alphaland

CORPORATION

annual report

2010


Beautiful Balesin!

Alphaland Corporation is a joint venture between the Ashmore Group, a private equity fund based in London, with funds under management of about USD50 Billion, and the RVO Capital Ventures Group.

We are unique in that we are very selective in the property development projects that we undertake. We focus only on high-end and top-of-the-line projects.

We do not intend to be, and will never be, all things to all people.

ALPHALAND - UNIQUE!

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LEFT TO RIGHT:
MARIO A. ORETA, PRESIDENT;
ROBERTO V. ONGPIN, CHAIRMAN;
ERIC O. RECTO, VICE-CHAIRMAN

THE YEAR 2010 MARKED OUR SECOND FULL YEAR OF OPERATIONS. It has been a very busy, very exciting, and a very rewarding two years. We embarked on a number of interesting and attractive projects which are described in the body of this report.

We have adopted the slogan "Alphaland-Unique!" because we believe it is an appropriate description of the company and what we stand for. We have said that we will never be all things to all people and will be very selective in all our projects but whatever we do, will always be done well and something which you, our shareholders, would not only profit from but will also be proud of.

We are also unique as a property development company in the sense that we have a very large capital base and minimal debt. In contrast to the usual property development company, our debt to equity ratio is only 11.3%, leaving us the opportunity for much more rapid growth in the future because we will be able to take advantage of increasing our development projects as favorable market conditions permit. Financing our projects, therefore, will not be at all a difficult task. We believe that the financial institutions who have supported our projects recognize this unusually strong financial profile for a property development company, and therefore we are not only an excellent credit risk but also one with the potential for aggressive growth and profitability in the future.

We would like to gratefully acknowledge the support from the Ashmore Group, one of the largest emerging markets fund managers in the world. The Ashmore Group, based in London, with funds under management of about USD50 Billion, has been very supportive of our projects and has backed us financially in a very unequivocal manner. Our strong financial position and performance to date would not have been possible without their support.

We would also like to thank our partners who have entrusted their properties to us and have joint ventured with us. We cannot, and we will not let you down.

Finally, in the short period of our existence, we have put together a management group that we believe can outmatch any property development business in the Philippines.

We pledge to continue our extraordinary efforts and hard work so that all our partners will be rewarded not only with excellent profitability but will also take great pride in our projects. We have accomplished much in the first couple of years of our existence, but we have a long way to go and this is only the beginning of what will be, in the not too distant future, a leader in the property business of this country.

February 22,2011

ROBERTO V. ONGPIN
Chairman

ERIC O. RECTO
Vice Chairman

MARIO A. ORETA
President

ALPHALAND SOUTHGATE TOWER AND MALL LOCATED AT THE CORNER OF EDSA AND CHINO ROCES AVENUE

alphaland
SOUTHGATE TOWER

The Southgate Tower and Mall, Alphaland's corporate headquarters, exemplifies the company's vision of superior value transformation.

Alphaland acquired an unfinished high-rise that had lain idle for nearly 30 years, and reinvented it into a modern, glass-clad office tower with a podium mall, transforming it from an eyesore into a landmark. Located at the nexus of Metro Manila's two main traffic arteries, EDSA and the South Superhighway, Southgate is now a prime business and lifestyle hub.

The initial developer of the site fell into default in the early 1980s. In all the time since then, no developer possessed the vision, determination, or financial muscle to make something out of the project—until Alphaland came along.

The original structure was well built, and extensive testing showed there was no need to demolish it. In choosing to recycle the building, we realized substantial cost savings, in addition to minimizing pollution, energy expenditure and carbon footprint. Alphaland made one major modification, which was to remove concrete parapets from the tower, lightening the building by about 20%. These parapets, which were designed to attenuate heat load on the building, were replaced internally, behind the glass cladding, with lightweight materials that fulfill the same function.

In 2010, the project went into full operation. The tower's first tenants were, of course, the headquarters of the companies in the group, including Alphaland itself, PhilWeb Corporation, ISM Communications Corporation, and Atok-Big Wedge Company. These were quickly followed by major names in the technology-driven BPO industry, such as Rainmaker Asia,

LEFT TO RIGHT: MARIO A. ORETA, PRESIDENT OF ALPHALAND; ROBERTO V. ONGPIN, CHAIRMAN OF ALPHALAND; MARIO RIZZO, MANAGING DIRECTOR OF TELEPERFORMANCE

Teleperformance, GHD Pty. Ltd., and Genie Technologies. By the end of the first quarter of 2011, the tower will be fully leased and occupied. A Tower Operations Team has been organized to address tenants' needs and requests. The team is supported by qualified staff and a 24/7 concierge system, which deals with concerns such as construction, engineering, housekeeping, parking and security.

The mall is now a beehive of activity, with a major bank branch, fast-food and casual dining restaurants, food kiosks, computer shops, a hardware store, beauty and wellness shops, and fashion outlets. Direct access to the Metro Rail Transit (MRT) adds to the convenience of the mall.

INTERIOR VIEW OF ALPHALAND SOUTHGATE MALL

Financial performance of the building's LED display increased by 30% over the previous year, due to improved awareness of and demand for the display. This improvement was achieved by more relevant content and strategic partnerships with organizations such as Lifeline Rescue, Philippine Daily Inquirer

EXTERIOR VIEW OF THE TENTS

THE ALPHA RESTAURANT, LOCATED ON THE 6TH FLOOR OF THE SOUTHGATE TOWER

and ABS - CBN News Channel, Children's Hour, and Philippine National Red Cross. Advertisers included San Miguel Corporation, PLDT, SM Retail, Pancake House Group, Directories Philippines, Mastercard, JCB, Citibank, Allied Bank, and DHL.

2010 also saw the launch of Southgate's stylish restaurant, The Alpha, located on the 6th floor of the tower. We executed a culinary coup by partnering with chef Billy King, an icon of the local restaurant scene. The Alpha now features live jazz every Friday evening.

Alongside the Alpha is the Tabacalera Cigar Divan, a showcase of fine Filipino cigars produced by this company since 1881. The lounge serves single-malt whiskies to complement the superb array of Tabacalera cigars. Ukiyo, a modern Japanese restaurant and shōchū bar, will also open in April 2011.

FROM TOP: THE TENTS, A 745 SQUARE METER EVENTS SPACE; TABACALERA CIGAR DIVAN; JAPANESE RESTAURANT UKIYO. ALL ARE LOCATED ON THE 6TH FLOOR OF THE SOUTHGATE TOWER

alphaland
MAKATI PLACE
7232 AYALA AVENUE

As the central business district expands outwards under the pressure of a vibrant economy, Alphaland Makati Place leads the charge, located on a premium one hectare property along Ayala Avenue Extension corner Malugay Street.

Designed by Wong & Ouyang, one of the top architectural firms in Hong Kong who created Pacific Place, the Alphaland Makati Place will be located within the business and residential strip of Makati City, conveniently just beyond its hectic traffic. This strategic location is perfect for dynamic executives, young families, and entrepreneurs seeking an efficient and convenient lifestyle solution.

The project consists of three high-end residential towers (one of them is for serviced apartments) atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The result is an integrated urban lifestyle solution, with residential, sports and leisure, and retail necessities all in one complex. There will also be several units dedicated to housekeeping staff which, unlike the usual maid's room setup, will be separate from

EXTERIOR PERSPECTIVE OF THE ALPHALAND MAKATI PLACE



LEFT TO RIGHT: REPRESENTATION OF THE LOBBY FOR THE RESIDENTIAL TOWERS; 3D RENDERING OF A RESIDENTIAL UNIT; ARTIST'S PERSPECTIVE OF THE MALL

the unit owner's living quarters. Even more uniquely, all of this is offered right in the heart of the central business district. The complete community with co-located amenities offered by Alphaland Makati Place will save time and commuting energy for its residents, and minimizes traffic in the city at large.

The complex was designed from the ground up as an intelligent development with state-of-the-art building management, automation, and security systems, as well as energy-efficient mechanical, electrical, and sanitary systems. Compared to current buildings, Makati Place will consume far less water and energy, minimizing pollution and unnecessary costs, while achieving a high level of comfort.

The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED). Makati Place is aiming for a GOLD level of certification.

Tower One will have 52 levels, Tower Two will have 47 levels, and Tower Three will have 29 levels. The residential units will consist of one and two bedroom units with above average floor areas. The basement will have five levels of underground parking designed to reduce the building's overall urban heat - island effect. The use of green and sustainable building technology in the construction of Makati Place is targeted to achieve 35% savings on water and 25% savings on power compared to conventional building methods.

Demolition of the previous building structures on the site were completed in 2009, and a ground breaking was celebrated on March 19, 2010. In April, excavation works were started by WE Enterprises & Contractors, Inc., monitored and managed by RM Cabanela Construction & Management Corporation.

In December of 2010, 87% of the bulk excavation works had been completed, reaching the last level (5th basement) of excavation depth.

The 5-level parking and the 6-level podium will be operational by the end of 2012. By 2014 the residential towers will be finished.

RENDERING OF THE TOP FLOOR OF THE CITY CLUB SHOWING THE MAIN POOL AREA

THE CITY CLUB
alphaland MAKATI PLACE

Constructing a world-class sports and leisure club in the center of a busy city is an ambitious project that requires vision, experience, and financial capability to execute.

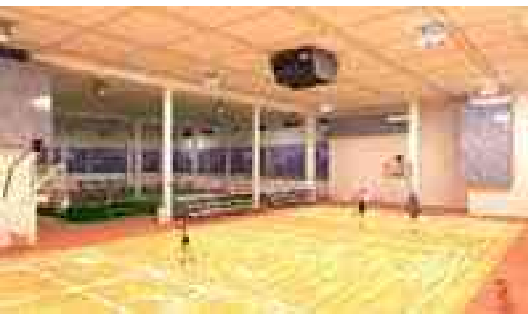
Alphaland has risen to this challenge and is now creating a facility like no other in the Philippines, right in the heart of the country's financial district, that will cater to the urban lifestyle needs of its members.

The City Club is located on the main artery of the Makati Central Business District, occupying the top three floors of the six-storey podium of the Alphaland Makati Place. It is within walking distance from most of the major offices, residential buildings, and commercial establishments in the city, making it very convenient to work, home, and everywhere in between.

The Club will occupy 20,000 square meters and has an extensive array of facilities and amenities dedicated to promoting both social and business interaction:

Leisure and Entertainment (top floor of The City Club), including: a Club spa, a main swimming pool, three lap pools, six Jacuzzis, a pool sunbathing area, a children's pool with a lifeguard post, a children's indoor and outdoor play area, a children's indoor playground and



CLOCKWISE FROM TOP LEFT: RENDERING OF THE GYM; THE POOL AREA; THE JACUZZI AREA; THE CHILDREN'S PLAYGROUND; THE SPA; THE INDOOR BASKETBALL AND TENNIS COURTS

activity area, a daycare, a learning center, a poolside restaurant with an al fresco area, a pool bar, and a barbecue area.

Leisure and Business (lower floor of The City Club), including: two covered tennis courts, three covered badminton courts, a covered basketball court, a squash court, seven specialty restaurants (Japanese, Thai, Chinese, Seafood, Spanish, Italian and Tex-Mex), a dessert area, a cigar divan, private wine cellars, six private meeting rooms, a pre-function area, two large function rooms, a bar/game room, and three KTV rooms.

Leisure and Fitness (entrance floor of The City Club), including: a spacious gym/weight lifting area, a table tennis room, a boxing ring, five studios for dance, yoga, Pilates and martial arts, an indoor golf simulator, a Wii room, two music rooms, a library and conference room, a business center, an Internet café, a beauty salon and barber shop, a pro shop, a juice and salad bar, and a clinic.

The overall quality of the interiors and finishes will meet or exceed that of a five-star hotel, providing an elegant but understated background to the many activities available, and making it an attractive place to spend time with friends and family.

As of December 15, 2010, the SEC issued the permit to offer securities for sale of membership shares for The City Club, which is targeted to open at the end of 2012.

Nowhere else will you find all of these options in a single, exclusive place—The City Club.

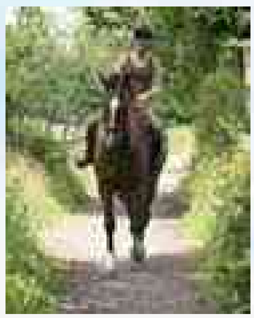
With more than seven kilometers of white-sand beaches, Balesin Island sits on the Pacific Ocean, 35 kilometers off the eastern coast of Luzon, and 25 minutes by plane from Manila.

This is the site of Alphaland Balesin Island Club, a getaway destination for those who want to enjoy modern comforts in a uniquely designed, exclusive island paradise.

Balesin Island Club is a 424-hectare island resort covered in lush, tropical rainforest, offering villas and amenities patterned after some of the most luxurious beachside resorts around the world. With a grand clubhouse and destination spa as the centerpiece, Balesin will be divided into six themed villages, with villas inspired by the world-renowned seaside destinations of Mykonos, St. Tropez, the Costa Smeralda, Bali, Phuket, and Balesin. Members and their guests can choose to stay at any of the six distinct villages, where everything from the structural and interior design to the landscaping and culinary offerings will be authentically executed.

A modern airfield, with a 1.5 kilometer-long concrete runway that can accommodate regional aircraft as well as private jets, will make

AERIAL VIEW OF BALESIN ISLAND



CLOCKWISE FROM TOP LEFT: WHITE SAND BEACH FRONTING BALESIN VILLAGE; HARDWOOD FOREST OF BALESIN; REPRESENTATION OF HORSE RIDING TRAILS; BEACH FRONTING THE CLUBHOUSE

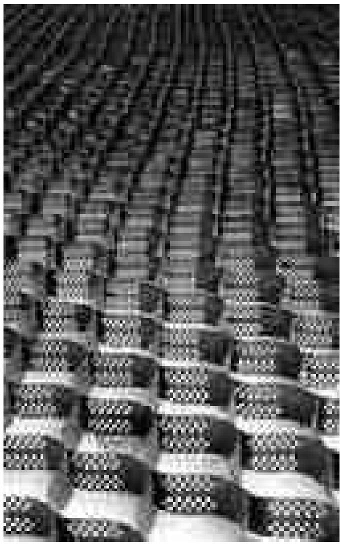


LEFT TO RIGHT: MYKONOS, GREEK ISLANDS; ST. TROPEZ, SOUTH OF FRANCE; COSTA SMERALDA, SARDINIA, ITALY

Balesin Island easily accessible from Manila. This same runway will be used to harvest rainwater runoff, enhancing the resort's resource sustainability and filling retaining lakes, small ponds, and other water features scattered throughout the island.

Because location and ambience are integral to the vision of Balesin Island Club, its architectural design will ensure that the entire resort remains in harmony with the island setting. Alphaland has accomplished this by partnering with some of the world's eminent hospitality master planners, architects, and engineers, such as EcoPlan of Florida, USA. The club aims to enhance everything in its environment; the lushness of the forest sanctuary and the promulgation of the surrounding marine sanctuaries.

Membership will entitle members to subsidized flights to Balesin Island as well as 14 complimentary room nights at any of the villas in the different themed villages. The resort will own and operate two light aircraft for the exclusive use of members, with flights from a private departure lounge at Manila's domestic airport. Members may also opt for a scenic few hours' drive from Manila to Quezon province then take a club-operated fast boat from there.



STATE-OF-THE-ART GEOCELL TECHNOLOGY USED IN THE CONSTRUCTION OF THE RUNWAY IN BALESIN ISLAND

On the island, the club's electric vehicles, bicycles, and horses will take guests around its themed beach villages, spa, leisure areas, sports facilities, entertainment venues, and scenic points.

In 2010, we completed the acquisition of all relevant areas of Balesin Island, as well as the finalization of the project's masterplan. We purchased one Landing Craft Transport (LCT) and leased another one to transport goods and materials



LEFT TO RIGHT: RENDERING OF BALESIN, PHILIPPINES; PHUKET, THAILAND; BALI, INDONESIA

to the island. We built a temporary landing jetty to facilitate unloading from these vessels. We have already transported many units of heavy equipment and thousands of tons of material from the mainland using these facilities.

By the end of the second quarter of 2011, the logistics base on the mainland, in Atimonan town, will be completed and storing construction materials destined for the island. Construction and concreting of the runway will be in full swing, with one end of the runway functional for marketing flights using our brand new Cessna Grand Caravan. By this time, a marketing sala will be erected to allow prospective members to experience the beauty of the island.

By the end of the fourth quarter of 2011, the construction of the Balesin Clubhouse, scheduled for completion by May 2012, will be well underway. Also by the end of 2011, the runway will be totally concreted and usable by private jets.

Balesin — Your own private paradise.


FROM TOP: THE BALESIN CLUBHOUSE BEACH; AERIAL VIEW OF THE ONGOING CONSTRUCTION OF THE RUNWAY

EXTERIOR PERSPECTIVE OF THE ALPHALAND MAKATI TOWER

The Alphaland Makati Tower, at 6789 Ayala Avenue, in the heart of the Makati Central Business District, will be the premier high-end corporate office in the Philippines.

Designed by Wong & Ouyang, one of the top architectural firms in Hong Kong who created Pacific Place, The Makati Tower will be the newest of only six existing premium-grade office buildings in the district.

The tower will boast a grand lobby with a two-storey high ceiling, clad in glass to admit natural light. Each level will have a large template of 1,500-1,600 square meters. A five-level basement will have 480 parking slots. Like our other projects, the Alphaland Makati Tower will feature state-of-the-art security facilities, and a private intranet for conference centers and meeting rooms.

The 34-storey tower will have a gross floor area of 48,000 square meters. The ground and second levels will be offered as prime commercial space, while a three-storey penthouse will be available as a single lease. The penthouse will have its own rooftop gardens and lounge areas.

The Makati Tower features environmentally sustainable technologies and has earned a Pre-certified GOLD rating (Core and Shell) with the

REPRESENTATION OF AN OFFICE INTERIOR; RENDERING OF THE LOBBY

United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Green Building Rating System. The building's design and features optimize energy performance and improve indoor air quality, which in turn improves the health, comfort, and productivity of its occupants. The use of efficient plumbing fixtures will result in a significant decrease in water consumption.

The Makati Tower project is overseen by an outstanding team of builders and designers, which, in addition to the conceptual architects Wong & Ouyang, includes architects of record Rchitect's, Inc., structural engineers SY2 (Formerly Aromin&Sy), plumbing, sanitary, and fire protection engineers NBF Consulting Engineers, mechanical engineers LR Punzalan and Associates, electrical engineers RA Mojica and Partners, project construction managers RM Cabanela Construction Management Co., and environmental sustainability and commissioning authorities Ecosolutions, Inc.

The Makati Tower's construction schedule will begin with structural retrofitting and is scheduled to be completed in six months. Concreting works will commence three months after the start of structural retrofitting and is projected to progress at the rate of four levels per month. The projected topping out of the construction program will take nine and a half months, followed by the seal-off of the building after six months. The Alphaland Makati Tower will be fully operational in January 2013.

EXTERIOR ELEVATIONS FROM THREE SIDES OF THE ALPHALAND MAKATI TOWER

RENDERING OF BAY CITY AS SEEN FROM MANILA BAY

Alphaland Bay City is a 32-hectare community that will embrace nature and the sea, while coexisting in harmony with modern technology. It will not only be a new place to live, but a new way to live.

Proximity

Makati City is the business and social center of the metropolis, with the highest property values and the greatest concentration of key infrastructure. However, Makati's premium districts are now at full capacity, and practically every square inch of space is built up, with very little room for further expansion and development.

We looked toward the sea as a solution to this urban congestion. Alphaland Bay City with its location between Mall of Asia and Pagcor City is close enough to Makati that the commute is convenient, and yet far enough so that a better living environment is possible. Today, it takes about 20 minutes to get from Makati's Central Business District to the site of Alphaland Bay City, in typical weekday traffic.

The Bay City experience

We have designed Bay City to be largely car-free. Just park at one of our central locations and walk or take a shuttle. Buildings will be interconnected by walkways, affording protection from the weather. We did this to make it truly a walkable city, minimizing energy use and pollution, including noise. A broad, crescent-shaped central park will cut through the entire city, providing not only greenery, shade and pleasant public space, but also a corridor for wind to circulate. By design, it will also allow the buildings to be arranged in a manner that opens up the sea view to more of the units, instead of simply maximizing space utilization in favor of short-term profit. We strongly believe that this kind of planning results in better long-term value for the development.

The boardwalk will be at a slight elevation above sea level; this provides privacy and security for the yachts moored at the shore, and a better view of the horizon for strollers. Along the boardwalk, the buildings will be low-rise: boutiques and nautical shops alternating with open-air cafés, restaurants, terraces, and public squares. A strip of green will provide a comfortable running path, and another track, circulating through the park, will be reserved for bicycles.

Behind the boardwalk will be medium-rise residential buildings: self-contained communities in a prime location, all with magnificent views of the horizon and sunset. The street levels will accommodate pedestrians on one side and vehicle traffic at the rear. The ground levels, isolated from the residential floors, will host typical urban commercial outlets, such as convenience stores, laundry, small eateries and service offices.

Behind the medium-rise rows will be the high-rises, a mix of office and residential space. The offices shall be arranged along the main vehicle thoroughfare, while the residences will face each other across the park, with cross-views of the horizon. The ground levels will be commercial, forming an open-air shopping mall. Additional shops and department stores will occupy the first few levels.

RENDERING OF A COMMERCIAL AREA

RENDERING OF A POCKET GARDEN

Alphaland Bay City will change how you think about city living.

RENDERING OF THE PROMENADE OF THE MARINA CLUB

alphaland
MARINA CLUB

The Marina Club is the centerpiece of Alphaland Bay City.

The whole community is arranged around the yacht basin, not just for a pleasant panorama, but as a window to nature and the majesty of the sea. Alphaland has set out to create a club that is more than an "amenity", in the parlance of real estate. In fact, we plan to offer some fresh ideas about what a club should be.

Club fleet

Here's our first idea: no need to own a boat. All members of Alphaland Marina Club are issued points per year which they may use to charter boats in the club fleet, consisting of large, medium, and small yachts. These yachts are crewed, of modern design, and feature many conveniences. The club will develop destinations within reasonable sailing distance, or members can just cruise around Manila Bay in comfort.

