,391 | 48,013,867 | 151,724,258 |
| Allowance for impairment loss | (4,287,672) | | | | | | (3,868,542) |
| | 156,467,933 | | | | | | 147,855,716 |

Property Development

[illegible]