Boat owners

For people who already own a boat, The Marina Club will provide the nearest, safest, most secure, most convenient, cleanest, and most comfortable place to keep a yacht in Manila. The basin will have room for about 200 boats of all sizes. Almost all berths will be by floating piers and can be reached by walking, with no need for a service boat.

The club will provide a team of qualified professionals who can maintain members' yachts to their standards, crew the boats for trips, and regularly check on the boats when they are on standby. If members have their own crew, the club can provide clean, comfortable quarters and facilities.

REPRESENTATION OF THE YACHTING LIFESTYLE

Support services

The club will maintain several support vessels to provide services such as waste pumpout and tank cleaning, boat wash, and delivery of heavy items, as well as emergency services like towing, crash pumping and firefighting. Small service boats will be available to assist with mooring. A fast rescue boat will be on standby for boats that encounter problems within Manila Bay. Traffic in and out of the marina will be regulated 24/7 by a Port Captain's office.

Boat sales

Alphaland will partner with different dealerships, brokerages and suppliers to make available both brand-new and pre-owned boats. The marina will have demo boats available for trial. We will also create a one-stop shop that provides all items and services necessary for boat ownership, including after-sales support. Soon, buying a boat will be as easy as buying a mobile phone—and could be no more expensive than a second car.

Club facilities

Alphaland Marina Club members and their dependents will have exclusive access to all of our facilities. We will have a swimming pool, a spa, a beauty salon, a barber shop, a game room, a play room, a screening room with state-of-the-art audio and video equipment, karaoke lounges, and a fitness center with studios for aerobic exercise, dance, martial arts, Pilates, and yoga. For your dining pleasure, we will also offer a large banquet-style restaurant and several smaller specialty restaurants and bars, plus a pool with bar and lounge. And if you can't leave your work, you can also bring it with you as the club will also have a business center with a work station café, a library, a secretarial and messaging center, event and meeting rooms, and a cigar bar.

The Alphaland Boracay Gateway Country Club is a 500-hectare estate on the northern tip of Nabas, Aklan on Panay Island, directly adjacent to Boracay Island, by far the Philippines' most popular beach destination.

The island of Boracay is the most popular beach destination in the Philippines. It enjoys excellent recognition and good infrastructure, but has already reached its capacity for expansion. The adjacent Caticlan airport is the second-busiest airport in the country after Manila, bringing in domestic and international tourists.

The property, with its 1.7 kilometers of powdery white sand beaches identical to those on Boracay Island, is surrounded by abundant marine life. The property has a beautifully varied topography of hills, valleys, lakes,

springs, waterfalls, and diverse flora and fauna. In particular, the views from the higher points overlooking the sea are breathtaking.

Alphaland entered into a Joint Venture Agreement with Akean Resorts Corporation, an affiliate of the Prudentialife Group of Companies, headed by Ambassador Francisco A. Alba, to develop the property.

Boracay Gateway Country Club will be a fully integrated leisure township, a master-planned eco-resort community with a wide range of options in the sports, recreation, residential, and retail/ commercial areas. The experience will be akin to that of a large New England country estate, with grand villas surrounded by luxuriant natural expanses, low density development, and superb privacy. The vacation estates will be marketed to high net-worth individuals, especially those passionate about the sport of polo, as the club will feature an all-weather polo field that can be used year-round. The best part is that, because of the many flights servicing Caticlan, access to the estate is especially convenient, probably quicker than driving from Makati to Quezon City during rush hour, for example. Access to Boracay Island itself

AERIAL VIEW OF THE 500-HECTARE ALPHALAND BORACAY GATEWAY COUNTRY CLUB PROPERTY

VIEW OF THE OCEAN FROM BORACAY GATEWAY

will be as quick as a trip to the mall, as the Caticlan jetty is just five minutes away by road and Boracay another five minutes by speedboat.

In March 5, 2010, the Memorandum of Agreement between Akean Resorts Corporation and Alphaland Corporation was signed. The Master Plan for Phase One was completed in June, while the Engineering Plan was done by August. The bulk of the construction equipment and materials arrived in Caticlan in November and construction began immediately.

AERIAL VIEW OF BORACAY GATEWAY

VIEW OF AN EXISTING ROADWAY

BEACH WHERE THE WATER VILLAS WILL BE LOCATED

REPRESENTATION OF THE POLO FIELD

As of February 2011, 10 kilometers of roadway have already been cleared, 50% of the polo field has been graded, and the lease of 70 hectares of foreshore awaits final review and approval.

Alphaland will continue to move forward in 2011 to complete 12 kilometers of roads in Phase 1, and clear 114 hectares of land. By the end of the year, the stables and polo field will be completed.

ONGOING CONSTRUCTION OF THE POLO FIELD AND ROADWAYS

EXISTING LAKE ON THE PROPERTY WHICH WILL BE UTILIZED AS ONE OF THE WATER RESERVOIRS

Envisioned as the new flagship luxury development in the Shangri-La portfolio, Shangri-La at The Fort is a premier hospitality property sited within the West Super Block of the Fort Bonifacio Global City development in Taguig City, Metro Manila. Alphaland owns 20% of the equity of Shangri-La at The Fort.

EXTERIOR PERSPECTIVE OF THE SHANGRI-LA AT THE FORT

Located on the corner of 5th Avenue and 30th Street, the development will create a hub for business, hospitality offerings, and residential options.

The superstructure will be completed in June 2014, and will consist of four parts. First is the 500-room Shangri-La Hotel. Second, Horizon Homes and The Residences will provide longer-staying guests with condominium units and serviced apartments. Third is the penthouse Horizon Club and Lounge, exclusive to Horizon Floor members and Horizon Home owners. Fourth, is a modern, 10,300 square-meter Sports Club, which will be a separate brand entity from the hotel.

Plans for dining and entertainment options include an all-day café, deli café, specialty restaurant, Chinese restaurant, lobby lounge, poolside bar and barbecue, and an entertainment and bar area that will occupy two levels with private street access.

The four existing Shangri-La Hotels in the Philippines all raised the bar for the industry when they were launched. The Shangri-La at The Fort, which will be the largest of these, will once again redefine the industry standard.

Construction began with main excavation works in November 2010. The additional excavation works are now ongoing. As of the end of January 2011, a total of 12,500 cubic meters of excavated soil (42% of the total) has been hauled out. Completion of excavation works is scheduled for February 2011.

The project has a Gold rating in Leadership in Energy and Environmental Design (LEED). The LEED Consultant will monitor compliance with construction credits. Commencement of the substructure starts in April 2011.

Other goals for 2011 include the completion of the design development, approval of permit plans (including approval of GFA computation by Fort Bonifacio Development Corp., approval of the Building Permit Plan by City Engineer, and approval of permit to sell), completion of substructure work, and mobilization and commencement of superstructure construction.

3D RENDERINGS OF THE SHANGRI-LA AT THE FORT

TRUCK MOUNTED HYDRAULIC CRANE

alphaland
HEAVY EQUIPMENT CORPORATION

Alphaland Heavy Equipment Corporation (AHEC) is a joint venture between Alphaland Development, Inc., and Fabricom-XCMG Philippines, Inc.

AHEC was incorporated on January 13, 2010 for the purpose of distributing heavy equipment for lease or sale to local government units, government departments, and private entities that require construction or repair of new, and existing, infrastructure.

AHEC's equipment is supplied by the Xuzhou Construction Machinery Group (XCMG,) the largest construction machinery manufacturer and exporter in China. Aside from being the Exclusive Distributor of XCMG in the country, AHEC, in cooperation with XCMG engineers, provides training for operators and maintenance personnel, and also guarantees spare parts to cover warranties.

The third and fourth quarters of 2010 were busy for AHEC. In September, XCMG representatives came over to discuss the full terms and conditions of the distributorship agreement. These talks covered parts and service, warranties, sales aids, advertising, sales leads, territorial commissions, showroom parts and facilities, distributor's price list, stock position, and financial aspects. In October, the first batch of XCMG equipment (22 units) for the Alphaland Balesin and

HYDRAULIC CRANES AT THE XCMG PLANT IN XUZHOU, CHINA

ARRIVAL OF A MOTOR GRADER IN CATICLAN, PHILIPPINES

ARRIVAL OF A BACKHOE LOADER IN BALESIN ISLAND, PHILIPPINES

ASSORTED EQUIPMENT AT ASEANA YARD, PARAÑAQUE CITY, PHILIPPINES

Boracay Gateway projects arrived from China. The performance of these units in actual construction operations has been excellent.

Shortly afterwards, sales operations started. In November of 2010, an advertisement was published in leading dailies announcing the appointment of AHEC as the Exclusive Distributor of XCMG products, and the only company authorized to fulfill services, parts support and warranties. This announcement coincided with Philconstruct 2010, an equipment and trade show. AHEC also joined the League of Municipalities of the Philippines (LMP) general assembly at the Sofitel with a video and exhibition booth. The exhibit drew guests with serious inquiries about the equipment, which includes loaders, graders, excavators, backhoe loaders, dumptrucks, vibro rollers, and skid steers. Many are preparing budgets in favor of AHEC.

In 2011, we foresee more strategic advertising in mass media, as well as the continued distribution of company collateral via flyers, mailing lists, and telemarketing. In addition, dealers will be stationed in other parts of Luzon, the Visayas, and Mindanao. XCMG will conduct service training both here and at its factory in China. A showroom at the ASEANA Business Park will be in place throughout 2011 to attract attention from various contractors, especially those undertaking projects within the vicinity of Bay City. AHEC also intends to participate in Philconstruct 2011, where the company will gain considerably more publicity.

2007

May
- Alphaland was incorporated to engage in real estate acquisition and development.

September
- Alphaland acquired 10.25 hectares located at Aseana Business Park, Parañaque City. Alphaland intends to contribute this property to a 50-50 joint venture with D.M. Wenceslao & Associates, Inc. for the development of Alphaland Bay City.

November
- Alphaland acquired 30 hectares situated in Silang, Cavite.

2008

January
- Alphaland acquired an unfinished structure on a 9,497sqm property at the corner of EDSA and Chino Roces Avenue in Makati City from South China Resources, Inc. and the Puyat family. The property was developed into Alphaland Southgate Tower and Mall.
- The Securities and Exchange Commission (SEC) approved Alphaland's increase in additional capital stock from P10,000, divided into 10,000 shares with the par value of P1.00 each to P1,000,000,000.00, divided into 1,000,000,000 shares with the par value of P1.00 each.

May
- Alphaland subscribed to 250,000 common shares each of Shang Global City Properties, Inc. (SGCPI) and Fort Bonifacio Shangri-La Hotel, Inc. (FBSHI) representing 20% of the outstanding shares of each of the said companies. SGCPI and FBSHI entered into an unincorporated joint venture agreement to construct a five-star hotel and high-end development dubbed "Shangri-La at the Fort" at SGCPI's land property in Bonifacio Global City, Taguig.

June
- Alphaland acquired Sime Darby's 100% stake in Silvertown Property Development Corporation (SPDC), the leasehold owner of a 1-hectare property along Ayala Ave. Extension under the name of Boy Scouts of the Philippines (BSP). SPDC entered into a Joint Venture Agreement with the BSP to develop the property into Alphaland Makati Place.
- Alphaland acquired 2,400 square meters along Ayala Avenue, Makati City from Sta. Lucia Land, Inc. Due to current zoning height restrictions, Alphaland also acquired "air rights" from the owner of the adjacent property, which increased the gross floor area of the property from 38,400 square meters to 48,000 square meters. The property will be developed into Alphaland Makati Tower, a 35-storey premiere office building.

2009

January	•	The Philippine Economic Zone Authority (PEZA) approved the registration of Alphaland pursuant to Presidential Proclamation No. 1692 dated 22 December 2008 declaring the proposed Alphaland Southgate building an Information Technology Ecozone.
August	•	Alphaland launched the Alphaland Southgate Tower and Mall. It is composed of the Alphaland Southgate Tower, a 20-storey modern structure clad in a glass curtain wall and the Alphaland Southgate Mall, a six-storey podium which houses retail and casual dining establishments.

2010

January	•	Incorporation of Alphaland Heavy Equipment Corporation (AHEC) 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.
March	•	Groundbreaking for Alphaland Makati Place.
	•	Contract signing between Alphaland Corporation and AKEAN Resorts Corporation.
April	•	Started excavation works for Alphaland Makati Place.
	•	Registration of Alphaland Makati Place with Leadership in Energy and Environmental Design (LEED) including registration with United States Green Building Council (USGBC).
	•	Contract signing between Alphaland Corporation and Balesin Corporation.
May	•	Lease signed with Rainmaker Asia for 1,478 square meters of the Alphaland Southgate Tower.
	•	Lease signed with Teleperformance for 5,484 square meters (additional lease for 5,529 square meters added in February 2011).
June	•	Completed the master plan for Phase One of Boracay Gateway Country Club.
August	•	First year anniversary celebration of the Alphaland Southgate Tower.
	•	Completed the engineering plan of Boracay Gateway Country Club.
September	•	Applied for pre - certification for Leadership in Energy and Environmental Design (LEED) including registration with United States Green Building Council (USGBC) of Alphaland Makati Tower.
October	•	Started dewatering, cleaning, and site preparation for Alphaland Makati Tower.

November
- Started road construction in Boracay Gateway Country Club.

December
- Completed 87% of bulk excavation works of Alphaland Makati Place.
- Received SEC registration for and license to sell for membership shares of The City Club.
- 58% increase in foot traffic for the Alphaland Southgate mall compared to the same month in 2009.
- Completed environmental research and development work, including topographic survey, geotechnical investigations, bathymetric surveys, storm surge analysis, and hydrogeological evaluation.
- Secured local permits and approval for ATO Height Clearance and completion of Traffic Impact Analysis Report of Alphaland Makati Tower.

2011

January
- Lease signed with Advanced Contact Solutions, Inc. (ACS) for 7,309 square meters in the Alphaland Southgate Tower.

February
- Achieved 82% occupancy for Alphaland Southgate Tower (Alphaland, PhilWeb, ATOK - BIG WEDGE, Teleperformance, ACS, GHD PTY, Rainmaker Asia, Genie Technologies, Jorge Yulo Architects & Associates).
- Environmental Compliance Certificate granted by DENR for Balesin Island Club.
- Received SEC registration for and license to sell membership shares of Balesin Island Club.
- Received pre - certified Gold LEED standard rating for Alphaland Makati Tower.
- Awarded Civil / Structural and Partial Architecture contract package including retrofitting works for Alphaland Makati Tower.

March
- Ongoing construction of polo field and road network for Alphaland Boracay Gateway Country Club
- Concreting for the western half of the runway for Balesin Island was started.

Listed Alphaland to build mall, sports club, marina

By: Kristine Jane R. Liu, BusinessWorld Online

January 3, 2010

Ongpin-led Alphaland Corp. is setting aside P3 billion to jump-start the development of a number of its projects. Construction will start on a one-hectare property in Makati, the Alphaland Makati Place, and the 32-hectare project Alphaland Bay City located at the Aseana Business Park in Parañaque.

Ongpin's latest: heavy equipment

By Miguel R. Camus, Business Mirror

Posted at 01/11/2010 12:18 AM | Updated as of 01/11/2010 12:18 AM

Alphaland Corp. is not stopping at real-estate development and now plans to branch out to import and distribution of heavy equipment and machinery with P100 million capitalization. Alphaland Heavy Equipment Corp. is seen to generate synergies with Alphaland real estate while opening up new revenue streams from other developers as well as the public-infrastructure sector.

Ongpin-led Alphaland to spend P4-B on new Makati mall

By Neil Jerome C. Morales, BusinessWorld

Posted at 02/22/2010 11:57 AM | Updated as of 02/23/2010 1:57 PM

Ongpin-led property firm Alphaland Corp. will spend P4 billion in the next three years for a mixed-use project in Makati. The three-tower Makati Place, which will rise on Ayala Avenue Extension, is a partnership with the Boy Scouts of the Philippines. The one-hectare lot will have a sports club, a mall, and condominium units.

Ongpin's Alphaland lines up residential, tourism projects

By Daxim Lucas, Philippine Daily Inquirer

May 28, 2010 20:10

AN INFUSION OF EQUITY BY NEW and existing investors is expected to raise the asset base of publicly listed Alphaland Corp. this year as it prepares for a more aggressive push into the real estate market. The property firm which he controls would see its net asset value (NAV) rise to P16 billion this year as new projects—usually in tandem with joint venture partners—come online.

Alphaland ramps up expansion with construction of four projects

By Zinnia Dela Peña, The Philippine Star

May 31, 2010 12:00 AM

Alphaland chairman Roberto V. Ongpin said the property firm, which has a net asset value of P13.9 billion, will develop an upscale resort complex in Boracay and Balesin Island, Quezon. Plans are also underway for the construction of a self-contained mixed-use complex with a world-class marina and yacht club in a 32-hectare reclaimed land in Paranaque City.

Alphaland allots up to P500 M for high-end Aklan resort project

By Zinnia B. Dela Peña, The Philippine Star

December 07, 2010 12:00 AM

MANILA, Philippines - Ongpin-led Alphaland Corp. is setting aside as much as P500 million next year to jumpstart the development of a high-end, mixed-use resort on a 500-hectare lot in Aklan province in partnership with the Prudentialife Group of Companies of Ambassador Francisco Alba.

P5.8B Makati Place project of Alphaland in full swing First phase to be completed by '12

By Daxim Lucas, Philippine Daily Inquirer
March 9, 2011 21:18:00

Alphaland Corp. said that the construction of its mixed-use property development in Makati City is now in full swing, with the first phase slated for completion by next year. The group will invest a total of P5.8 billion in the project, called The Makati Place and P1.4 billion will be allotted for the City Club component, which is being marketed as a mid-market version of exclusive venues like the Manila Polo Club.

RVO: Placing his bet on Phl

By: Babe Romualdez, The Philippine Star
Updated March 10, 2011 12:00 AM

International deal maker Roberto "Bobby" Ongpin has decided to make another bet –this time on Philippine tourism. Bobby was the visionary behind Tagaytay Highlands, turning it into an exclusive, high-end resort and country club. His latest gamble: Balesin, a 424-hectare island off the coast of Quezon province. The lush tropical island of Balesin Island Club could soon become one of the most sought after exclusive resorts worldwide, with themed villages inspired by famous destinations like St. Tropez, Mykonos, Bali, Morocco and Phuket.

City Club vs. Tower Club

By: Babe Romualdez, The Philippine Star
Updated February 10, 2011 12:00 AM

Business mogul Bobby Ongpin of Alphaland Development Corp. is pouring close to P3 billion to develop Alphaland Makati Place (AMP) located within a one-hectare property in Malugay St. in the heart of Makati. AMP's crowning glory will be the "City Club" –touted to be "the first urban club catering to the business, social, wellness, lifestyle and fitness needs" of members. Obviously, the City Club will go head-to-head against the Tower Club whose members come from the elite in business and society.

The Tower Club occupies two storeys at the Philamlife Tower in Paseo de Roxas with restaurants, lounges, boardrooms, and a health club exclusively for its members who are top business executives and leaders. City Club, however, is upping the ante. Located on the 4th, 5th and 6th floors, City Club will be made accessible only by private elevator from the basement parking to the drop off areas – giving it that very private and exclusive feel.

Scheduled to open by the end of 2012, it will offer a host of amenities and facilities, among them seven specialty restaurants; a fully-equipped, state-of-the-art athletic complex plus indoor tennis, basketball and badminton courts; a wellness spa; and exclusive, full-service and fully-wired function rooms for private and corporate meetings. Since Alphaland Makati Place will also have residential towers, the City Club has seen fit to include family "bonding" moments by including a children's play area, daycare and learning center, a kiddie pool and even a Wii room.

We were told that membership to the City Club is at P2 million per share for its initial offering – which no doubt would go higher once the project goes full blast.

Source: http://www.philstar.com/Article.aspx?articleId=655902 &publicationSubCategoryId=66

Alphaland's The City Club is future perfect

By Mary Ann LL. Reyes, The Philippine Star

Updated February 18, 2011 12:00 AM

MANILA, Philippines - "We will never be all things to all people," says Roberto V. Ongpin, Alphaland Corp. chairman, "but what we do will be unique, and will definitely be done well." That is what the members of The City Club, Alphaland's latest development in the Makati Central Business District, can bank on.

Set to open at the end of 2012, it is unlike anything before seen in the Makati Central Business District, or the rest of the country for that matter.

"It's got everything The Polo Club has except the horses," according to Alphaland president Mario Oreta. It is ambitious, but behind it is a company that, while relatively new in the Philippine real estate industry is nonetheless backed with strong financials, and more importantly, great experience.

Alphaland's net asset value is estimated at P15.87 billion, and its debt to equity ratio stands at 20 percent making it in the scheme of things one of the country's financially strongest – and more liquid - real estate development firms.

In addition, a 40 percent ownership stake by Ashmore Investment Management Limited (Ashmore), one of the world's largest investment managers with funds under management of $50 billion, places Alphaland's financial muscle beyond any doubt, and its capacity to complete its projects, beyond question.

Future, feature-perfect

The unquantifiable advantage lies in Alphaland's strong management team. It begins with Ongpin, who focuses on creating developments that he likes to call "unique." In another time and place he, together with Oreta, current EVP/COO Ding Santico, EVP for sales Belinda Herrera and vice-president for planning and design Kenneth Go built the landmark Tagaytay Highlands. Testament to it, and the team's, success is the number of other developer's projects that have copied the original.

Unique is an approach they also used on a property on the corner of EDSA and Pasong Tamo. Derelict for 25 years, what now stands in its place is the Alphaland HQ, Southgate Tower. This one hectare, P2.4 billion environment-friendly or green development, now features 20 storeys, the metro's largest electronic billboards, a mall, direct MRT access, energy efficient air conditioning, and triple redundant broadband access. This of course illustrates how one management team's definition of the unique is easily another's description of the spectacular. In reality Alphaland's projects are focused, fully integrated systems that anticipate present and future client needs. The term "future perfect" may just sum it up.

The City Club is a case in point. On paper, The City Club offers amenities catering to the business and leisure requirements of its members. But with Alphaland's singular style of integrated development, the sum of the parts comprise a much more comprehensive – and one-of-a-kind – whole.

Merely its location speaks of that signature integration: while an independent entity, it resides on the 4th, 5th, 6th and topmost floors of the P5 billion Makati Place, another one of Alphaland's iconic developments. There, 20,000 square meters of purposefully crafted space meet everything members expect of a club – plus many they probably wouldn't.

To hint at a very long list, three swimming pools, covered badminton and tennis courts, a huge gym, and six studios devoted to yoga, Pilates, dance, and martial arts, and a juice and salad bar are among the many amenities dedicated to the pursuit of fitness and an active, healthy, lifestyle.

Although located in the CBD, The City Club provides a "kid friendly" environment, and amenities that seemingly look out of place in anyone's definition of a club exist here. There is no element of chance at play, so to speak, and facilities like the Wii room, the internet stations, the KTV rooms, the daycare center, and indoor and outdoor play areas, keep the children entertained, and their parents, less distracted.

Business Style

But that describes just one side of the project. "The quality of our interiors and finishes are at the level of a five star hotel," says Oreta, about the level of appointments that greets its members. It is again deliberate and the luxury within, planned and designed by architectural firm Wong & Ouyang (who did the Pacific Place in Hong Kong, The Shangri-La in Chengdu, and The Bellagio in Macau), is meant to exceed members' business needs. For who decreed that a club in the city must be dedicated wholly to sports and fitness?

Elegance merges with purpose in The City Club, embracing such features as the seven specialty restaurants, the Cigar Divan, private wine cellars, the business center, function halls, and business meeting facilities that ensure privacy and seclusion; suggesting perhaps that business and pleasure need not necessarily remain isolated, and a new definition to the term business style.

The initial selling price which is good only until the end of this month (February), is P500,000 per membership share. Two payment forms are possible: a cash payment which would entitle the buyer to a 10 percent discount and thus a net of P450,000 or; a deferred payment plan with a price of P510,000 requiring a 10 percent downpayment and 23 payments of P20,000 per month.

The first phase of Makati Place, which consists of the club and the mall, will be ready for turnover end of next year.

As with all Alphaland developments, membership selling prices are increased periodically as the club nears completion.

This level of integration, this uniqueness, certainly raises the bar for all comers, Alphaland foremost among them. But it is characteristic of all their developments – from the 424-hectare Balesin Island Resort in Atimonan, Quezon with its own airfield, the 500-hectare Boracay Gateway in Caticlan which will have its own polo field, to the Alphaland Bay City and its world-class marina and yacht club. With this level of integration and sophistication, the less opportunity inclined might just choose to wait and see. By that time, with The City Club, it could be too late, officials said.

LEFT TO RIGHT: MARIO A. ORETA, PRESIDENT; ROBERTO V. ONGPIN, CHAIRMAN; ERIC O. RECTO, VICE-CHAIRMAN

LEFT TO RIGHT: LUIS R. VILLANUEVA, PROJECT DIRECTOR FOR ALPHALAND MAKATI TOWER; SARAH B. CAMPANILLA, PROJECT DIRECTOR FOR ALPHALAND MAKATI PLACE; MARCO L. DIAZ, PROJECT DIRECTOR FOR BALESIN ISLAND CLUB; RAFAEL G. ONGPIN, PROJECT DIRECTOR FOR ALPHALAND BAY CITY & ALPHALAND MARINA CLUB (*NOT IN PICTURE: ALEJANDRO B. HONTIVEROS, PROJECT DIRECTOR FOR ALPHALAND BORACAY GATEWAY COUNTRY CLUB)*

LEFT TO RIGHT: BELINDA L. HERRERA; EVP FOR SALES, LEASING AND MARKETING; FERNANDO R. SANTICO, CHIEF OPERATING OFFICER; MARRIANA H. YULO, CHIEF FINANCE OFFICER; KENNETH A. GO, VP FOR PLANNING & DESIGN DEPARTMENT

LEFT TO RIGHT: MICHELLE S. ONGPIN, SVP FOR MARKETING; RODOLFO MA. A. PONFERRADA, CORPORATE SECRETARY & GENERAL COUNSEL; JOSE LUIS W. ONGPIN, LOGISTICS & PROCUREMENT DIRECTOR; NICK M. CELDRAN, DIRECTOR FOR PROPERTY MANAGEMENT

ROBERTO V. ONGPIN was elected Director and Chairman of the Board on November 11, 2009. Mr. Ongpin is presently also the Chairman of the Board of ISM Communications Corporation, PhilWeb Corporation, Atok-Big Wedge Co., Inc. Developing Countries Investment Corporation, and Acentic GmbH; non-executive Director of Forum Energy PLC (UK); director of San Miguel Corporation, Ginebra San Miguel, Inc., Petron Corporation, Shangri-La Asia (Hong Kong); and Deputy Chairman of the South China Morning Post (Hong Kong). He was formerly Chairman and Managing Partner of SyCip Gorres Velayo & Co. from 1964 to 1979 and Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a certified public accountant, and has an MBA from Harvard University.

ERIC O. RECTO was elected Director on November 11, 2009, appointed Corporate Information Officer on November 18, 2009, and elected Vice Chairman on December 8, 2009. Mr. Recto is also currently the President of Petron Corporation and ISM Communications Corporation, Vice Chairman and Director of Atok-Big Wedge Co., Inc., PhilWeb Corporation, and Alphaland Development, Inc. He is also an Independent Director of the Philippine National Bank. He also served as the Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both the International Finance Group and the Privatization Office. Before his stint with the government, Mr. Recto was the CFO of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

MARIO A. ORETA was elected Director on November 11, 2009 and president on December 8, 2009. He is currently the President and Director of Alphaland Development, Inc., Alphaland Balesin Island Resort Corporation, Alphaland Makati Place, Inc., Alphaland Makati Tower, Inc., The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Corporation, Alphaland Marina Club, Inc., and Alphaland Heavy Equipment Corporation as well as Aklan Boracay Properties, Inc. He is chairman of Major Holdings Corporation, Major Properties Inc., Major Homes, Inc. and La Finca Farm and Country Resort. He is also a Director of PhilWeb Corporation, ISM Communications Corporation, and Atok-Big Wedge Co. Inc. He was the Founder and Managing Partner of Tanjuatco Oreta and Factoran Law Offices.

SEUMAS DAWES is a Senior Portfolio Manager and a member of the Investment Committee of Ashmore. He joined the company from Paribas Limited, where he was responsible for local markets derivatives trading. Prior to Paribas, he worked for two years as head of Local Markets Proprietary Trading at ANZ Investment Bank. And before that was a Director at Merrill Lynch, in the International Credit Trading group. Mr. Dawes has extensive trading experience in emerging markets, credit products, and foreign exchange, interest rate and equity derivatives. Before commencing his career in the financial markets in 1989, Mr. Dawes held a number of positions in the Australian public sector, including three years as a senior advisor to the then Treasurer of Australia (later, Prime Minister) Paul Keating.

MICHAEL MOODY was elected Director on July 14, 2010. Mr. Moody worked for 10 years at Ashmore Group plc, a holding company of Ashmore Investment Management Limited, with various responsibilities during that time for the management of all support functions including compliance and finance. Prior to joining Ashmore in May 1999, he worked at ANZ Banking Group for 25 years. During this time, he spent 10 years working in a variety of overseas assignments in the Far East, Europe and Africa.

CRAIG WEBSTER was elected Director on November 27, 2009. Mr. Webster is also currently a Director of Alphaland Development, Inc. In 2005, he joined Ashmore Group plc and has held the position of head of Legal and Transaction Management since June 2008. He has a BA in Marketing from Stirling University and qualified as Solicitor of the Supreme Court of England and Wales in 1998. Mr. Webster acts as a Director of various Ashmore portfolio companies and is a member of Ashmore's Risk and Compliance Committee.

MARIO J. LOCSIN was elected Independent Director on November 11, 2009. He is currently the president of Inpilcom, Inc. He is also Director of ISM Communications Corporation, Eastern Telecommunications Philippines, Inc., and PhilWeb Corporation, as well as an independent director of Atok-Big Wedge Co., Inc. In the past, he served as the President and COO of Eastern Telecommunications Philippines, Inc., Director of Belle Corporation, APC Group, Southwest Resources, Philippine Long Distance Telephone Co., and Pilipino Telephone Co., and Director, Executive Vice President and COO of Philippine Airlines.

ALBERT L. TUASON was elected Independent Director on November 18, 2009. Mr. Tuason is currently Eastern Telecom's Senior VP for Operations. He has over 25 years of experience in international and domestic telecommunications, during which he has held various senior management positions in engineering, business development, sales and marketing, carrier relations, customer services and government & industry relations. He is currently Director of ASEAN Cableship Pte., Ltd. (ACPL) and its affiliate companies, and is likewise Director of the Philippine Chamber of Telecom Operators (PCTO). Mr. Tuason completed his Electronics & Communications Engineering degree at the Don Bosco Technical College, and is a licensed electronics and communications engineer.

DENNIS O. VALDES was elected Treasurer on November 11, 2009. Mr. Valdes is presently the president and a Director of PhilWeb Corporation and a Director of ISM Communications Corporation. He also serves as Director and Treasurer of Atok-Big Wedge Co., Inc. His previous work experience includes 10 years with the Inquirer Group of Companies, as Director of the newspaper, and also expanding their Internet, printing, and ink-making operations. Prior to that he spent six years with The NutraSweet Company developing their business in Asia. He is a certified public accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines, and has an MBA from the Kellogg School of Management, Northwestern University.

RODOLFO MA. A. PONFERRADA was elected Corporate Secretary on November 11, 2009 and was appointed Corporate Information Officer on November 18, 2009. He is also Assistant Corporate Secretary of ISM Communications Corporation, Corporate Secretary of Atok-Big Wedge Co., and member (representing the private sector) of the Board of Directors of the Social Housing Finance Corporation. Mr. Ponferrada is a member of the Philippine Bar.

JOSEPHINE A. MANALO was appointed Corporate Information Officer on November 18, 2009. Ms. Manalo is presently connected with PhilWeb Corporation as executive assistant to the Chairman. She is also working in various capacities for Mr. Roberto V. Ongpin's group of companies. She has a Bachelor of Science in Business Administration degree from St. Theresa's College, Manila.

MAR 16, 2010

At a board meeting held on March 16, 2010, the Board of Directors approved the change of the stock trading symbol of the Company from "MRAY" to "ALPHA".

MAR 29, 2010

The Board of Directors set the Annual Stockholders' meeting on May 28, 2010 at 2:00 PM at the 6th floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City. All stockholders of the company as of record date (April 15, 2001) are eligible to attend.

APR 8, 2010

SEC approved the Company's amendment of its Articles of Incorporation. The following changes were made:

Change in its corporate name to "Alphaland Corporation"; change of its primary purpose to that of a holding company; change in company address from KM 13 Agusan National Highway, Brgy. Panacan, Davao City, to Alphaland Southgate Tower, 2258 Chino Roces Ave. corner EDSA, Makati City; increase in the authorized capital stock to Php5 Billion, which was supported by the share-for-share swap with the stockholders of Alphaland Development, Inc.

SEC also approved the Company's application for the amendment of its bylaws to provide for the creation of the executive, audit, and compensation committees of the Board of Directors.

The Company also received the approval of its trading symbol change from "MRAY" to "ALPHA".

APR 16, 2010

Board of Directors approved a resolution to amend the Company's bylaws to reflect the following changes:

To designate the Chairman of the Board of Directors as the Chief Executive Officer of the Company;

To provide for the Office of a Vice-Chairman, who will serve as the Chief Executive Officer, in the absence of the Chairman; and

To designate the President as the Chief Operating Officer.

The Board also approved the amendment to the Company's Articles of Incorporation to increase the number of directors from seven (7) to fifteen (15).

All of the amendments will be subject to stockholders' ratification at the annual meeting to be held on May 28, 2010.

MAY 28, 2010

ALPHA informs the Exchange of election of Directors, amendment of its Articles of Incorporation—increasing the number of directors from seven (7) to fifteen (15), amendment of its bylaws, and the election of officers and committee members for the current year, during the Annual Stockholders' Meeting.

JUL 16, 2010

ALPHA informed the Exchange of the SEC's approval of the company's application for the amendment of its Articles of Incorporation and bylaws.

JUL 30, 2010

ALPHA advised the Exchange of the termination of its stock transfer agent, Stock Transfer Services, Inc. ("STSI"), and the engagement of AB Stock Transfer Corporation, starting 01 September 2010.

SEP 27, 2010 ALPHA advised the Exchange of the appointment of Mr. Fernando R. Santico, Jr. as ALPHA's Chief Operating Officer. Mr. Santico holds the position concurrent with his position as ALPHA's Executive Vice-President.

DEC 6, 2010 ALPHA informs the Exchange of an increase in the number of outstanding shares, from 1,420,322,941 shares as of the end of October 2010 to 1,429,220,287 shares as of the end of November 2010.

JAN 24, 2011 The Company replied to a letter regarding a news article entitled, "Ongpin-led Alphaland spending P1.2B on tourism ventures" published in the January 24, 2011 issue of the BusinessWorld. The accuracy of the article was confirmed but the stated amount in the news article may increase substantially due to the number of projects so specific information regarding the Company's investments could not be given yet.

FEB 21, 2011 The Company replied to a letter regarding a news article entitled, "Alphaland allots P16B for 4 new projects" posted in philSTAR.com on 19 February, 2011. The Company confirmed the accuracy of the article but with the clarification that the correct debt-to-equity ratio of the Company is 11% and not 20% as stated in the article. The correct ownership structure was also given.

MAR 3, 2011 The Company informed the Exchange that the Executive Committee of the Board of Directors of the Company authorized the issuance of One Hundred Forty Seven Million Three Hundred Seventy Five Thousand and Seven Hundred (147,375,700) common shares from the unissued portion of its authorized capital stock at an issue price of Ten Pesos (PhP10.00) per share to D.M. Wenceslao & Associates, Inc.

At the same date, the Executive Committee also approved the issuance of Four Hundred and Eight Million One Hundred Fifty Thousand Two Hundred Sixty Four (408,150,264) shares in favor of some of the existing shareholders of ALPHA at the same subscription price of Ten Pesos (PhP10.00) per share.

Lastly, the Executive Committee also approved the appointment of Ms. Marianna H. Yulo as Chief Finance Officer to replace Mr. Raul C. Pagdanganan, effective March 16, 2011.

MAR 29, 2011 The Executive Committee of the Board of Directors decided to set the Annual Meeting of the Stockholders of the Company for this year on May 26, 2011 at 2:00 p.m. at the Tents, 6th floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City. The record date for stockholders who will be eligible and entitled to vote at the said meeting has been set to April 12, 2011.

April 22, 2010

Alphaland secures Php1.75 Billion in financing through a syndicated loan for the development of Alphaland Makati Place (Phase 1), consisting of basement parking and a 6-storey podium which will house a mall and The City Club.

August 6, 2010

Alphaland purchases 394 hectares on Balesin Island. Total land and development cost spent on the island is valued at Php910 Million as of end-2010.

October 13, 2010

Alphaland secures Php2.4 Billion in financing through a syndicated loan for the development of Alphaland Makati Tower, a 35-storey high-end office tower located on Ayala Ave.

December 3, 2010

Alphaland signs an agreement with Akean Resorts Corporation to develop a high-end residential project in the latter's 500-hectare property located in Caticlan, Aklan.

December 15, 2010

The SEC approves The City Club's registration statement.

December 23, 2010

Alphaland increases its ownership in Alphaland Bay City from 10.2 hectares to 50% of 28 hectares (equivalent to 14 hectares) currently valued at Php8.8 Billion.

December 31, 2010

- Total Assets increased by 42% year-on-year, from Php12.7 Billion in 2009 to Php18 Billion, as of December 31, 2010 due to the increase in land ownership in Alphaland Bay City, the acquisition of Balesin Island, and increase in fair market value of the Company's existing real estate properties. After the additional Php1.93 Billion shareholder infusion in January 2011 and the assumed sale of the plastics business, the Company's Total Assets increased to approximately Php19.6 Billion.

- Total Equity increased by 34% year-on-year from Php9.7 Billion as of December 31, 2009 to Php13.3 Billion as of December 31, 2010, mostly due to Php2.15 Billion of fresh infusion from shareholders during the course of the year as well as increase in retained earnings as a results of Php1.25 Billion net income booked for one year. After the additional Php1.93 Billion shareholder infusion in January 2011 and the assumed sale of the plastics business, the Company's Total Equity increased to approximately Php15.3 Billion.

- Total cash balance as of December 31, 2010 is Php566.6 Million, vs. Php55.2 Million at the same time last year.

- Interest-bearing debt as of December 31, 2010 is Php1.72 Billion, the bulk of which is composed of the Php1.37 Billion remaining balance on the long-term debt relating to Alphaland Southgate Tower.

- Current debt-to-equity ratio is approximately 11.3%.

- Net Income of the Company grew exponentially to Php1.25 Billion for the year ended December 31, 2010, from Php73.9 Million for the year ended December 31, 2009.

- The bulk of Net Income was composed of a Php959 Million increase in fair value of investment properties, as well as a Php762 Million increase in purchase of additional holdings in Alphaland Bay City.

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SEC Accreditation No. 0012-FR-2

REPORT ON REVIEW OF PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA
Makati City

We have reviewed the pro-forma adjustments reflecting the transactions described in Note 2 and the application of those adjustments to the historical amounts in the accompanying pro-forma consolidated balance sheet of Alphaland Corporation and Subsidiaries as of December 31, 2010, and the pro-forma consolidated statement of comprehensive income, pro-forma consolidated statement of changes in equity and pro-forma consolidated statement of cash flows for the year then ended. The historical financial statements are derived from the historical financial statements of Alphaland Corporation and Subsidiaries, which were audited by us. Such pro-forma adjustments are based on management's assumptions described in Note 4. Alphaland Corporation's management is responsible for the pro-forma consolidated financial statements.

Our review was conducted in accordance with Philippine Standard on Assurance Engagement 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008 and accordingly, included such procedures as we considered necessary in the circumstances. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro-forma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express an opinion.

The objective of this pro-forma consolidated financial statements is to show what the significant effect on the historical financial information might have been had the transactions described in Note 2 occurred at an earlier date. However, the pro-forma consolidated financial statements are not necessarily indicative of the results of operations or related effects on the financial position that would have been attained had the above-mentioned transactions actually occurred earlier.

Based on the review, nothing came to our attention to cause us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the transactions described in Note 2, that the related pro-forma adjustments do not give appropriate effect to those assumptions, or that the related pro-forma columns do not reflect the proper application of those adjustments to the historical financial statements in the pro-forma consolidated balance sheet as of December 31, 2010 and the pro-forma consolidated statement of comprehensive income, pro-forma consolidated statement of changes in equity and pro-forma consolidated statement of cash flows for the year ended December 31, 2010.

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong
Partner
CPA Certificate No. 85588
SEC Accreditation No. 0327-A
BIR Accreditation No. 08-001998-57-2009
June 1, 2009, Valid until May 31, 2012
Tax Identification No. 103-093-301
PTR No. 2641552, January 3, 2011, Makati City

March 22, 2011

ALPHALAND CORPORATION AND SUBSIDIARIES

PRO-FORMA CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2010

	December 31, 2010 (Audited; Note 3)	*Note 4*	Pro-Forma Adjustments (Unaudited)	Pro-Forma Consolidated (Unaudited)
	A		B	C*
ASSETS				
Current Assets				
Cash and cash equivalents	₱566,642,921	*(a),(b),(c)*	₱2,213,727,943	₱2,780,370,864
Trade and other receivables	60,031,010		–	60,031,010
Advances to related parties	102,674,638		–	102,674,638
Prepaid expenses and other current assets	421,889,044		–	421,889,044
	1,151,237,613		2,213,727,943	3,364,965,556
Assets held for sale	571,427,261	*(a)*	(571,427,261)	–
Total Current Assets	1,722,664,874		1,642,300,682	3,364,965,556
Noncurrent Assets				
Investments in and advances to associates	757,470,866		–	757,470,866
Available-for-sale (AFS) investments	11,600,000		–	11,600,000
Investment properties	15,337,579,953		–	15,337,579,953
Property and equipment	110,925,870		–	110,925,870
Goodwill	23,229,684		–	23,229,684
Other noncurrent assets	21,241,889		–	21,241,889
Total Noncurrent Assets	16,262,048,262		–	16,262,048,262
	₱17,984,713,136		₱1,642,300,682	₱19,627,013,818
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱437,002,691		₱–	₱437,002,691
Loans payable	128,000,000		–	128,000,000
Current portion of long-term debt	137,499,100		–	137,499,100
Current portion of customers' deposits	9,412,959		–	9,412,959
Advances from related parties	10,347,098		–	10,347,098
Subscription payable	523,549,500		–	523,549,500
	1,245,811,348		–	1,245,811,348
Liabilities directly associated with assets held for sale	292,382,542	*(a)*	(292,382,542)	–
Total Current Liabilities	1,538,193,890		(292,382,542)	1,245,811,348
Noncurrent Liabilities				
Long-term debt - net of current portion and deferred financing costs of ₱22,082,783	1,459,168,417		–	1,459,168,417
Customers' deposits - net of current portion	40,251,703		–	40,251,703
Retirement benefits obligation	4,919,700		–	4,919,700
Deferred tax liabilities	1,592,577,535		–	1,592,577,535
Obligation under finance lease - net of current portion	4,932,788		–	4,932,788
Total Noncurrent Liabilities	3,101,850,143		–	3,101,850,143

*Sum of A and B.

(Forward)

	December 31, 2010 (Audited; Note 3)	Note 4	Pro-Forma Adjustments (Unaudited)	Pro-Forma Consolidated (Unaudited)
	A		B	C*
Equity Attributable to Equity Holders of the Parent				
Capital stock - ₱1 par value				
Authorized - 1,984,322,352 shares				
Issued and outstanding	₱1,429,220,287	*(d)*	₱408,150,264	₱1,837,370,551
Additional paid-in capital	5,998,700,015	*(d)*	3,673,352,386	9,672,052,401
	7,427,920,302		4,081,502,650	11,509,422,952
Subscribed capital stock - 147,375,700 shares (net of subscriptions receivable of ₱1,472,757,000)	–	*(b)*	1,000,000	1,000,000
	7,427,920,302		4,082,502,650	11,510,422,952
Deposits for future stock subscriptions	2,147,819,426	*(c),(d)*	(2,147,819,426)	–
Gain on sale of preferred shares	2,559,163		–	2,559,163
Unrealized valuation gains on AFS investments	1,000,000		–	1,000,000
Excess of acquisition price over acquired interest	(159,018,215)		–	(159,018,215)
Retained earnings	3,921,710,715		–	3,921,710,715
	13,341,991,391		1,934,683,224	15,276,674,615
Less cost of 423,900 shares in treasury	1,213,526		–	1,213,526
	13,340,777,865		1,934,683,224	15,275,461,089
Non-controlling Interest	3,891,238		–	3,891,238
Total Equity	13,344,669,103		1,934,683,224	15,279,352,327
	₱17,984,713,136		₱1,642,300,682	₱19,627,013,818

*Sum of A and B.

See accompanying Notes to Pro-forma Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

PRO-FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

	December 31, 2010 (Audited; Note 3)	Pro-Forma Adjustments (Unaudited; Note 4)	Pro-Forma Consolidated (Unaudited)
	A	B	C*
REVENUES			
Rentals	₱110,045,959	₱–	₱110,045,959
Others	74,218,351	–	74,218,351
	184,264,310	–	184,264,310
COSTS AND EXPENSES	298,670,905	–	298,670,905
OTHER INCOME (EXPENSES)			
Gain on fair value change of investment properties	958,615,184	–	958,615,184
Gain on bargain purchase	761,886,845	–	761,886,845
Equity in net income of associates	27,044,818	–	27,044,818
Interest income	7,810,466	–	7,810,466
Interest expense and other finance charges	(93,676,292)	–	(93,676,292)
Foreign exchange loss	(5,720,557)	–	(5,720,557)
Others - net	(5,030,352)	–	(5,030,352)
	1,650,930,112	–	1,650,930,112
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	1,536,523,517	–	1,536,523,517
PROVISION FOR INCOME TAX			
Current	1,967,708	–	1,967,708
Deferred	311,030,730	–	311,030,730
	312,998,438	–	312,998,438
NET INCOME FROM CONTINUING OPERATIONS AFTER INCOME TAX	1,223,525,079	–	1,223,525,079
OTHER COMPREHENSIVE INCOME			
Unrealized valuation gains on AFS investments	1,000,000	–	1,000,000
TOTAL COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	₱1,224,525,079	₱–	₱1,224,525,079
Net income from continuing operations attributable to:			
Equity holders of the Parent	₱1,220,420,281	₱–	₱1,220,420,281
Non-controlling interest	3,104,798	–	3,104,798
	₱1,223,525,079	₱–	₱1,223,525,079
Total comprehensive income from continuing operations attributable to:			
Equity holders of the Parent	₱1,221,420,281	₱–	₱1,221,420,281
Non-controlling interest	3,104,798	–	3,104,798
	₱1,224,525,079	₱–	₱1,224,525,079
BASIC/DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 5)	₱0.88	(₱0.20)	₱0.68

*Sum of A and B.

See accompanying Notes to Pro-forma Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

PRO-FORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	Attributable to Equity Holders of the Parent												
	Capital Stock	Additional Paid-in Capital	Equity Reserves	Subscribed Capital Stock	Deposits for Future Stock Subscriptions	Gain on Sale of Preferred Shares	Unrealized Valuation Gains on AFS Investments	Excess of Acquisition Price over Acquired Interest	Retained Earnings	Treasury Shares	Total	Non-controlling Interest	Total Equity
Balances at January 1, 2009 (Audited; Note 3)	₱150,588,900	₱–	₱6,892,686,762	₱–	₱–	₱–	₱–	₱–	₱2,674,954,393	(₱1,213,526)	₱9,717,016,529	₱26,930,179	₱9,743,946,708
Total comprehensive income from continuing operations	–	–	–	–	–	–	1,000,000		1,220,420,281	–	1,221,420,281	3,104,798	1,224,525,079
Income associated with assets held for sale	–	–	–	–	–	–	–	–	26,336,041	–	26,336,041	–	26,336,041
Total comprehensive income	–	–	–	–	–	–	1,000,000	–	1,246,756,322	–	1,247,756,322	3,104,798	1,250,861,120
Issuance of capital stock	8,897,346	80,076,114	–	–	–	–	–	–	–	–	88,973,460	–	88,973,460
Deposits for future stock subscriptions	–	–	–	–	2,147,819,426	–	–	–	–	–	2,147,819,426	–	2,147,819,426
Sale of preferred shares of a subsidiary	–	–	–	–	–	2,559,163	–	–	–	–	2,559,163	3,890,838	6,450,001
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(159,018,215)	–	–	(159,018,215)	(30,034,977)	(189,053,192)
Effect of share swap agreement	1,269,734,041	5,918,623,901	(6,892,686,762)	–	–	–	–	–	–	–	295,671,180	–	295,671,180
Increase in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	400	400
Balances at December 31, 2010 (Audited; Note 3)	1,429,220,287	5,998,700,015	–	–	2,147,819,426	2,559,163	1,000,000	(159,018,215)	3,921,710,715	(1,213,526)	13,340,777,865	3,891,238	13,344,669,103
Effect of pro-forma adjustments [Note 4(b),(c) and (d)]	408,150,264	3,673,352,386	–	1,000,000	(2,147,819,426)	–	–	–	–	–	1,934,683,224	–	1,934,683,224
Balances at December 31, 2010 (Pro-forma; Unaudited)	**₱1,837,370,551**	**₱9,672,052,401**	**₱–**	**₱1,000,000**	**₱–**	**₱2,559,163**	**₱1,000,000**	**(₱159,018,215)**	**₱3,921,710,715**	**(₱1,213,526)**	**₱15,275,461,089**	**₱3,891,238**	**₱15,279,352,327**

See accompanying Notes to Pro-forma Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

PRO-FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	December 31, 2010 (Audited; Note 3)	*Note 4*	Pro-Forma Adjustments (Unaudited; Note 4)	Pro-Forma Consolidated (Unaudited)
	A		B	C*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income from continuing operations before income tax	₱1,536,523,517		₱–	₱1,536,523,517
Income associated with assets held for sale before income tax	37,726,399		–	37,726,399
	1,574,249,916			1,574,249,916
Adjustments for:				
Interest expense and other finance charges	93,676,292		–	93,676,292
Depreciation and amortization	6,179,362		–	6,179,362
Provision for impairment losses on trade receivables	5,700,000		–	5,700,000
Gain on fair value change of investment properties	(958,615,184)		–	(958,615,184)
Gain on bargain purchase	(761,886,845)		–	(761,886,845)
Equity in net income of associates	(27,044,818)		–	(27,044,818)
Interest income	(7,810,466)		–	(7,810,466)
Unrealized foreign exchange gains	(104,578)		–	(104,578)
Operating loss before working capital changes	(75,656,321)		–	(75,656,321)
Decrease (increase) in:				
Trade and other receivables	145,005,965		–	145,005,965
Prepaid expenses and other current assets	(106,310,433)		–	(106,310,433)
Increase in:				
Trade and other payables	148,846,186		–	148,846,186
Customers' deposits	18,216,908		–	18,216,908
Retirement benefit obligation	4,919,700		–	4,919,700
Net cash generated from operations	135,022,005		–	135,022,005
Interest received	7,810,466		–	7,810,466
Income taxes paid	(4,007,642)		–	(4,007,642)
Net cash flows from operating activities	138,824,829		–	138,824,829
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	(110,284,414)		–	(110,284,414)
AFS investments	(10,600,000)		–	(10,600,000)
Decrease (increase) in:				
Investment properties	(2,921,354,492)		–	(2,921,354,492)
Investment in joint venture	(1,000,000,000)		–	(1,000,000,000)
Investments in and advances to associates	(78,259,576)		–	(78,259,576)
Other noncurrent assets	11,821,278		–	11,821,278
Increase in subscription payable	523,549,500		–	523,549,500
Cash acquired from business combination	11,526,934		–	11,526,934
Proceeds from sale of AFS investments of subsidiary	4,562,500		–	4,562,500
Cash from sale of MPPI shares	–	*(a)*	279,044,719	279,044,719
Net cash flows from (used in) investing activities	(3,569,038,270)		279,044,719	(3,289,993,551)

*Sum of A and B.

(Forward)

	December 31, 2010 (Audited; Note 3)	Note 4	Pro-Forma Adjustments (Unaudited; Note 4)	Pro-Forma Consolidated (Unaudited)
	A		B	C*
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of:				
Long-term debt	₱1,450,000,000		₱–	₱1,450,000,000
Loans payable	128,000,000		–	128,000,000
Finance lease	6,279,400		–	6,279,400
Payments of:			–	
Interest and other finance charges	(101,509,750)		–	(101,509,750)
Long-term debt	(31,249,700)		–	(31,249,700)
Finance lease	(236,139)		–	(236,139)
Deposits for future stock subscriptions	2,147,819,426	*(c)*	1,933,683,224	4,081,502,650
Net changes in accounts with related parties	342,681,731		–	342,681,731
Increase in subscribed capital stock	–	*(b)*	1,000,000	1,000,000
Net cash flows from financing activities	3,941,784,968		1,934,683,224	5,876,468,192
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(79,713)		–	(79,713)
NET INCREASE IN CASH AND CASH EQUIVALENTS	511,491,814		2,213,727,943	2,725,219,757
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,151,107		–	55,151,107
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱566,642,921		₱2,213,727,943	₱2,780,370,864

*Sum of A and B.

See accompanying Notes to Pro-forma Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
NOTES TO PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. **CORPORATE INFORMATION**

Alphaland Corporation (formerly Macondray Plastics, Inc. or MPI; hereinafter referred to as ALPHA or Parent Company) is a holding company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). ALPHA and its subsidiaries (collectively referred to as the "Group") have two principal businesses: real property development and manufacturing plastics. Each of these businesses is managed through three wholly-owned subsidiaries: Alphaland Development, Inc. (ADI) and Alphaland Balesin Island Resort Corporation for the real property development and Macondray Plastics Products, Inc. (MPPI) for the manufacturing of plastics. The acquisition of the real property development businesses by ALPHA was made through a share swap agreement.

ALPHA's shares of stocks are publicly traded in the Philippine Stock Exchange (PSE).

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

2. **NATURE OF TRANSACTIONS**

(a) *Memorandum of Understanding (MOU) entered between ALPHA and Macondray Philippines Co., Inc. (MPCI) for the sale of MPPI shares to MPCI*

ALPHA spun off the operation and maintenance of its plastic manufacturing business to MPPI. In view of this, ALPHA and MPPI entered into a deed of conveyance on October 13, 2009 where ALPHA shall transfer and convey in favor of MPPI all of its 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 "Assignment"). MPPI has secured a ruling from the Bureau of Internal Revenue confirming that the transfer of the specific assets and liabilities of ALPHA to MPPI is tax free. The transfer of properties and obligations to MPPI from ALPHA shall be effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI. As of March 22, 2011, necessary steps have already been undertaken to obtain the said SEC approval so that transfer can be effected as specified in the deed of conveyance.

Effective December 1, 2009, MPPI assumed the management of ALPHA's plastic products manufacturing operations. On the same date, all the employees of ALPHA at that time (all of whom were connected to the plastics manufacturing business) were transferred to MPPI.

Further to the spinoff of MPPI, ALPHA signed a MOU on December 23, 2010 with MPCI, where the latter is offering to buy ALPHA's entire interest in MPPI upon completion of the Assignment, which ALPHA accepted for a reasonable consideration to be determined nearer to the Assignment. With the agreement to sell MPPI shares to MPCI upon completion of the Assignment, ALPHA presented the assets of MPPI as "Assets held for sale" and liabilities as "Liabilities directly associated with assets held for sale" in the historical consolidated balance sheet and reported the operations of the plastics manufacturing segment as "Income associated with assets held for sale" in the historical consolidated statement of comprehensive income.

Among the features of the agreement to sell the MPPI shares to MPCI are as follows:

1. The consideration for the sale of the MPPI shares would be based on its prevailing fair value as per independent valuation report;
2. The sale is projected to occur within one year from the date of the MOU or until December 23, 2011;
3. Before the sale is consummated, the Assignment must be completed. As of report date, the only significant pending matter to complete the Assignment is the approval of SEC of the increase in authorized capital stock of MPPI as well as the valuation of the assets and liabilities to be conveyed by ALPHA to MPPI;
4. In case any event or circumstance should extend the period to complete the sale beyond one year, the delay may only be caused by events or circumstances beyond ALPHA's control and ALPHA remains committed to its plan to sell the asset;
5. Shareholders' approval would be obtained in relation to the sale no later than the stockholders' annual meeting to be called in May 2011.

(b) Authorization for the issuance of additional shares to D. M. Wenceslao & Associates, Inc. (DMWAI)

On March 3, 2011, the Executive Committee of the Board of Directors (BOD) of ALPHA authorized the issuance to DMWAI of 147,375,700 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share. This resulted in an increase in the issued and subscribed shares of ALPHA from 1,428,796,387 shares to 1,576,172,087 as of February 28, 2011. The shares to be issued to DMWAI represent approximately 9.35% of the resulting outstanding capital stock of ALPHA.

Out of the total subscription made by DMWAI, ₱1,000,000 was paid on March 15, 2011 with the balance of ₱1,472,757,000 to be paid by conveyance to ADI of shares of stock of A.A. Land Properties Developers Corporation (the "Joint Venture Company") which will be renamed to Alphaland Bay City Corporation. The conveyance of shares of stock to ADI will be effected immediately after DMWAI has conveyed the additional four hectares to the Joint Venture Company to bring the total development area of the Alphaland Bay City project to at least 32 hectares. ADI will then issue common shares to ALPHA in payment of the Joint Venture Company's shares it receives from DMWAI.

(c) Additional shareholders' infusion

On January 28, 2011, the following shareholders of ALPHA contributed a total of ₱1,933,683,224 as additional capital infusion for 193,368,322 ALPHA shares and this was recorded as deposits for future stock subscriptions:

Shareholders	Deposits for Future Stock Subscriptions
Alphaland Holdings (Singapore) Pte. Ltd.	₱1,701,641,237
Boerstar Corporation	193,368,322
Azurestar Corporation	38,673,665
Total	₱1,933,683,224

(d) *Conversion of deposits for future subscriptions into common stock*

On March 3, 2011, the Executive Committee of the BOD authorized the issuance of 408,150,264 shares in favor of some of the existing shareholders of ALPHA at the same subscription price of ₱10 per share payable by previously paid deposits, as follows:

Shareholders	Deposits for Future Stock Subscriptions	New Shares Issued
Alphaland Holdings (Singapore) Pte. Ltd.	₱2,591,722,332	259,172,233
Masrickstar Corporation	1,000,000,000	100,000,000
Boerstar Corporation	408,150,265	40,815,026
Azurestar Corporation	81,630,053	8,163,005
Total	₱4,081,502,650	408,150,264

Masrickstar agreed to assume the ₱1,000.0 million deposits for future stock subscriptions of AH. Masrickstar paid in full the ₱1,000.0 million directly to AH.

Deposits for future stock subscriptions as of December 31, 2010 of ₱2,147,819,426 is included in the amount of deposits for future stock subscriptions presented above plus additional deposits for future stock subscriptions of ₱1,933,683,224 received by ALPHA on January 28, 2011.

However, as these existing stockholders are related parties of ALPHA, the foregoing issuances will be submitted for the approval of the stockholders during the annual stockholders' meeting of ALPHA scheduled in May 2011.

In the event the required stockholders' approval of the foregoing issuances is obtained, the resulting shareholder structure of ALPHA will be as follows:

Shareholders	Number of Shares	Percentage
AH	767,065,849	38.66%
Masrickstar	709,472,340	35.75%
Boerstar Corporation	167,788,430	8.46%
DMWAI	147,375,700	7.43%
RVO Capital Ventures Corporation	142,656,748	7.19%
Azurestar Corporation	33,557,686	1.69%
Public	16,405,599	0.82%
Total issued and outstanding capital stock	1,984,322,352	100.00%

The Executive Committee of the BOD approved a follow-on public offering to ensure that ALPHA will comply with the minimum public ownership requirement.

3. **BASIS OF PREPARING THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS**

The pro-forma consolidated financial statements have been prepared in accordance with Paragraph 9 of Rule 68.1 of the SEC's Implementing Rules and Regulations of the Securities Regulation Code, as amended in 2005.

The pro-forma consolidated financial statements of Alphaland Corporation and Subsidiaries are presented as of and for the year ended December 31, 2010. The pro-forma consolidated financial statements should be read together with the audited consolidated financial statements of Alphaland Corporation and Subsidiaries as of and for the year ended December 31, 2010 which was used as the basis for the preparation of the pro-forma consolidated financial statements.

The pro-forma consolidated balance sheet as of December 31, 2010 and the pro-forma consolidated statement of changes in equity and the pro-forma consolidated statement of cash flows for the year then ended were based on the abovementioned historical consolidated financial statements, adjusted to give effect to the sale of MPPI shares to MPCI, authorization for the issuance of additional shares to DMWAI, additional capital infusion from shareholders and conversion of deposits for future stock subscriptions into common stock as discussed in Note 2 as if these transactions happened on December 31, 2010.

The pro-forma consolidated statement of comprehensive income for the year ended December 31, 2010 is based on the abovementioned historical consolidated financial statements. In compliance with Paragraph 9 of Rule 68.1, ALPHA's pro-forma consolidated statement of comprehensive income only includes financial results from continuing operations. As such, income associated with assets held for sale [see Note 2(a)] is excluded from the pro-forma consolidated statement of comprehensive income. Transactions discussed in Note 2 have no effect on the pro-forma consolidated statement of comprehensive income. However, the additional capital infusion from shareholders and the conversion of deposits for future stock subscriptions into common stock had effect on the pro-forma earnings per share (EPS), adjusted to give effect to these transactions as if it happened on January 1, 2010 (see Note 5).

The pro-forma adjustments are based upon available information and certain assumptions that the Group believes are reasonable under the circumstances. The pro-forma consolidated balance sheet, pro-forma consolidated statement of comprehensive income, pro-forma consolidated statement of changes in equity and pro-forma consolidated statement of cash flows do not purport to represent what the consolidated financial position, consolidated financial performance and consolidated cash flows would actually have been had the transactions disclosed in Note 2 in fact occurred on December 31, 2010.

The pro-forma financial information is not intended to be considered in isolation from, or as a substitute for, financial position or financial performance prepared in accordance with Philippine Financial Reporting Standards.

4. **PRO FORMA ADJUSTMENTS**

In preparing the pro-forma consolidated balance sheet, pro-forma consolidated statement of comprehensive income, pro-forma consolidated statement of changes in equity and pro-forma consolidated statement of cash flows of ALPHA as of and for the year ended December 31, 2010, the following adjustments have been effected in the pro-forma consolidated financial statements:

(a) *Sale of MPPI shares to MPCI based on the MOU entered between ALPHA and MPCI*

The disposal through sale of MPPI shares to MPCI at assumed cash proceeds of ₱279,044,719 is based on the carrying amount of the net assets of MPPI in the pro-forma consolidated financial statements as follows:

Assets held for sale	₱571,427,261
Liabilities directly associated with assets held for sale	292,382,542
	₱279,044,719

Since the actual selling price is yet to be determined, for purposes of the pro-forma consolidated financial statements, ALPHA assumed that the sale of MPPI shares to MPCI was consummated at fair value equivalent to the carrying amount of MPPI's net assets as reflected in ALPHA's historical consolidated financial statements as of December 31, 2010. Thus, no gain or loss was assumed to have resulted from this transaction for purposes of the pro-forma consolidated statement of comprehensive income and pro-forma consolidated statement of changes in equity. Should the carrying amount of the net assets of MPPI reflected in ALPHA's consolidated financial statements differ from the actual selling price, the difference will be recognized as gain or loss on sale of MPPI shares in ALPHA's consolidated statement of comprehensive income in the reporting period in which the sale transaction occurs. Moreover, any material expense incurred and any tax related to the sale transaction is not included in the pro-forma adjustments for purposes of the pro-forma consolidated statement of comprehensive income. The sale of MPPI shares to MPCI is assumed to have occurred on December 31, 2010 for purposes of the pro-forma consolidated balance sheet and pro-forma consolidated statement of cash flows.

(b) *Subscription and partial payment of DMWAI of ALPHA's common shares*

The subscription of DMWAI of 147,375,700 common shares from the unissued portion of the authorized capital stock of ALPHA resulted to an increase in the issued and subscribed capital stock of ALPHA from 1,428,796,387 shares to 1,576,172,087 as of December 31, 2010.

The subscription of DMWAI was made at an issue price of ₱10 per share and there was no issuance of shares on the subscription made. Out of the shares subscribed to by DMWAI, ₱1,000,000 was paid in cash resulting to an increase in ALPHA' cash and subscribed capital stock by ₱1,000,000. There was no conveyance yet of the Joint Venture Company's shares from DMWAI to ADI nor has DMWAI conveyed the additional four hectares to the Joint Venture Company to bring the total development area of the Alphaland Bay City project to at least 32 hectares. Consequently, ADI has not issued its common shares to ALPHA in payment of the Joint Venture Company's shares it will receive from DMWAI. The related subscription receivable of ₱1,472,757,000 is presented as net of the subscribed capital stock in the equity section of the pro-forma consolidated balance sheet.

(c) *Additional shareholders' infusion*

The additional capital infusion of ₱1,933,683,224 equivalent to 193,368,322 ALPHA common shares which were received by ALPHA on January 28, 2011 was assumed to have been received as of December 31, 2010 and initially recorded as deposits for future stock subscriptions in the pro-forma consolidated balance sheet and subsequently converted into common stock [see Note 4(d) below].

(d) *Conversion of deposits for future stock subscriptions into common stock*

After the additional shareholder's infusion as discussed in Note 4(c) above, the deposits for future stock subscriptions amounted to ₱4,081,502,650. The deposits for future stock subscriptions are assumed to have been converted to 408,150,264 common shares at an issue price of ₱10 per share. Capital stock and additional paid-in capital were adjusted to reflect the conversion of deposits for future stock subscriptions into common stock as if it were effected on December 31, 2010 for purposes of the pro-forma consolidated balance sheet, pro-forma consolidated statement of changes in equity and pro-forma consolidated statement of cash flows.

5. PRO-FORMA EPS ATTRIBUTABLE TO EQUITY HOLDERS OF ALPHA

For purposes of the calculation of the pro-forma EPS for the year ended December 31, 2010, a total of 408,150,264 common shares is assumed to be issued to ALPHA's shareholders in connection with the transactions disclosed in Note 2(d) at January 1, 2010.

The calculation of pro-forma EPS for purposes of the pro-forma consolidated statement of comprehensive income for the year ended December 31, 2010 follows:

Basic/diluted pro-forma EPS on net income attributable to equity holders of the parent:

	December 31, 2010 (Audited; Note 3)	**Pro-Forma Adjustments** (Unaudited; Note 4)	**Pro-Forma Consolidated** (Unaudited)
Net income from continuing operations attributable to equity holders of the Parent	₱1,220,420,281	₱–	₱1,220,420,281
Weighted average number of shares outstanding	1,384,158,607	–	1,384,158,607
Effect of conversion of deposits for future stock subscriptions [Note 4(d)]	–	408,150,264	408,150,264
Weighted average number of shares outstanding	1,384,158,607	408,150,264	1,792,308,871
Basic/diluted pro-forma EPS	₱0.88	(₱0.20)	₱0.68

The Group has no dilutive potential common shares outstanding, therefore basic pro-forma EPS is the same as diluted pro-forma EPS.

alphaland
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

Dear Sirs:

The management of ALPHALAND CORPORATION (formerly Macondray Plastics, Inc.) is responsible for all information and representation contained in the financial statements for the year ended 31 December 2010 and 2009. The financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines as set forth in the Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, have examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors.

03 March 2011

ROBERTO V. ONGPIN
Chairman

MARIO A. ORETA
President

DENNIS O. VALDES
Treasurer

SUBSCRIBED AND SWORN to before me this ________________ at Makati City, affiants exhibiting to me their respective identification Documents follows:

Roberto V. Ongpin
Mario A. Oreta
Dennis O. Valdes

Doc. No.
Page No.
Book No.
Series of 2011

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alphaland Corporation and Subsidiaries as of December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong
Partner
CPA Certificate No. 85588
SEC Accreditation No. 0327-AR-1
Tax Identification No. 103-093-301
BIR Accreditation No. 08-001998-57-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641552, January 3, 2011, Makati City

March 3, 2011

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2010	2009 (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱566,642,921**	₱55,151,107
Trade and other receivables (Note 7)	**60,031,010**	39,173,601
Advances to related parties (Note 18)	**102,674,638**	197,047,000
Prepaid expenses and other current assets (Note 8)	**421,889,044**	274,670,844
	1,151,237,613	566,042,552
Assets held for sale (Note 5)	**571,427,261**	–
Total Current Assets	**1,722,664,874**	566,042,552
Noncurrent Assets		
Investments in and advances to associates (Note 9)	**757,470,866**	679,211,290
Available-for-sale (AFS) investments (Note 10)	**11,600,000**	–
Investment properties (Note 11)	**15,337,579,953**	11,447,118,738
Property and equipment (Note 12)	**110,925,870**	6,901,444
Goodwill (Note 4)	**23,229,684**	–
Other noncurrent assets (Note 13)	**21,241,889**	8,167,429
Total Noncurrent Assets	**16,262,048,262**	12,141,398,901
	₱17,984,713,136	₱12,707,441,453
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱437,002,691**	₱248,460,252
Loans payable (Note 15)	**128,000,000**	–
Current portion of long-term debt (Note 16)	**137,499,100**	31,249,400
Current portion of customers' deposits (Note 19)	**9,412,959**	5,101,710
Advances from related parties (Note 18)	**10,347,098**	–
Income tax payable	**–**	2,039,934
Subscription payable (Note 4)	**523,549,500**	–
	1,245,811,348	286,851,296
Liabilities directly associated with assets held for sale (Note 5)	**292,382,542**	–
Total Current Liabilities	**1,538,193,890**	286,851,296
Noncurrent Liabilities		
Long-term debt - net of current portion and deferred financing costs of ₱22,082,783 in 2010 (Note 16)	**1,459,168,417**	1,368,750,600
Customers' deposits - net of current portion (Note 19)	**40,251,703**	26,346,044
Retirement benefit obligation (Note 21)	**4,919,700**	–
Deferred tax liabilities (Note 22)	**1,592,577,535**	1,281,546,805
Obligation under finance lease - net of current portion (Note 19)	**4,932,788**	–
Total Noncurrent Liabilities	**3,101,850,143**	2,676,643,449

(Forward)

	December 31	
	2010	2009 (Note 2)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 1 and 17)	**₱1,429,220,287**	₱150,588,900
Additional paid-in capital (Note 2)	**5,998,700,015**	–
Equity reserves (Note 2)	**–**	6,892,686,762
Deposits for future stock subscriptions (Note 17)	**2,147,819,426**	–
Gain on sale of preferred shares of a subsidiary (Note 1)	**2,559,163**	–
Unrealized valuation gains on AFS investments (Note 10)	**1,000,000**	–
Excess of acquisition price over acquired interest (Note 4)	**(159,018,215)**	–
Retained earnings (Note 17)	**3,921,710,715**	2,674,954,393
	13,341,991,391	9,718,230,055
Less cost of 423,900 shares in treasury (Note 17)	**1,213,526**	1,213,526
	13,340,777,865	9,717,016,529
Non-controlling Interest (Note 1)	**3,891,238**	26,930,179
Total Equity	**13,344,669,103**	9,743,946,708
	₱17,984,713,136	₱12,707,441,453

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009 (Note 2)	2008 (Note 2)
REVENUES			
Rentals (Note 19)	**₱110,045,959**	₱32,734,478	₱–
Others	**74,218,351**	6,761,828	–
	184,264,310	39,496,306	–
COSTS AND EXPENSES (Note 20)	**298,670,905**	130,920,529	54,478,755
OTHER INCOME (EXPENSES)			
Gain on fair value change of investment properties (Note 11)	**958,615,184**	298,902,598	–
Gain on bargain purchase (Note 4)	**761,886,845**	–	–
Equity in net income of associates (Note 9)	**27,044,818**	3,486,918	3,690,593
Interest income (Note 6)	**7,810,466**	6,213,567	12,777,612
Interest expense and other finance charges (Note 15, 16 and 19)	**(93,676,292)**	(28,873,000)	(1,126,751)
Foreign exchange gain (loss)	**(5,720,557)**	(2,201)	3,862
Loss on dilution (Note 1)	**–**	–	(24,136,472)
Others - net	**(5,030,352)**	241,249	–
	1,650,930,112	279,969,131	(8,791,156)
INCOME (LOSS) BEFORE INCOME TAX	**1,536,523,517**	188,544,908	(63,269,911)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)			
Current	**1,967,708**	6,565	–
Deferred	**311,030,730**	114,617,926	13,474,309
	312,998,438	114,624,491	13,474,309
INCOME (LOSS) BEFORE INCOME ASSOCIATED WITH ASSETS HELD FOR SALE	**1,223,525,079**	73,920,417	(76,744,220)
INCOME ASSOCIATED WITH ASSETS HELD FOR SALE - net of tax (Note 5)	**26,336,041**	–	–
NET INCOME (LOSS)	**1,249,861,120**	73,920,417	(76,744,220)
OTHER COMPREHENSIVE INCOME			
Unrealized valuation gains on AFS investments (Note 10)	**1,000,000**	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,250,861,120**	₱73,920,417	(₱76,744,220)
Net income (loss) attributable to:			
Equity holders of the Parent	**₱1,246,756,322**	₱71,147,021	(₱76,744,220)
Non-controlling interest	**3,104,798**	2,773,396	–
	₱1,249,861,120	₱73,920,417	(₱76,744,220)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent	**₱1,247,756,322**	₱71,147,021	(₱76,744,220)
Non-controlling interest	**3,104,798**	2,773,396	–
	₱1,250,861,120	₱73,920,417	(₱76,744,220)
Basic/Diluted Earnings (Loss) Per Share (Note 23)			
Income (loss) before income associated with assets held for sale attributable to equity holders of the Parent	**₱0.88**	₱0.06	(₱0.18)
Net income (loss) attributable to equity holders of the Parent	**₱0.90**	₱0.06	(₱0.18)

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

	Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Equity Reserves	Deposits for Future Stock Subscriptions	Gain on Sale of Preferred Shares	Unrealized Valuation Gains on AFS Investments	Excess of Acquisition Price over Acquired Interest	Retained Earnings	Treasury Shares	Total	Non-controlling Interest	Total Equity
Balances at January 1, 2008	₱125,562,000	₱–	₱124,983,225	₱–	₱–	₱–	₱–	(₱10,842,403)	(₱545,225)	₱239,157,597	₱24,156,783	₱263,314,380
Total comprehensive income	–	–	–	–	–	–	–	(76,744,220)	–	(76,744,220)	–	(76,744,220)
Increase in equity reserves (Note 2)	–	–	6,792,074,239	–	–	–	–	–	–	6,792,074,239	–	6,792,074,239
Purchase of treasury shares (Note 17)	–	–	–	–	–	–	–	–	(12,103)	(12,103)	–	(12,103)
Balances at December 31, 2008	125,562,000	–	6,917,057,464	–	–	–	–	(87,586,623)	(557,328)	6,954,475,513	24,156,783	6,978,632,296
Total comprehensive income	–	–	–	–	–	–	–	71,147,021	–	71,147,021	2,773,396	73,920,417
Stock dividends (Note 17)	25,026,900	–	–	–	–	–	–	–	–	25,026,900	–	25,026,900
Purchase of treasury shares (Note 17)	–	–	–	–	–	–	–	–	(656,198)	(656,198)	–	(656,198)
Decrease in equity reserves (Note 2)	–	–	(24,370,702)	–	–	–	–	–	–	(24,370,702)	–	(24,370,702)
Effect of change in accounting policy for investment properties, net of related tax effect (Note 2)	–	–	–	–	–	–	–	2,691,393,995	–	2,691,393,995	–	2,691,393,995
Balances at December 31, 2009	150,588,900	–	6,892,686,762	–	–	–	–	2,674,954,393	(1,213,526)	9,717,016,529	26,930,179	9,743,946,708
Total comprehensive income	–	–	–	–	–	1,000,000		1,246,756,322	–	1,247,756,322	3,104,798	1,250,861,120
Issuance of capital stock (Notes 1 and 17)	8,897,346	80,076,114	–	–	–	–	–	–	–	88,973,460	–	88,973,460
Deposits for future stock subscriptions (Note 17)	–	–	–	2,147,819,426	–	–	–	–	–	2,147,819,426	–	2,147,819,426
Sale of preferred shares of a subsidiary (Note 1)	–	–	–	–	2,559,163	–	–	–	–	2,559,163	3,890,838	6,450,001
Acquisition of non-controlling interest (Note 4)	–	–	–	–	–	–	(159,018,215)	–	–	(159,018,215)	(30,034,977)	(189,053,192)
Effect of share swap agreement (Notes 1, 4 and 17)	1,269,734,041	5,918,623,901	(6,892,686,762)	–	–	–	–	–	–	295,671,180	–	295,671,180
Increase in non-controlling interest	–	–	–	–	–	–		–	–	–	400	400
Balances at December 31, 2010	**₱1,429,220,287**	**₱5,998,700,015**	**₱–**	**₱2,147,819,426**	**₱2,559,163**	**₱1,000,000**	**(₱159,018,215)**	**₱3,921,710,715**	**(₱1,213,526)**	**₱13,340,777,865**	**₱3,891,238**	**₱13,344,669,103**

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009 (Note 2)	2008 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱1,536,523,517**	₱188,544,908	(₱63,269,911)
Income associated with assets held for sale before income tax (Note 5)	**37,726,399**	–	–
	1,574,249,916	188,544,908	(63,269,911)
Adjustments for:			
Interest expense and other finance charges (Note 15, 16 and 19)	**93,676,292**	28,873,000	1,126,751
Depreciation and amortization (Note 12 and 13)	**6,179,362**	2,128,862	6,198,297
Provision for impairment losses on trade receivables (Note 7)	**5,700,000**	–	–
Gain on fair value change of investment properties (Note 12)	**(958,615,184)**	(298,902,598)	–
Gain on bargain purchase (Note 4)	**(761,886,845)**	–	–
Equity in net income of associates (Note 9)	**(27,044,818)**	(3,486,918)	(3,690,593)
Interest income (Note 6)	**(7,810,466)**	(6,213,567)	(12,777,612)
Unrealized foreign exchange losses (gains)	**(104,578)**	2,201	(3,862)
Loss on dilution (Note 1)	**–**	–	24,136,472
Operating loss before working capital changes	**(75,656,321)**	(89,054,112)	(48,280,458)
Decrease (increase) in:			
Trade and other receivables	**145,005,965**	(29,104,527)	(17,236,497)
Prepaid expenses and other current assets	**(106,310,433)**	(42,088,229)	(157,637,462)
Increase (decrease) in:			
Trade and other payables	**148,846,186**	(410,782,486)	657,734,701
Customers' deposits	**18,216,908**	28,230,915	3,216,839
Retirement benefit obligation	**4,919,700**	–	–
Net cash generated from (used for) operations	**135,022,005**	(542,798,439)	437,797,123
Interest received	**7,810,466**	6,866,397	12,086,363
Income taxes paid	**(4,007,642)**	(6,565)	–
Net cash flows from (used in) operating activities	**138,824,829**	(535,938,607)	449,883,486
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(110,284,414)**	(651,249)	(11,311,552)
AFS investments (Note 10)	**(10,600,000)**	–	–
Decrease (increase) in:			
Investment properties	**(2,921,354,492)**	(331,064,184)	(3,315,249,305)
Investment in joint venture	**(1,000,000,000)**	–	–
Investments in and advances to associates	**(78,259,576)**	–	2,452,786,792
Other noncurrent assets	**11,821,278**	6,574	(15,050)
Increase in subscription payable	**523,549,500**	–	–
Cash acquired from business combination (Note 4)	**11,526,934**	–	–
Proceeds from sale of AFS investments of a subsidiary	**4,562,500**	–	–
Net cash flows used in investing activities	**(3,569,038,270)**	(331,708,859)	(873,789,115)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Long-term debt (Note 16)	**₱1,450,000,000**	₱740,000,000	₱660,000,000
Loans payable (Note 15)	**128,000,000**	–	–
Finance lease (Note 19)	**6,279,400**	–	–
Payments of:			
Interest and other finance charges	**(101,509,750)**	(25,855,493)	(1,126,751)
Long-term debt (Note 16)	**(31,249,700)**	–	–
Finance lease (Note 19)	**(236,139)**	–	–
Deposits for future stock subscriptions (Note 17)	**2,147,819,426**	–	–
Net changes in accounts with related parties	**342,681,731**	(96,642,000)	(100,405,000)
Purchase of own shares (Note 17)	**–**	(656,198)	(12,103)
Net cash flows from financing activities	**3,941,784,968**	616,846,309	558,456,146
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(79,713)**	(2,201)	3,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**511,491,814**	(250,803,358)	134,554,379
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**55,151,107**	305,954,465	171,400,086
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱566,642,921**	₱55,151,107	₱305,954,465

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information of the Parent Company

Alphaland Corporation (formerly Macondray Plastics, Inc. or MPI; hereinafter referred to as ALPHA or Parent Company) is a holding company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). ALPHA and its subsidiaries (collectively referred to as the "Group") have two principal businesses: real property development and manufacturing plastics. Each of these businesses is managed through three wholly owned subsidiaries: Alphaland Development, Inc. (ADI) and Alphaland Balesin Island Resort Corporation (ABIRC) for the real property development and Macondray Plastics Products, Inc. (MPPI) for the manufacturing of plastics. The acquisition of the real property development businesses by ALPHA was made through a share swap agreement (SSA) (see Note 4).

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

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

b. Change in Ownership of ALPHA

On October 1, 2009, Macondray and Company, Inc. (MCI) entered into a share purchase agreement (SPA) with RVO Capital Ventures Corporation (RVO Capital) with the latter acquiring MCI's existing 66% ownership in MPI, now renamed to Alphaland Corporation. The sale and purchase of the shares were transacted and executed through the PSE on November 11, 2009. Under the SPA, upon execution thereof, RVO Capital shall make a tender offer for approximately 34% of the remaining interest in ALPHA. 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 party of ALPHA starting November 12, 2009. RVO Capital became the new parent company of ALPHA owning 95% of the voting shares as of December 31, 2009.

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

c. SSA between ALPHA and the Stockholders of ADI

On November 18, 2009, ALPHA and all the stockholders of ADI entered into a SSA for a share-for-share swap of all of ADI's issued and outstanding shares in exchange for new shares to be issued by ALPHA. Each ADI share shall be exchanged for approximately 5.08 shares (or a total of 1,269,734,041 shares) of ALPHA. After the share-for-share swap, ADI shall become a wholly owned subsidiary of ALPHA thereby allowing the diversification into the property development sector (see Note 4).

In view of the foregoing, ALPHA's stockholders approved various amendments to its Articles of Incorporation and By-laws in a special stockholders' meeting held on December 23, 2009.

The following matters were taken up and approved by ALPHA's stockholders:

i. Amendments to the Articles of Incorporation. Among them are as follows:

1. Change in corporate name from "Macondray Plastics, Inc." to "Alphaland Corporation;"
2. Change in ALPHA's primary purpose from that of a manufacturing company to that of a holding company;
3. Change of principal place of business from "Km. 13, Agusan National Highway, Barangay Panacan, Davao City" to "Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City; " and
4. Increase in ALPHA's authorized capital stock from ₱400.0 million to ₱5,000.0 million to accommodate the share-for-share swap with the stockholders of ADI, a related party of RVO Capital.

ii. Amendment to ALPHA's by-laws to provide for the creation of the executive, audit and compensation committees of the Board of Directors (BOD).

iii. ALPHA's application for additional listing with the PSE with respect to the 1,269,734,041 primary shares to be issued to the stockholders of ADI out of the increase in authorized capital stock in connection with the share-for-share swap between ALPHA and the stockholders of ADI.

The amendments to ALPHA's Articles of Incorporation and By-laws enumerated above were approved by the Philippine SEC on April 7, 2010. Further, on August 26, 2010, the Bureau of Internal Revenue (BIR) confirmed the tax free exchange and issued the tax clearance on the exchange of shares of stock between ALPHA and the stockholders of ADI.

d. Issuance of New ALPHA Shares to Noble Care Management Corporation (Noble Care)

On November 11, 2010, the Executive Committee of the BOD of ALPHA authorized ALPHA to enter into an agreement with Noble Care and ADI involving the following:

i. Issuance by ALPHA of 8,897,346 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share in favor of Noble Care;
ii. Simultaneously with the issuance of ALPHA shares, ADI shall cancel the outstanding obligation of Noble Care in the amount of ₱100.4 million (the "Loan"). In consideration thereof, Noble Care will convey to ADI 2,031 common shares (5.88%) of Alphaland Makati Place, Inc. (AMPI); and
iii. Simultaneously with the issuance of ALPHA shares to Noble Care and the cancellation of the Loan, ADI shall issue 88,974 from the unissued portion of its authorized capital stock at ₱1,000 per share in favor of ALPHA (all the foregoing collectively referred to as the "Transactions").

Thus, at the conclusion of the Transactions:

1. ALPHA will continue to own 100% of ADI;
2. ADI will increase its ownership in AMPI from 94.12% to 100.00% (see Note 4);
3. Noble Care will cease to have any direct ownership interest in AMPI;
4. Noble Care will no longer have any obligation to ADI in connection with the Loan; and,
5. Noble Care will own 8,897,346 new ALPHA shares representing approximately 0.62% of the then resulting outstanding capital of ALPHA.

e. ALPHA's Legal Subsidiaries

i. **MPPI, 100%-owned by ALPHA**, was incorporated and registered with the Philippine SEC on September 25, 2009. MPPI's primary purpose is to engage 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.

ii. **Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA**, was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is to invest in, purchase, or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

iii. **Alphaland Balesin Island Club, Inc. (ABICI), 100%-owned by ABIRC**, was incorporated and registered with the Philippine SEC on October 18, 2010. ABICI's purpose is to own, operate and maintain a membership and resort club (the "Island Club") at Balesin Island, Polillo, Quezon or other locations which provides amenities, facilities and services for dining, catering, meeting, sports, health, social, business, recreation, entertainment and/or other similar activities for the exclusive use of the Island Club members and other persons who may be granted the right of use or otherwise allowed by the Island Club, for the financial and other benefits of the Island Club's shareholders.

In October 2010, ABIRC invested in ABICI by acquiring 9,998 common shares out of its 10,000 authorized, and 3,519 preferred shares out of its 5,000 authorized, both at par value of P100 per share. ABICI will issue up to 391 preferred shares out of its unissued authorized capital and ABIRC will sell its 3,519 preferred shares in ABICI to the public (the "Island Club Offer Shares") in a primary and secondary offering. Only ABICI's preferred shareholders shall be entitled to nominate individuals who can be members of the Island Club and enjoy the facilities and amenities. The Registration Statement on the Island Club Offer Shares was approved by the SEC on February 24, 2011 authorizing the sale of the Island Club Offer Shares.

iv. **ADI, 100%-owned by ALPHA**, was incorporated and registered with the Philippine SEC on May 29, 2007. After its incorporation, ADI became 40%-owned by Alphaland Holdings (Singapore) Pte. Limited, a company incorporated in Singapore, and 60%-owned by other companies incorporated in the Philippines (namely, Masrickstar Corporation, Boerstar Corporation, and Azurestar Corporation). On April 7, 2010, ADI became a wholly owned subsidiary of ALPHA as an effect of the SSA (see Note 4). ADI's primary purpose is to engage in real property acquisition and development.

v. **AMPI [formerly, Silvertown Property Development Corporation (SPDC)], 100%-owned by ADI**, was incorporated and registered with the Philippine SEC on March 6, 1991. In June 2008, ADI acquired from Sime Darby Pilipinas, Inc. its 100% stake in SPDC, the leasehold owner of a real property owned by Boy Scouts of the Philippines (BSP). Subsequently, in August 2008, AMPI's interest in SPDC was diluted to 94.12% with the subscription of new shares by Noble Care, representing 5.88% of the 34,531 total subscribed shares. On February 26, 2010, the Philippine SEC approved the change of SPDC's name to AMPI. Loss on dilution recognized in the 2008 consolidated statement of comprehensive income amounted to ₱24.1 million. On November 11, 2010, Noble Care's 5.88% interest in AMPI was sold to ADI, making AMPI a 100% subsidiary of ADI.

AMPI's primary purpose is to lease and sublease a premium one hectare property of BSP along Ayala Avenue Extension corner Malugay Street, Makati City. AMPI entered into a joint venture with BSP to develop the property into a first class commercial development to be known as Alphaland Makati Place. It will be a mixed-use property development consisting of high end residential towers atop an upscale six-storey podium with a shopping center and a city club, including a Boy Scouts Convention Center. As of December 31, 2010, the demolition of existing improvements on the property has been completed and excavation is 87% completed.

vi. **The City Club at Alphaland Makati Place, Inc. (TCCAMPI), 97%-owned by AMPI**, was incorporated and registered with the Philippine SEC on October 18, 2010. The primary purpose of TCCAMPI is to own, operate and maintain a city club (the "City Club") at the Alphaland Makati Place, or other locations which provides amenities, facilities and services for dining, catering, meeting, sports, health, social, business, recreation, entertainment and/or other similar activities for the exclusive use of the City Club members and other persons who may be granted the right of use or otherwise allowed by the City Club for the financial and other benefits of the City Club's shareholders.

In October 2010, AMPI invested in TCCAMPI by acquiring 9,998 common shares, out of its 10,000 authorized, and 4,500 preferred shares, out of its 5,000 authorized, both at par value of ₱100 per share. Only TCCAMPI's preferred shareholders shall be entitled to nominate individuals who can be members of the City Club and enjoy the facilities and amenities. TCCAMPI will issue up to 500 preferred shares out of its unissued authorized capital and AMPI will sell its 4,500 preferred shares in TCCAMPI to the public (the "City Club Offer Shares") in a primary and secondary offering. The Registration Statement for the City Club Offer Shares was approved by the Philippine SEC on December 9, 2010.

In its separate financial statements, AMPI accounts for its investments in preferred shares of TCCAMPI, a subsidiary, as available-for-sale (AFS) investments in accordance with Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, and are carried at fair value. As of December 31, 2010, 13 preferred shares were sold and 1 preferred share was issued by AMPI and TCCAMPI, respectively. AMPI's sale of 13 preferred shares at ₱450,000 per share on cash sales, and at ₱500,000 per share on installment sales, provided a gain of ₱2.6 million.

TCCAMPI is a subsidiary held through AMPI and as such, is required to be consolidated by ALPHA. At the consolidated level, the AFS investments are eliminated against TCCAMPI's equity (preferred shares). The related change in fair value of AFS investments is eliminated against the unrealized valuation gain recognized in equity. Since the investments in preferred shares of TCCAMPI is treated as equity in the consolidated financial statements of ALPHA, any sale or disposal of the preferred shares of TCCAMPI shall be treated as an equity transaction with no gain or loss recognized in the consolidated statement of comprehensive income. TCCAMPI's preferred shares held by entities outside of the ALPHA group is presented as non-controlling interest in the consolidated accounts.

The gain on sale amounting to ₱2.6 million was presented as "Gain on sale of preferred shares of a subsidiary" account in the equity section attributable to equity holders of the parent in the 2010 consolidated balance sheet. Cost of TCCAMPI's preferred shares sold to the public amounting to ₱3.9 million was presented as non-controlling interest in the consolidated accounts.

vii. **Alphaland Makati Tower, Inc. (AMTI), 100%-owned by ADI,** was incorporated and registered with the Philippine SEC on July 28, 2010, with primary purpose of developing, leasing and subleasing a property situated along Ayala Avenue, which is the center of the Makati Central District. The property measuring 2,400 square meters, more or less, was acquired by ADI from Sta. Lucia Land, Inc. in June 2008, and same will be conveyed by ADI to AMTI in exchange for its shares of stock. A 35-storey building will be constructed on the site to be called Alphaland Makati Tower.

viii. **Alphaland Marina Corporation (AMC), 100%-owned by ADI,** was incorporated and registered with the Philippine SEC on December 2, 2010, with main purpose of dealing and engaging in the real estate business. AMC's plan is to develop (together with the Group) an ultra-modern marina and yacht club that will have various dining, sports, recreation, boating, yachting, sailing and other similar amenities exclusively to its members and their guests and dependents (the "Marina Club"). The Marina Club will be the centerpiece of the Alphaland Bay City, an agreed joint venture project of the Group and the D.M. Wenceslao & Associates, Inc. (DMWAI) group, to be located in 32 hectares, more or less, of reclaimed land at Aseana Business Park in Parañaque City. On December 10, 2010, AMC's BOD authorized the application for incorporation of Alphaland Marina Club, Inc., to own and operate the Marina Club.

The accompanying consolidated financial statements were authorized for issue by the Executive Committee of the BOD on March 3, 2011.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>

The consolidated financial statements have been prepared under the historical cost basis, except for AFS investments and investment properties which are carried at fair value. The consolidated financial statements are presented in Philippine peso, the Parent Company's functional currency and presentation currency, and all values are rounded off to the nearest peso, except when otherwise indicated.

On April 7, 2010, ALPHA completed the legal acquisition of ADI and its subsidiary through the share-for-share swap (see Note 4a). ADI was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. Therefore, the share-for-share swap transaction was accounted for as a reverse acquisition under PFRS 3. Accordingly, the consolidated financial statements of ALPHA have been prepared as a continuation of the consolidated financial statements of ADI. ADI has accounted for the acquisition of ALPHA from April 7, 2010. The comparative 2009 and 2008 information presented in the consolidated financial statements is that of ADI and its subsidiary.

The impact of the reverse acquisition on each of the primary statements is as follows:

Consolidated Balance Sheet

- The 2010 consolidated balance sheet represents ADI, ALPHA and their subsidiaries as at December 31, 2010.

  The assets and liabilities of ADI (legal subsidiary/accounting acquirer) are recognized and measured at their pre-combination carrying amounts, not at their acquisition-date fair values. The assets and liabilities of ALPHA (legal parent/accounting acquiree) are recognized and measured at their acquisition-date fair values in accordance with PFRS 3.

- The 2009 consolidated balance sheet represents ADI and its subsidiary as at December 31, 2009.

Consolidated Statement of Comprehensive Income

- The 2010 consolidated statement of comprehensive income reflects that of ADI (legal subsidiary/accounting acquirer) and its subsidiaries for the full period together with the post-acquisition results of ALPHA and its subsidiary (based on the attributed fair values).

- The 2009 and 2008 consolidated statements of comprehensive income comprise 12 months of ADI and its subsidiary.

Consolidated Statement of Changes in Equity

- The 2010 consolidated statement of changes in equity comprises ADI's total equity balance at January 1, 2010, total comprehensive income and transactions with equity holders for the year (12 months for ADI and nine months for ALPHA) and the equity balances of ADI and ALPHA as at December 31, 2010.

  The equity structure appearing in the 2010 consolidated financial statements (i.e., the number and type of capital stock issued) should reflect the equity structure of ALPHA, the legal parent.

- The 2009 and 2008 consolidated statements of changes in equity comprise changes in equity of ADI and its subsidiary for 12 months.

  The equity structure is retroactively adjusted to reflect the legal capital (i.e., the number and type of capital stock issued) of ALPHA (legal parent/accounting acquiree). The adjustment, which is the difference between the paid-up capital of ADI and ALPHA, is recognized as equity reserves.

Consolidated Statement of Cash Flows

- The 2010 consolidated statement of cash flows comprises the cash balance of ADI at January 1, 2010, the cash transactions for the year (12 months for ADI and nine months for ALPHA) and the cash balance of ADI and ALPHA at December 31, 2010.

- The 2009 consolidated statement of cash flows comprises cash transactions of ADI and its subsidiary for 12 months.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements will continue to represent ALPHA as a stand-alone entity for 2010 and 2009.

<u>Statement of Compliance</u>

The consolidated financial statements have been prepared in compliance with PFRS. PFRS also include PAS and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

<u>Changes in Accounting Policies and Disclosures</u>

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations that became effective during the year. Except as otherwise indicated, adoption of the new and amended PFRS and Philippine Interpretations has no impact on the Group's financial statements.

- PFRS 2, *Share-based Payment (Amendment) - Group Cash-settled Share-based Payment Transactions* (effective January 1, 2010)

  The amendment to PFRS 2 clarified the scope and the accounting for group cash-settled share-based payment transactions.

- PFRS 3, *Business Combinations* (Revised), and PAS 27, *Consolidated and Separate Financial Statements* (Amended) (effective July 1, 2009)

  PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. 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 by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

- PAS 39, *Financial Instruments: Recognition and Measurement (Amendment) - Eligible Hedged Items* (effective July 1, 2009)

  The amendment 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.

- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners* (effective July 1, 2009)

  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Improvements to PFRS Effective 2010

The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning on or after January 1, 2010, except otherwise stated. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of 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 be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 7, *Statement of Cash Flows*: states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

- 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 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 principles of PAS 17. The amendments will be applied retrospectively.

- 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 the individual assets have similar useful lives. It 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.

Basis of Consolidation and Non-controlling Interest

Following is a list of the legal subsidiaries as of December 31, 2010, 2009 and 2008:

		Percentage of Effective Ownership		
Company	Nature of Business	**2010**	2009	2008
MPPI	Plastics manufacturing	**100**	100	100
ADI	Real property development	**100**	–	–
AMPI[a]	Real property development	**100**	–	–
TCCAMPI[b] [d]	City club operation	**97**	–	–
AMTI[a] [d]	Real property development	**100**	–	–
AMC[a] [d]	Real property development	**100**	–	–
ABIRC[d]	Real property development	**100**	–	–
ABICI[c] [d]	Island club operation	**100**	–	–

[a] *Through ADI*
[b] *Through AMPI*
[c] *Through ABIRC*
[d] *Incorporated in 2010*

All subsidiaries are incorporated in the Philippines.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Group. They are presented in the consolidated balance sheet within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statement of comprehensive income. This includes the equity interest in TCCAMPI in 2010.

From January 1, 2010
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Prior to January 1, 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses were not reallocated between non-controlling interest and the parent stockholders

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

<u>Business Combinations and Goodwill</u>

From January 1, 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values.

Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Prior to January 1, 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisitions and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition
The Group recognizes a financial instrument in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. 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.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Determination of Fair Value
The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2010, the Group has AFS investments measured based on Level 1 fair value.

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit and loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

Classification of Financial Instruments
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date.

<u>Financial Assets</u>
The Group's financial assets consist of loans and receivables and AFS investments.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. 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.

The Group's loans and receivables consist of cash and cash equivalents, trade and other receivables, advances to related parties and refundable deposits (see Note 25).

AFS Investments
AFS investments include equity securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in "Unrealized valuation gains on AFS investments" until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in the consolidated statement of comprehensive income as other expenses and removed from "Unrealized valuation gains on AFS investments" under other comprehensive income section.

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using EIR method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit and loss.

Classified under this category is ALPHA's investment in shares of stock of WackWack Golf and Country Club, Inc. (see Note 10).

Financial Liabilities
The Group's financial liabilities consist of other financial liabilities.

Other Financial Liabilities
Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities consist of trade and other payables, loans payable, long-term debt, customers' deposits, advances from related parties and obligation under finance lease (see Note 25).

Impairment of Financial Assets

Financial Assets Carried at Amortized Cost
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. 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 the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments
In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Group 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset 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 Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When 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 the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Prepaid Expenses and Other Current Assets

Input Value-added Taxes (VAT)
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. The portion of excess input VAT that will be used to offset the Group's output VAT is recognized under the "Prepaid expenses and other current assets" account in the consolidated balance sheet.

The portion of input VAT which represents VAT imposed on the Group for the acquisition of depreciable assets with an estimated useful life of at least one year is required to be amortized over the life of the related asset or a maximum period of 60 months. This is recognized under "Other noncurrent assets" account in the consolidated balance sheet.

Input VAT is stated at its estimated NRV.

Prepayments
Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Contractors
Advances to contractors represent advance payments on services to be incurred in connection with the Group's operations. These are charged to expense in the consolidated statement of comprehensive income, or capitalized to projects in the consolidated balance sheet, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle. Advances to contractors are recognized under "Prepaid expenses and other current assets" account in the consolidated balance sheet.

Tax Credit Certificates (TCCs)
TCCs represent instruments evidencing the amount of tax credits granted by the 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 utilized in the next 12 months. TCCs are recognized under the "Prepaid expenses and other current assets" account in the consolidated balance sheet.

Creditable Withholding Taxes (CWT)
CWT represents the amount withheld by the Group's customers in relation to its rent income. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is stated at its estimated NRV.

Assets Held for Sale
Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses associated with assets held for sale are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Interest in a Joint Venture
The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Investments in Associates
The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investments in associate are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income of the associates is shown as "Equity in net income of associates" in the consolidated statement of comprehensive income. This is the income attributable to equity holders of the associates and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying values and recognizes the amount in the "Equity in net income of associates" in the consolidated statement of comprehensive income.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in consolidated statement of comprehensive income.

Investment Properties
Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains and losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gains or losses on the retirement of disposal of investment properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Effective January 1, 2009, ADI changed its accounting for investment properties from cost to fair value method. This method requires ADI to value its investment properties at fair value at balance sheet date and changes in the market value of the properties were recognized in the consolidated statement of comprehensive income. ADI believes that using the fair value method will improve the presentation of the assets in the consolidated balance sheet. The change increased the investment properties, retained earnings and deferred tax liabilities as of January 1, 2009 by ₱3,844.8 million, ₱2,691.4 million and ₱1,153.4 million, respectively.

Property and Equipment
Property and equipment, except for land, is stated at cost less accumulated depreciation, amortization and impairment in value, if any. 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, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the period when 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 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 using the straight-line basis over the following estimated useful lives of the assets, except for land and leasehold improvements, which are amortized over the term of the lease or their estimated useful lives, whichever is shorter:

Category	Number of Years
Land improvements	2–10
Leasehold improvements	2–10
Buildings and structures	20–35
Machinery, equipment and tools	2–15
Transportation equipment	2–5
Office furniture and equipment	2–5

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

An item of property 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 consolidated statement of comprehensive income in the year the asset is derecognized.

Fully depreciated items are retained as property and equipment until these are no longer in use.

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any impairment loss. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

Intangible assets are acquired computer software licenses which have been capitalized on the basis of the costs to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over five years starting from the date of its operation. Intangible asset, net of amortization, is included under "Other noncurrent assets" in the consolidated balance sheet.

Impairment of Nonfinancial Assets

The Group assesses at each balance sheet date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in the consolidated statement of comprehensive income.

For nonfinancial assets excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each balance sheet date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs impairment test of goodwill annually or when an impairment indicator exists.

Capital Stock and Additional Paid-in Capital

The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds. Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from retained earnings when they are declared. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

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

Rent Income
Rent income from operating leases, less the Group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease; except for contingent rent income which is recognized when it arises.

Interest Income
Interest income from bank deposits is recognized as it accrues using EIR method.

Other Income
This includes common utilities, services and maintenance charges, as well as other incidental income in providing the service. Revenue is recognized when services are rendered.

Costs and Expenses
Costs and expenses are decreases in economic benefits 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 interest expense is accrued in the appropriate period.

Retirement Benefit Costs
Retirement benefit 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 benefit costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. 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 obligation 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.

The defined retirement benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Income Taxes

Current Income Tax
Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

Deferred Tax
Deferred 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 tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Foreign Currency Transactions

Foreign currency-denominated monetary assets and liabilities of the Group are translated to Philippine peso based on the Philippine Dealing Exchange System (PDEx) closing rate prevailing at end of the year and foreign currency-denominated income and expenses, at the PDEx weighted average rate for the year. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases

Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to current operations. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term debts. Deferred financing costs are presented as a reduction to the Group's outstanding long-term debt. Deferred financing costs are amortized using the EIR method over the terms of the related long-term debt.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period they occur.

Provisions

Provisions are recognized when the Group 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 made by discounting the expected future cash flows at a pre-tax rate that reflects 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 an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when inflows of economic benefits are probable

Events After Balance Sheet Date

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

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share data for its ordinary shares.

Basic earnings (loss) per share is calculated by dividing the net income attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares issued and outstanding during the year.

Diluted earnings (loss) per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. As the Group has no dilutive potential common shares outstanding, basic and diluted earnings (loss) per share are stated at the same amount.

Segment Reporting

The Group's operating businesses are organized and managed separately into two business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 26.

Future Changes in Accounting Policies

The Group will adopt the following 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 standards and interpretations to have significant impact on its consolidated financial statements.

Effective in 2011

- PAS 24, *Related Party Disclosures* (Amended) (effective for annual periods beginning on or after January 1, 2011)

  It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues* (effective for annual periods beginning on or after February 1, 2010)

  It amended the definition of a financial liability to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment) - *Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after January 1, 2011, with retrospective application)

  The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010)

  The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

- Improvements to PFRSs 2010

  Improvements to PFRSs are an omnibus of amendments to PFRSs. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. Adoption of the amendments listed below will have no significant impact on the financial position and financial performance of the Group.

  - PFRS 3, *Business Combinations*
  - PFRS 7, *Financial Statements: Disclosures*
  - PAS 1, *Presentation of Financial Statements*
  - PAS 27, *Consolidated and Separate Financial Statements*
  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Effective in 2012

- PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012)

  The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- PFRS 7, *Financial Instruments: Disclosures (Amendments) - Disclosures - Transfers of Financial Assets* (effective for annual periods beginning on or after July 1, 2011)

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2012)

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Effective in 2013

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2010 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

3. Summary of Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments, estimates and assumptions 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

Operating Leases
The Group entered into a number of operating lease agreements as a lessor. As a lessor, the Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements. As a lessee, the Group has determined that it does not obtain the significant risks and rewards of ownership of these properties which are being leased out under operating lease arrangements.

Finance Leases
The Group entered into finance lease agreements as a lessee covering transportation equipment. As a lessee, the Group has determined that it bears substantially all the risks and benefits incidental to ownership of the said property which is on a finance lease agreement.

The carrying value of the transportation equipment under finance lease agreements amounted to ₱7.1 million as of December 31, 2010 (see Notes 12 and 19).

Determination of Functional Currency
The Parent Company determined that its functional currency is Philippine peso. The determination of functional currency was based on the currency that mainly influences the Parent Company's estimated revenue and cost of rendering services.

Classification of Financial Instruments
The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Assets Held for Sale
The Group as discussed in Note 5, reclassified the assets of MPPI as "Assets held for sale" and liabilities as "Liabilities directly associated with assets held for sale" in the 2010 consolidated balance sheet, and reported the operations of the plastics manufacturing segment as "Income associated with assets held for sale" in the consolidated statement of comprehensive income for the year ended December 31, 2010 for the following reasons:

- The carrying amount of the net assets of MPPI will be recovered principally through a sale transaction rather than through continuing use;

- The net assets of MPPI is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is highly probable based on signed Memorandum of Understanding (MOU);
- The sale is expected to occur within one year from the date of the MOU and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and

- Shareholders' approval would be obtained in relation to the sale no later than in May 2011.

<u>Estimates and Assumptions</u>

Estimating Impairment Losses of Trade and Other Receivables and Advances to Related Parties
The Group estimates the allowance for impairment losses related to trade and other receivables and advances to related parties based on specific evaluation of accounts and collectively for receivables that are not individually significant, and where the Group has information that certain customers are unable to meet their financial obligations. In these cases, the use of estimate 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 and other receivables amounted to ₱5.7 million in 2010 and nil in 2009 and 2008. As of December 31, 2010 and 2009, the aggregate carrying amount of trade and other receivables, net of allowance for impairment losses, and advances to related parties, amounted to ₱162.7 million and ₱236.2 million, respectively (see Notes 7 and 18).

Estimating Useful Lives of Property and Equipment and Software Costs
The Group estimates the useful lives of the property and equipment and software costs 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 is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There was no change in the estimated useful lives of property and equipment.

Depreciation and amortization expense amounted to ₱6.2 million, ₱2.1 million and ₱6.2 million in 2010, 2009 and 2008, respectively. As of December 31, 2010 and 2009, the aggregate net book values of property and equipment and software costs amounted to ₱114.3 million and ₱6.9 million, respectively (see Notes 12 and 13).

Estimating Impairment of Nonfinancial Assets
The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group 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 asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not 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 Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No provision for impairment losses were recognized in 2010, 2009 and 2008. The carrying values of nonfinancial assets that are subjected to impairment testing are as follows:

	2010	2009
Investments in and advances to associates (see Note 9)	**₱757,470,866**	₱679,211,290
Property and equipment (see Note 12)	**110,925,870**	6,901,444
Other noncurrent assets (see Note 13)	**21,241,889**	8,167,429
	₱889,638,625	₱694,280,163

Revaluation of Investment Properties
Effective January 1, 2009, the Group started carrying its investment properties at fair value, with changes in fair values recognized in profit or loss. The Group engaged an independent appraiser to determine the fair value of its investment properties. In 2010, fair values of investment properties were based on the valuation performed in August and October 2010. Also, in 2009, fair values of certain investment properties were based on the valuation performed in October 2009. Management evaluated that the fair values of these investment properties as of reporting date approximate the fair values as determined in August and October 2010 and October 2009 since there were no significant changes in the condition of these properties between those dates. For the land, the valuer used the Market Data Approach, which involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. The comparison is based on the location, size, shape, utility, desirability and time element. For improvements, the valuer used the Cost Approach, which involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements.

Fair value change in 2010, 2009 and 2008, which was recognized in the consolidated statements of comprehensive income, amounted to ₱958.6 million, ₱298.9 million and nil, respectively. Carrying values of investment properties amounted to ₱15,337.6 million and ₱11,447.1 million as of December 31, 2010 and 2009, respectively (see Note 11).

Determining Retirement Benefit
The determination of the Group's obligation and cost for retirement benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements.

Retirement benefit cost reported in the consolidated statements of comprehensive income amounted to ₱4.9 million in 2010. Retirement benefit obligation amounted to ₱4.9 million as of December 31, 2010 (see Note 21).

Assessing Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each balance sheet date and reduces their carrying 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 tax assets to be utilized. The Group's assessment of the recognition of deferred tax assets is based on the projected taxable income in the following periods. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Unrecognized deferred tax assets amounted to ₱137.9 million and ₱93.3 million as of December 31, 2010 and 2009, respectively (see Note 22). Management believes that it is not probable that sufficient taxable income will be available to allow all of the deferred tax assets to be utilized.

Impairment of AFS Investments
The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as period more than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and the discount factors for unquoted equities.

The Group's AFS investments amounted to ₱11.6 million as of December 31, 2010 (see Note 10).

Fair Value of Financial Instruments
PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 24.

4. Business Combination, Acquisition of Non-controlling Interest and Interest in a Joint Venture

a. SSA

In accounting for the share-for-share swap transaction discussed in Note 1, the Group is required to apply revised PFRS 3 which is effective for the Group beginning January 1, 2010. In applying the revised PFRS 3, ADI is the accounting acquirer in the business combination. Therefore, the share-for-share swap is accounted for as a reverse acquisition. In a reverse acquisition, the entity that issues securities (the legal parent) is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of ADI. ADI, as the acquirer, has accounted for the acquisition of ALPHA from April 7, 2010.

In a reverse acquisition, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the reverse acquisition. The consideration assumed to have been transferred by ADI for its interest in ALPHA is the fair value of the additional shares of 29,567,118 assumed to have been issued by ADI to give the owners of the legal parent the same percentage of equity ownership in the combined entity. The fair value of such additional shares is ₱295.7 million.

ALPHA issued 1,269,734,041 new shares with par value of ₱1 per share to all ADI stockholders. The issue price for the new shares of ALPHA is ₱10 per share which is based on the valuation of ADI's total assets as of September 30, 2009 amounting to ₱12,697.3 million. Each ADI share was exchanged for approximately 5.08 shares of ALPHA. In effect, 1,269,734,041 new shares of ALPHA were issued in exchange of 250,007,500 shares of ADI representing its entire issued and outstanding common shares (see Note 17).

<u>Provisional Purchase Price Allocation</u>
In applying the revised PFRS 3, acquisition date is determined to be April 7, 2010 which is the date the SEC approved the increase in ALPHA's capitalization (see Note 1). The following are the fair values of the consolidated assets and liabilities of ALPHA (as accounting acquiree) as of acquisition date:

	Provisional
Cash and cash equivalents	₱11,526,934
Trade and other receivables	140,334,825
Inventories	91,566,535
Prepaid expenses and other current assets	20,117,149
Property and equipment - net	245,342,422
Other assets	18,332,145
Loans payable	(143,000,000)
Trade and other payables	(22,545,237)
Liabilities under trust receipts and acceptances	(81,033,196)
Income tax payable	(4,058,833)
Retirement benefit obligation	(4,141,248)
Net assets acquired	272,441,496
Goodwill	23,229,684
Fair value of the consideration transferred	₱295,671,180

The acquisition is treated as a non-cash transaction in the consolidated statements of cash flows in 2010.

The fair value and gross amount of trade and other receivables amounted to ₱140.3 million and ₱144.2 million, respectively. Trade and other receivables amounting to ₱3.9 million are impaired and doubtful of collection.

The purchase price allocation has been determined provisionally pending completion of an independent valuation and as such, is still subject to change. The Group recognized the entire excess of the fair value of the consideration transferred over the provisional values of ALPHA's identifiable assets and liabilities as goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, ALPHA (including MPPI) has incurred net loss of ₱21.1 million. If the combination had taken place at the beginning of the year, consolidated net income would have been ₱1,254.6 million.

b. Acquisition of Non-controlling Interest in AMPI

On November 11, 2010, ADI acquired 2,031 common shares of AMPI from Noble Care for a total consideration of ₱189.8 million. The purchase of Noble Care's 5.88% interest increased ADI's interest in AMPI from 94.12% to 100.00% (see Notes 1 and 17). ADI's excess of acquisition price over its acquired interest in AMPI amounted to ₱159.0 million in 2010.

c. Interest in a Joint Venture

Through various Deeds of Exchange dated October 14, 2010, DMWAI, Wendel Holdings Co., Inc. (Wendel) and ADI conveyed a total of 28 hectares of land they respectively own in Aseana Business Park to A. A. Land Properties Developers Corporation (the "Joint Venture Company"). The properties will be developed by the Joint Venture Company into a high-end, mixed-use property project to be known as Alphaland Bay City, with the Marina and Yacht Club as its centerpiece.

The Joint Venture Company was incorporated and registered with the Philippine SEC on July 11, 2007, with purpose of owning, using, improving, developing, subdividing, leasing, and holding of investments or otherwise, real estate of all kinds, including buildings, houses, apartments, and structures. In July 2010 and reiterated in December 2010, DMWAI, and Wendel, both incorporated and registered with the Philippine SEC entered into an Investment Agreement and a Memorandum of Agreement with ADI to a 50-50 investment, by way of conveyance of land to the Joint Venture Company. The Joint Venture Company will be renamed from A.A. Land Properties Developers Corporation to Alphaland Bay City Corporation.

ADI's total investment cost in the Joint Venture Company of ₱7,979.5 million represents 10 hectares of land, more or less, with fair value of ₱6,456.0 million, cash of ₱1,000.0 million and subscription payable of ₱523.5 million. ADI's proportionate share in the total assets of the Joint Venture Company amounted to ₱8,741.4 million as of December 31, 2010. The excess of ADI's share in the Joint Venture Company over its investment cost amounting to ₱761.9 million was recognized as "Gain on bargain purchase" in the 2010 consolidated statement of comprehensive income.

5. Assets Held for Sale

ALPHA spun off the operation and maintenance of its plastic manufacturing business to MPPI. In view of this, ALPHA and MPPI entered into a deed of conveyance on October 13, 2009 where ALPHA shall transfer and convey in favor of MPPI all of its 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 "Assignment"). MPPI has secured a ruling from the BIR confirming that the transfer of the specific assets and liabilities of ALPHA to MPPI is tax free. The transfer of properties and obligations to MPPI from ALPHA shall be effective upon the approval by the SEC of the increase in the authorized capital stock of MPPI. As of March 3, 2011, necessary steps have already been undertaken to obtain the said SEC approval so that transfer can be effected as specified in the deed of conveyance.

Effective December 1, 2009, MPPI assumed the management of ALPHA's plastic products manufacturing operations. On the same date, all the employees of ALPHA at that time (all of whom were connected to the plastics manufacturing business) were transferred to MPPI.

Further to the spinoff of MPPI, ALPHA signed a MOU on December 23, 2010 with Macondray Philippines Co., Inc. (MPCI), where the latter is offering to buy ALPHA's entire interest in MPPI upon completion of the Assignment, which ALPHA accepted for a reasonable consideration to be determined nearer to the Assignment. With the agreement to sell MPPI shares to MPCI upon completion of the Assignment, ALPHA presented the assets of MPPI as "Assets held for sale" and liabilities as "Liabilities directly associated with assets held for sale" in the 2010 consolidated balance sheet, and reported the operations of the plastics manufacturing segment as "Income associated with assets held for sale" in the 2010 consolidated statement of comprehensive income.

Among the features of the agreement to sell the MPPI shares to MPCI are as follows:

1. The consideration for the sale of the MPPI Shares would be based on its prevailing fair value as per independent valuation report;
2. The sale is projected to occur within one year from the date of the MOU or until December 23, 2011;
3. Before the sale is consummated, the Assignment must be completed. As of report date, the only significant pending matter to complete the Assignment is the approval of the SEC of the increase in authorized capital stock of MPPI as well as the valuation of the assets and liabilities to be conveyed by ALPHA to MPPI;
4. In case any event or circumstance should extend the period to complete the sale beyond one year, the delay may only be caused by events or circumstances beyond ALPHA's control and ALPHA remains committed to its plan to sell the asset;
5. Shareholders' approval would be obtained in relation to the sale no later than the stockholders' annual meeting to be called in May 2011.

As of December 31, 2010, MPPI was classified as a disposal group held for sale and as a discontinued operation. The results of operations attributable to assets held for sale in 2010are as follows:

Net sales	₱544,535,527
Costs of sales	(421,019,419)
General and administrative expenses	(71,919,773)
Other expenses	(13,869,936)
	(506,809,128)
Income associated with assets held for sale before tax	37,726,399
Provision for income tax (see Note 22)	11,390,358
Net income associated with assets held for sale	₱26,336,041

The net cash flows attributable to assets held for sale in 2010 are as follows:

Cash flows from (used in):	
Operating activities	₱146,273,337
Investing activities	(62,286,148)
Financing activities	(72,157,616)
Net increase in cash	₱11,829,573

The major classes of assets and liabilities of MPPI classified as held for sale as of December 31, 2010 are as follows:

ASSETS	
Cash	₱20,397,687
Trade and other receivables - net	131,022,077
Inventories	96,701,757
Prepaid expenses and other current assets	33,116,054
Property and equipment (see Note 12)	279,446,168
Deferred tax assets - net	3,340,378
Other noncurrent assets	7,403,140
Assets classified as held for sale	₱571,427,261
LIABILITIES	
Loans payable	₱126,000,000
Trade and other payables	37,868,024
Liabilities under trust receipts and acceptances	122,844,011
Income tax payable	2,214,139
Retirement benefit obligation	3,456,368
Liabilities directly associated with the assets classified as held for sale	₱292,382,542

The basic/diluted earnings per share of income associated with assets held for sale attributable to equity holders of the Parent amounted to ₱0.02 in 2010 (see Note 23).

6. Cash and Cash Equivalents

	2010	2009
Cash on hand and with banks	**₱132,642,921**	₱36,137,841
Short-term placements	**434,000,000**	19,013,266
	₱566,642,921	₱55,151,107

Cash in banks earns interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term placement rates.

Interest income earned related to cash and cash equivalents amounted to ₱7.8 million, ₱6.2 and ₱12.8 million in 2010, 2009 and 2008, respectively.

7. Trade and Other Receivables

	2010	2009
Trade (see Note 18)	**₱36,800,789**	₱30,518,354
Officers and employees	**27,100,236**	–
Others	**1,829,985**	8,655,247
	65,731,010	39,173,601
Less allowance for impairment losses	**5,700,000**	–
	₱60,031,010	₱39,173,601

Trade receivables are noninterest-bearing and are generally on 30 to 90 days term. Receivables from officers and employees are usually settled within one year.

	2010	2009
Balance at beginning of year	**₱–**	₱–
Effect of share swap agreement (see Note 4)	**3,867,273**	–
Provision for the year (see Note 20)	**5,700,000**	–
Reclassification to assets held for sale (see Note 5)	**(3,867,273)**	–
Balance at end of year	**₱5,700,000**	₱–

Provision for impairment losses pertains to receivables from several lessees of ADI that are 90 days past due and impaired.

8. Prepaid Expenses and Other Current Assets

	2010	2009
Input VAT - net	**₱272,275,847**	₱262,903,849
Prepayments	**48,603,826**	–
Advances to contractors (see Note 27)	**47,921,786**	7,999,906
Deferred rent (see Note 19)	**26,991,563**	–
TCCs	**11,267,038**	–
CWT	**8,209,853**	8,435
Others	**6,619,131**	3,758,654
	₱421,889,044	₱274,670,844

Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects. This can be claimed as credit against the Group's output VAT payable. The portion of input VAT which is required to be amortized over the life of the related asset or a maximum period of 60 months is recognized as part of "Other noncurrent assets" account (see Note 13).

Prepayments include prepaid rent, insurance and commissioning fees.

9. Investments in and Advances to Associates

	2010	2009
Investments in associates	**₱84,756,108**	₱7,711,290
Advances to associates (see Note 18)	**672,714,758**	671,500,000
	₱757,470,866	₱679,211,290

Details of investments in associates are as follows:

	2010	2009
Acquisition costs:		
Balances at beginning of year	**₱533,779**	₱533,779
Additions	**50,000,000**	–
	50,533,779	533,779
Accumulated equity in net income:		
Balances at beginning of year	**7,177,511**	3,690,593
Equity in net income during the year	**27,044,818**	3,486,918
Balances at end of year	**34,222,329**	7,177,511
	₱84,756,108	₱7,711,290

The following are the associates of the Group:

		Percentage of Ownership	
Company	Principal Activities	**2010**	2009
Shang Global City Properties, Inc. (SGCPI)	Real property development	**20%**	20%
Fort Bonifacio Shangri-La Hotel, Inc. (FBSHI)	Real property development	**20%**	20%
Alphaland Heavy Equipment Corporation (AHEC)	Sale and lease of heavy equipment	**50%**	–

All associates are incorporated in the Philippines.

SGCPI

SGCPI, 20%-owned by ADI, was incorporated and registered with the Philippine SEC on December 13, 2007, primarily to acquire by purchase and to own, use, improve, sell, mortgage, exchange, lease and hold for investment or otherwise, real estate of all kinds, whether to improve, manage, or otherwise dispose of said properties together with their appurtenances.

As of December 31, 2010, SGCPI is owned by Shang Global City Holdings, Inc. (40%), Oceans Growth Limited (40%) and ADI (20%).

FBSHI

FBSHI, 20%-owned by ADI, was incorporated and registered with the Philippine SEC on February 15, 2008, primarily to own, carry, operate conduct and engage in hotel business, high and low residential condominium/apartment development and related business and, for this purpose, to purchase or own any interest in real property (except land) and personal property of all kinds.

As of December 31, 2010, FBSHI is owned by Shang Fort Bonifacio Holdings, Inc. (40%), Oceans Growth Limited (40%) and ADI (20%).

SGCPI and FBSHI are to enter an unincorporated joint venture agreement to construct a six-star hotel and high-end development at SGCPI's land property in Bonifacio Global City, Taguig, Metro Manila, to be known as Shangri-La at the Fort. It will be a mixed-use business, hospitality, residential and retail tower, envisioned as the new flagship luxury development in the Shangri-La portfolio. Shangri-La at the Fort is planned for opening by year 2014.

AHEC

In January 2010, ADI subscribed to 125,000 common shares of AHEC representing 50% of the outstanding shares of AHEC. AHEC is 50% owned by ADI and 50% owned by Fabricom-XCMG Phils., Inc. Its purpose is to purchase, import, or otherwise acquire, as well as to lease (except financial leasing), sell, distribute, market, convey, or otherwise dispose, in so far as may be permitted by law, all kinds of goods, commodities, and merchandise of every kind and description such as but not limited to heavy equipment, machinery and related implements; and to act as manufacturer's representative. AHEC has imported various equipment from its supplier, Xuzhou Construction Machinery Group (XCMG), the largest construction machinery manufacturer and exporter in China. The pool of equipment will be leased or sold to local government units and private entities for construction and repair of damaged infrastructures.

As of December 31, 2010, AHEC has sold heavy equipment to ADI and ABIRC for their construction projects in Caticlan and Balesin, respectively (see Note 18).

The condensed financial information of the associates follows:

	2010	2009
Total assets	**₱4,372,677,764**	₱3,880,226,236
Total liabilities	**4,090,871,151**	3,837,383,003
Net income	**138,963,381**	17,434,591

10. AFS Investments

In 2010, ALPHA has AFS investments in listed ordinary shares. The fair value of the listed ordinary shares is determined by reference to published price quotations in an active market.

The cumulative fair value changes of ALPHA's AFS investments in shares of stock of WackWack Golf and Country Club, Inc. presented under "Unrealized valuation gains on AFS investments" account in the equity section of the 2010 consolidated balance sheet amounted to ₱1.0 million as of December 31, 2010.

AFS investments amounted to ₱11.6 million as of December 31, 2010.

11. Investment Properties

The movements of this account are as follows:

		2010	
	Investment Properties	**Properties under Construction**	**Total**
Balances at beginning of year	**₱10,046,740,399**	**₱1,400,378,339**	**₱11,447,118,738**
Additions:			
Capital expenditures/development costs	**95,613,709**	**505,482,283**	**601,095,992**
Capitalized borrowing costs	**–**	**10,491,539**	**10,491,539**
Share in the investment property of the Joint Venture Company (see Note 4)	**8,776,246,500**	**–**	**8,776,246,500**
Contribution to the Joint Venture Company (see Note 4)	**(6,455,988,000)**	**–**	**(6,455,988,000)**
Fair value change	**411,591,367**	**547,023,817**	**958,615,184**
Balances at end of year	**₱12,874,203,975**	**₱2,463,375,978**	**₱15,337,579,953**

		2009	
	Investment Properties	Properties under Construction	Total
Balances at beginning of year	₱6,802,955,904	₱4,087,923,947	₱10,890,879,851
Additions:			
Capital expenditures/development costs	52,879,699	151,036,095	203,915,794
Capitalized borrowing costs	–	53,420,495	53,420,495
Reclassification of completed projects	3,011,002,198	(3,011,002,198)	–
Fair value change	179,902,598	119,000,000	298,902,598
Balances at end of year	₱10,046,740,399	₱1,400,378,339	₱11,447,118,738

Investment properties consist of:

ADI

- In January 2008, ADI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium shopping mall known as Alphaland Southgate Tower and Mall. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008. The property currently secures the long-term debt obtained by ADI in 2008 for its development (see Note 16).

- ADI's completed Southgate Tower and Mall has a fair value of ₱3,212.7 million and ₱3,062.9 million as of December 31, 2010 and 2009, respectively.

- In June 2008, ADI acquired from Sta. Lucia Land, Inc., two parcels of land measuring a total of 2,400 square meters, more or less, along Ayala Avenue, Makati City. Due to current zoning height restrictions, ADI also acquired air rights from the owner of the adjacent property for a consideration of ₱95.0 million as the Company plans to build a 35-storey building to be known as Alphaland Makati Tower. Properties under construction amounted to ₱1,392.7 million and ₱1,377.0 million as of December 31, 2010 and 2009, respectively.

- ADI's 500-hectare property and development in the northern tip of Nabas, Aklan, which faces Boracay Island, one of the world's best beach resort islands. ADI aims to transform this prime property into a high-end mixed-use resort complex anchored by a Polo and Country Club as well as water recreational activities, which later will be called Alphaland Boracay Gateway Country Club.

- ADI's 50% proportionate share in the landholdings of the Joint Venture Company comprised 28 hectares of land in Aseana Business Park, Parañaque, Bay City, Metro Manila with fair value of ₱8,776.2 million as of December 31, 2010. The Joint Venture Company will develop the property into a high-end, mixed-use property project to be known as Alphaland Bay City (see Note 4).

- ADI's three parcels of land and development in Silang Cavite, measuring a total of 300,000 square meters, more or less. The property, which is reserved for future development has fair a value of ₱245.9 million and ₱244.6 million as of December 31, 2010 and 2009, respectively. The property currently secures the loan payable to Bank of Commerce (BOC).

AMPI

- AMPI's leasehold rights and development in BSP's property along Ayala Avenue corner Malugay Street, Makati City where the Alphaland Makati Place will rise has a fair value of ₱560.0 million as of December 31, 2010 (see Note 1). Properties under construction amounted to ₱168.5 million and ₱23.4 million as of December 31, 2010 and 2009, respectively.

ABIRC

- ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. ABIRC is in the process of acquiring additional parcels of land in the island for development into a premier tourism resort facility. Properties under construction amounted to ₱902.2 million as of December 31, 2010.

Fair Value

The fair values of the investment properties as of December 31, 2010 and 2009 were based on the valuation performed by an independent appraiser. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation in accordance with International Valuation Standards. Rent income from Alphaland Southgate Tower and Mall amounted to ₱110.0 million, ₱32.7 million and nil in 2010, 2009 and 2008, respectively (see Note 19). Direct costs related to rent income amounted to ₱32.4 million, ₱5.9 million and nil in 2010, 2009 and 2008, respectively, which is mainly comprised of utilities and commissary costs. Borrowing costs capitalized to investment properties amounted to ₱10.5 million and ₱53.4 million in 2010 and 2009, respectively (see Note 11).

12. **Property and Equipment**

	2010							
	Land and Improvements	Leasehold Improvements	Buildings and Structures	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost:								
Balances at beginning of year	₱–	₱4,498,300	₱–	₱–	₱9,827,054	₱903,249	₱–	₱15,228,603
Additions	–	–	328,900	86,784,977	15,304,348	7,866,189	–	110,284,414
Effect of share swap agreement (see Note 4)	37,657,227	4,963,815	131,616,962	230,451,309	13,957,291	7,408,337	6,340,241	432,395,182
Reclassifications	(37,657,227)	(4,963,815)	(131,616,962)	(230,451,309)	(13,957,291)	(7,408,337)	(6,340,241)	(432,395,182)
Balances at end of year	–	4,498,300	328,900	86,784,977	25,131,402	8,769,438	–	125,513,017
Accumulated depreciation and amortization:								
Balances at beginning of year	–	4,498,300	–	–	3,597,408	231,451	–	8,327,159
Depreciation and amortization	–	–	109,633	3,742,239	636,193	1,190,127	–	5,678,192
Effect of share swap agreement (see Note 4)	5,356,441	4,963,815	44,665,616	116,974,365	9,007,772	6,084,751	–	187,052,760
Reclassifications	(5,356,441)	(4,963,815)	(44,665,616)	(116,974,365)	(9,007,772)	(5,502,955)	–	(186,470,964)
Balances at end of year	–	4,498,300	109,633	3,742,239	4,233,601	2,003,374	–	14,587,147
Net book values	₱–	₱–	₱219,267	₱83,042,738	₱20,897,801	₱6,766,064	₱–	₱110,925,870

Reclassifications include property and equipment classified as assets held for sale in 2010 (see Note 5).

	2009							
	Land and Improvements	Leasehold Improvements	Buildings and Structures	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost:								
Balances at beginning of year	₱–	₱4,498,300	₱–	₱–	₱9,827,054	₱252,000	₱–	₱14,577,354
Additions	–	–	–	–	–	651,249	–	651,249
Balances at end of year		4,498,300	–	–	9,827,054	903,249	–	15,228,603
Accumulated depreciation and amortization:								
Balances at beginning of year	–	4,498,300	–	–	1,631,997	68,000	–	6,198,297
Depreciation and amortization	–	–	–	–	1,965,411	163,451	–	2,128,862
Balances at end of year	–	4,498,300	–	–	3,597,408	231,451	–	8,327,159
Net book values	₱–	₱–	₱–	₱–	₱6,229,646	₱671,798	₱–	₱6,901,444

13. Other Noncurrent Assets

	2010	2009
Input VAT	**₱9,609,163**	₱–
Refundable deposits	**8,218,951**	8,158,951
Software costs - net	**3,405,321**	–
Others	**8,454**	8,478
	₱21,241,889	₱8,167,429

Refundable deposits pertain to billing and meter deposits from Manila Electric Company (Meralco). These are refundable upon termination of the contract with Meralco.

In April 2010, ADI purchased computer software license amounting to ₱3.9 million. Related amortization amounted to ₱0.5 million in 2010.

14. Trade and Other Payables

	2010	2009
Trade (see Note 18)	**₱301,656,518**	₱233,590,819
Retention payable (see Note 27)	**50,148,544**	–
Unearned rent income (see Note 19)	**22,335,096**	–
Accrued expenses	**15,960,959**	11,851,926
Accrued interest	**2,971,317**	3,017,507
Current portion of obligation under finance lease (see Note 19)	**1,016,537**	–
Others	**42,913,720**	–
	₱437,002,691	₱248,460,252

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Other payables consist of government payables, nontrade payables, accrued 13th month pay and payables to customers for utility bill and meter deposits.

15. Loans Payable

In May 2010, ADI entered into a loan agreement with BOC totalling ₱128.0 million to finance the Group's working capital requirements. The said loan is subject to 8.5% interest per annum with a term of 90 days. ADI's property in Silang, Cavite was used as collateral for the loan. The fair value of the property amounted to ₱245.9 million as of December 31, 2010.

Interest expense on loans payable amounted to ₱15.6 million in 2010.

16. Long-term Debt

	2010			2009		
Borrower	**Current**	**Noncurrent**	**Total**	Current	Noncurrent	Total
ADI	**₱137,499,100**	**₱1,231,251,200**	**₱1,368,750,300**	₱31,249,400	₱1,368,750,600	₱1,400,000,000
AMPI	**–**	**227,917,217**	**227,917,217**	–	–	–
	₱137,499,100	**₱1,459,168,417**	**₱1,596,667,517**	₱31,249,400	₱1,368,750,600	₱1,400,000,000

ADI

On September 11, 2008, ADI entered into an Omnibus Loan and Security Agreement (OLSA) with the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Bank of the Philippine Islands (BPI), collectively referred to as the "Lenders," for a loan facility of ₱1,400.0 million for the purpose of funding the development of Alphaland Southgate Tower and Mall. On September 18, 2008, ADI made the first drawdown amounting to₱660.0 million. The second and third drawdown amounting to ₱380.0 million and ₱360.0 million, respectively, were made on February 24, 2009 and May 25, 2009, respectively.

The loan has a term of seven years from initial drawdown date, payable in 20 consecutive quarterly installments commencing at the end of the ninth quarter from the initial drawdown date. Interest, which is based on floating rate equivalent to applicable three-month PDEx rate plus 1.75% spread per annum, is payable quarterly. Interest and other financing costs on the loan amounting to ₱53.4 million were capitalized as part of properties under construction in 2009 (see Note 11). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 7.85% to 8.12%, which is the effective interest rate of the specific borrowing in 2009. In September 2009, ADI ceased capitalizing borrowing costs as the activities necessary to prepare the qualifying asset for its intended use were substantially completed. Interest expense and other finance charges recognized in the consolidated statements of comprehensive income amounted to ₱77.9 million and ₱28.9 million in 2010 and 2009, respectively. Further, ADI's Alphaland Southgate Tower and Mall was used as collateral for the loan (see Note 11). The Alphaland Southgate Tower has a fair value of ₱3,212.7 million as of December 31, 2010.

The scheduled maturities of ADI's outstanding long-term debt are as follows:

2011	₱137,499,100
2012	193,750,100
2013	250,000,400
2014	337,500,400
2015	450,000,300
Total	1,368,750,300
Less current portion	137,499,100
Noncurrent portion	₱1,231,251,200

AMPI

On April 22, 2010, AMPI entered into an Omnibus Loan and Security Agreement with DBP, LBP, BOC and Maybank Philippines, Inc. (Maybank) for a loan facility of ₱1,750.0 million exclusively for the purpose of partially financing the development, construction and operation of the mixed-use building complex named Alphaland Makati Place consisting of a six-storey podium mall, city club basement parking and two residential towers. On June 10, 2010, AMPI made the first drawdown amounting to ₱250.0 million as follows:

	DBP	LBP	BOC	MPI	Total
Long-term debt	₱107,150,000	₱71,425,000	₱57,150,000	₱14,275,000	₱250,000,000
Less deferred financing costs	21,076,505	503,139	402,511	100,628	22,082,783
	₱86,073,495	₱70,921,861	₱56,747,489	₱14,174,372	₱227,917,217

AMPI shall fully pay and liquidate the principal amount of the loan within seven years from and after the date of the initial borrowing. Payments are to be made in 16 quarterly installments beginning at the end of the 39th month from the date of initial borrowing. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.50% spread per annum, is payable quarterly.

In 2010, interest and other financing costs on the loan amounting to ₱10.8 million were capitalized as part of properties under construction (see Note 11). The rate used to determine the amount of borrowing cost eligible for capitalization was 10.84% in 2010, which is the effective interest rate of the specific borrowing.

The scheduled maturities of AMPI's outstanding loan are as follows:

	DBP	LBP	BOC	Maybank	Total
2013	₱1,339,375	₱892,812	₱714,375	₱178,438	₱3,125,000
2014	12,054,375	8,035,312	6,429,375	1,605,938	28,125,000
2015	30,805,625	20,534,688	16,430,625	4,104,062	71,875,000
2016	41,520,625	27,677,188	22,145,625	5,531,562	96,875,000
2017	21,430,000	14,285,000	11,430,000	2,855,000	50,000,000
	₱107,150,000	₱71,425,000	₱57,150,000	₱14,275,000	₱250,000,000

17. **Equity**

a. Capital Stock

The composition of ALPHA's capital stock consisting of all common shares as of December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Authorized	**5,000,000,000**	400,000,000	400,000,000
Issued and subscribed	**1,429,220,287**	150,588,900	125,562,000
Treasury	**(423,900)**	(423,900)	(206,900)
Outstanding	**1,428,796,387**	150,165,000	125,355,100

Common shareholders are entitled to vote and be voted for in all meetings of the shareholders of ALPHA. All common shares shall be entitled to a pro rata share, on a per share basis, in the profits of ALPHA in the event it declares any dividends in accordance with the By-Laws or applicable law and not have any pre-emptive or similar right with respect to any issuance or disposition of any shares of stock by or of ALPHA.

All subscribed shares are fully paid as of December 31, 2010, 2009 and 2008.

The rollforward of the outstanding number of common shares follows:

	2010	2009	2008
At beginning of year	**150,588,900**	125,562,000	125,562,000
Issuance during the year:			
Share swap agreement			
(see Notes 1 and 4)	**1,269,734,041**	–	–
Noble Care (see Note 1)	**8,897,346**	–	–
Stock dividends	–	25,026,900	–
At end of year	**1,429,220,287**	150,588,900	125,562,000

b. Deposits for Future Stock Subscriptions

In 2010, ALPHA received deposits for future stock subscriptions from its major stockholders amounting to ₱2,147.8 million.

c. Retained Earnings

Accumulated equity in net income of associates and subsidiaries not available for dividend declaration amounted to ₱1,382.9 million as of December 31, 2010. Retained earnings as of December 31, 2009 include accumulated loss of a subsidiary amounting to ₱1.8 million.

On May 27, 2009, the BOD of ALPHA approved the declaration of 20% stock dividends or 25,026,900 common shares in favor of all stockholders of record of ALPHA as of June 16, 2009. As of December 31, 2009, the stock dividends were issued with corresponding shares.

d. Treasury Shares

In accordance with the buy-back of ₱10.0 million worth of ALPHA's shares as approved by the BOD on February 12, 2001, ALPHA bought 217,000 shares in 2009 and 4,000 shares in 2008 amounting to ₱0.7 million and ₱0.01 million, respectively.

Total cost of 423,900 treasury shares amounted to ₱1.2 million as of December 31, 2010 and 2009.

18. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group, in its regular conduct of business, has transactions with its related parties, which principally consist of the following:

<u>Advances to associates</u>

- ADI'S advances to SGCPI amounting to ₱671.5 million as of December 31, 2010 and 2009 which are intended for future equity conversion (see Note 9).

- ADI's advances to AHEC for working capital requirements amounting to ₱1.2 million as of December 31, 2010 (see Note 9).

<u>Advances to related parties</u>

- Advances to related parties under common key management for working capital requirements amounting to ₱102.7 million and ₱197.0 million as of December 31, 2010 and 2009, respectively. These are noninterest-bearing and payable on demand.

<u>Advances from related parties</u>

- AHEC's advances to ABIRC amounting to ₱1.1 million as of December 31, 2010.

- Payable to DMWAI amounting ₱9.2 million as of December 31, 2010 for payment of real property transfer tax related to the Joint Venture Company.

<u>Purchase from related parties</u>

- AHEC sold to ADI and ABIRC heavy equipment in the total amount of ₱71.8 million in 2010.

The 2010 consolidated balance sheet includes the following amounts:

- Trade and other receivables include the amount of ₱0.1 million receivable by ADI on its rent income from AHEC (see Note 7).

- Trade and other payables includes the amount of ₱50.4 million and ₱30.1 million pertaining to payables of ABIRC and ADI, respectively, on AHEC's sale of equipment for the construction projects (see Note 14).

Compensation of Key Management Personnel
The details of compensation of key management personnel, which include its senior managers, follow:

	2010	2009	2008
Short-term employee benefits	**₱31,321,660**	₱26,907,660	₱2,970,748
Post-employment benefits	**1,398,715**	1,073,715	573,715
	₱32,720,375	₱27,981,375	₱3,544,463

19. Lease Commitments

a. Operating Lease

ADI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower and Mall for a period of one to ten years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

Customers' deposits on lease contracts are as follows:

	2010	2009
Current	**₱9,412,959**	₱5,101,710
Noncurrent	**40,251,703**	26,346,044
	₱49,664,662	₱31,447,754

Customers' deposit on lease contracts is equivalent to six months rental. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years operating lease agreements.

The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5%, 7% and 10% starting on the second year and annually thereafter, as applicable. Rent income amounted to 110.0 million, ₱32.7 million and nil in 2010, 2009 and 2008, respectively. Direct costs related to rent income amounted to ₱32.4 million, ₱5.9 million and nil in 2010, 2009 and 2008, respectively, which mainly comprised utilities and commissary costs.

Estimated minimum future rental receivable under the lease agreements are as follows:

Within one year	₱136,669,806
After one year but not more than five years	568,749,411

b. Finance Lease

As of December 31, 2010 the Group entered into finance lease agreements as follows:

AMPI
- Toyota Financial Services Philippines Corporation

  The finance lease is payable in 60 monthly installment of ₱58,290, portion of which is to be applied as interest payment. The lease is subject to 34% interest. Monthly payment commenced in September 2010.

ADI
- United Coconut Planters Bank's (UCPB) auto-loan facility for the purpose of acquiring transportation equipment of:

  i. ₱2,595,000
  The finance lease is payable in 60 monthly installment of ₱57,090, portion of which is to be applied as interest payment. The lease is subject to 32% interest. Monthly payment commenced last August 2010.

ii. ₱1,074,400
The finance lease is payable in 60 monthly installment of ₱23,637, portion of which is to be applied as interest payment. The lease is subject to 32% interest. Monthly payment commenced last November, 2010.

As of December 31, 2010, the present value of future annual minimum lease payments under the lease arrangements follows:

Within one year	₱1,668,204
After one year but not more than five years	6,106,932
Total minimum lease payments	7,775,136
Less amount representing interest	1,825,811
Present value of lease payments	5,949,325
Less current portion (see Note 14)	1,016,537
Noncurrent portion	₱4,932,788

Interest expense charged to operations under the agreements amounted to ₱0.2 million in 2010.

20. Costs and Expenses

	2010	2009	2008
Utilities and rent	**₱65,281,966**	₱20,785,769	₱4,252,734
Taxes and licenses	**61,922,051**	3,243,244	101,226
Service and professional fees	**49,622,955**	33,175,682	16,766,184
Salaries and employees' benefits	**38,775,177**	18,599,273	9,313,604
Listing and filing fees	**37,683,721**	–	–
Depreciation and amortization	**6,179,362**	2,128,862	6,198,297
Sales and marketing	**5,977,745**	9,701,078	–
Provision for impairment losses (see Note 7)	**5,700,000**	–	–
Retirement benefit costs (see Note 21)	**4,919,700**	–	–
Supplies	**4,332,857**	2,803,982	1,682,100
Insurance	**4,306,694**	5,667,116	147,026
Repairs and maintenance	**2,640,136**	13,839,165	318,572
Travel and transportation	**1,841,521**	5,476,884	4,051,062
Communication	**1,427,690**	2,380,431	1,446,824
Representation	**1,296,990**	3,477,096	2,799,056
Others	**6,762,340**	9,641,947	7,402,070
	₱298,670,905	₱130,920,529	₱54,478,755

Listing and filing fees in 2010 represent expenses incurred for the incorporation of the new entities within the Group.

21. Retirement Benefit Obligation

In 2010, ADI has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement benefit obligation is determined using the projected unit credit method.

Retirement benefit cost recognized in the consolidated statements of comprehensive income in 2010 pertains to current service cost of ₱4.9 million.

Retirement benefits obligation recognized in the consolidated balance sheets as of December 31, 2010 pertains to present value of the defined benefit obligation of ₱4.9 million.

The present value of defined benefit obligations as of December 31, 2010 is equivalent to the current service cost of ₱4.9 million.

Principal actuarial assumptions used to determine retirement benefit obligations in 2010 are as follows:

Discount rate	**9%**
Salary increase rate	**6%**
Average expected future service years of active plan members	**11-14 years**

22. **Income Taxes**

In 2010, the provision for current income tax represents MCIT of ADI and regular corporate income tax (RCIT) for the other companies within the Group. In 2009, the provision for current income tax of the Group represents RCIT.

The following are the components of the Group's provision for current income tax:

	2010	2009	2008
Provision for current income tax	**₱12,723,968**	₱6,565	₱–
Less attributable to assets held for sale (see Note 5)	**10,756,260**	–	–
Reported in the consolidated statements of comprehensive income	**₱1,967,708**	₱6,565	₱–

The following are the components of the Group's deferred tax liabilities:

	2010	2009
Gain on fair value change of investment properties	**₱1,530,709,904**	₱1,243,125,348
Capitalized borrowing costs	**32,647,919**	29,500,457
Accumulated depreciation for tax purposes	**21,122,241**	5,068,501
Excess rent income under operating lease computed on a straight-line basis	**8,097,471**	3,852,499
	₱1,592,577,535	₱1,281,546,805

No deferred tax assets were recognized for the following temporary differences, unused tax credits from excess MCIT and unused NOLCO of certain subsidiaries as it is not probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized in the future:

	2010	2009
NOLCO	**₱419,531,209**	₱310,724,433
Deferred financing cost	**22,082,783**	–
Allowance for probable losses	**5,700,000**	–
Retirement benefits obligation	**4,919,700**	–
MCIT	**2,001,732**	34,024
Unrealized foreign exchange losses	**–**	2,201
Others	**615,916**	–
	₱454,851,340	₱310,760,658

As of December 31, 2010, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Year of Expiry	NOLCO	MCIT
2008	2011	₱99,389,255	₱27,459
2009	2012	196,809,885	6,565
2010	2013	123,332,069	1,967,708
		₱419,531,209	₱2,001,732

The following are the movements in NOLCO and MCIT:

NOLCO

	2010	2009
Balances at beginning of year	**₱310,724,433**	₱113,914,548
Additions	**123,332,069**	196,809,885
Expirations	**(14,525,293)**	–
Balances at end of year	**₱419,531,209**	₱310,724,433

MCIT

	2010	2009
Balances at beginning of year	**₱34,024**	₱27,459
Additions	**1,967,708**	6,565
Balances at end of year	**₱2,001,732**	₱34,024

The reconciliation of income tax computed at statutory tax rates to provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	2010	2009	2008
Income tax computed at statutory tax rates (30% in 2010 and 2009; 35% in 2008)	**₱460,957,055**	₱56,563,472	(₱22,144,469)
Change in unrecognized deferred tax assets	**87,853,631**	59,248,750	42,410,595
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**3,234,303**	1,722,414	394,363
Gain on bargain purchase	**(228,566,054)**	–	–
Equity in net income of associates	**(8,113,445)**	(1,046,075)	(1,107,178)
Interest income subjected to final tax	**(2,343,140)**	(1,864,070)	(3,833,284)
Change in tax rates	**–**	–	(2,245,718)
Others	**(23,912)**	–	–
	₱312,998,438	₱114,624,491	₱13,474,309

In accordance with Republic Act 9337, the statutory income tax rate is reduced from 35% to 30% and unallowable interest expense rate from 42% to 33% beginning January 1, 2009.

23. Earnings (Loss) per Share Computations

Basic/diluted earnings (loss) per share on income before income associated with assets held for sale attributable to equity holders of the parent:

	2010	2009	2008
Net income (loss) attributable to equity holders of the Parent	**₱1,246,756,322**	₱71,147,022	(₱76,744,220)
Less income associated with assets held for sale (see Note 5)	**26,336,041**	–	–
Income (loss) before income associated with assets held for sale attributable to equity holders of the Parent	**1,220,420,281**	71,147,022	(76,744,220)
Weighted average number of shares outstanding	**1,384,158,607**	1,269,734,041	423,278,539
Basic/diluted earnings (loss) per share	**₱0.88**	₱0.06	(₱0.18)

Basic/diluted earnings (loss) per share on net income attributable to equity holders of the Parent:

	2010	2009	2008
Net income (loss) attributable to equity holders of the Parent	**₱1,246,756,322**	₱71,147,022	(₱76,744,220)
Weighted average number of shares outstanding	**1,384,158,607**	1,269,734,041	423,278,539
Basic/diluted earnings (loss) per share	**₱0.90**	₱0.06	(₱0.18)

The Group has no dilutive potential common shares outstanding, therefore basic earnings (loss) per share is the same as diluted earnings (loss) per share.

24. Financial Instruments

Fair Values of Financial Instruments

The carrying values of the Group's financial assets and liabilities per category as of December 31, 2010 and 2009 are as follows:

	Carrying Amount		**Fair Value**	
	2010	2009	**2010**	2009
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱566,642,921**	₱55,151,107	**₱566,642,921**	₱55,151,107
Trade and other receivables	**60,031,010**	39,173,601	**60,031,010**	39,173,601
Advances to related parties	**102,674,638**	197,047,000	**102,674,638**	197,047,000
Refundable deposits	**8,218,951**	8,158,951	**8,218,951**	8,158,951
	737,567,520	299,530,659	**737,567,520**	299,530,659
AFS investments				
Ordinary shares - quoted	**11,600,000**	–	**11,600,000**	–
	₱749,167,520	₱299,530,659	**₱749,167,520**	₱299,530,659

	Carrying Amount		**Fair Value**	
	2010	2009	**2010**	2009
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱435,986,154**	₱246,420,318	**₱435,986,154**	₱246,420,318
Loans payable	**128,000,000**	–	**128,000,000**	–
Long-term debt	**1,596,667,517**	1,400,000,000	**1,596,667,517**	1,400,000,000
Customers' deposits	**49,664,662**	31,447,754	**47,770,551**	25,004,185
Advances from related parties	**10,347,098**	–	**10,347,098**	–
Obligation under finance lease	**5,949,325**	–	**5,949,325**	–
	₱2,226,614,756	₱1,677,868,072	**₱2,224,720,645**	₱1,671,424,503

**Excluding taxes payable.*

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, Trade and Other Payables, Loans Payable and Advances from Related Parties

Due to the short-term nature of the transactions, the fair value approximates the carrying value at balance sheet date.

Refundable Deposits

These are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract with Meralco which cannot be reasonably and reliably estimated.

Customers' Deposits
The fair value of the customers' deposits is based on the discounted value of future cash flows using the applicable risk free rates for similar types of accounts adjusted for credit risk.

Long-term Debt
The carrying value of the variable interest-bearing long-term debt approximates its fair value due to recent and regular re-pricing based on market conditions.

Obligation under Finance Lease
Estimated fair value approximates the carrying amount as of balance sheet date since this bears interest at prevailing market rates.

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, loans payable and long-term debt. The main purpose of these financial instruments is to raise funds for the Group operations. The Group has various financial assets such as trade and other receivables, trade and other payables, customers' deposits and advances to and from related parties, which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, interest rate risk, liquidity risk and foreign currency risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk
The Group trades only with recognized and creditworthy third parties. It is the Group'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 Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Executive Vice President - Finance.

With respect to credit risk arising from the other financial assets, the Group'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 Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

Credit Quality of Financial Assets
The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Grade - pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this category.

The table below shows the credit quality of the Group financial assets as of December 31, 2010 and 2009 as follows:

	2010					
		Neither Past Due nor Impaired				
	Total	High Grade	Standard Grade	Total	Past Due but not Impaired	Impaired
Loans and Receivables						
Cash and cash equivalents*	₱566,206,865	₱566,206,865	₱–	₱566,206,865	₱–	₱–
Trade and other receivables:						
Trade	36,800,789	21,447,884	–	21,447,884	9,652,905	5,700,000
Officers and employees	27,100,236	–	20,362,047	20,362,047	6,738,189	–
Others	1,829,985	1,829,985	–	1,829,985	–	–
Advances to related parties	102,674,638	102,674,638	–	102,674,638	–	–
Refundable deposits**	8,218,951	8,218,951	–	8,218,951	–	–
	742,831,464	700,378,323	20,362,047	720,740,370	16,391,094	5,700,000
AFS Investments						
Ordinary shares quoted	11,600,000	11,600,000	–	11,600,000	–	–
	₱754,431,464	₱711,978,323	₱20,362,047	₱732,340,370	₱16,391,094	₱5,700,000

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the consolidated balance sheets.*

	2009					
		Neither Past Due nor Impaired				
	Total	High Grade	Standard Grade	Total	Past Due but not Impaired	Impaired
Loans and Receivables						
Cash and cash equivalents*	₱55,130,797	₱55,130,797	₱–	₱55,130,797	₱–	₱–
Trade and other receivables:						
Trade	30,518,354	30,518,354	–	30,518,354	–	–
Others	8,655,247	8,655,247	–	8,655,247	–	–
Advances to related parties	197,047,000	197,047,000	–	197,047,000	–	–
Refundable deposits**	8,158,951	8,158,951	–	8,158,951	–	–
	₱299,510,349	₱299,510,349	₱–	₱299,510,349	₱–	₱–

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the consolidated balance sheets.*

The following are the aging analyses of financial assets as of December 31, 2010 and 2009:

			2010				
			Past Due but not Impaired				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Impaired
Loans and Receivables							
Cash and cash equivalents	**₱566,642,921**	**₱566,642,921**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**65,731,010**	**43,639,916**	**8,365,541**	**1,493,445**	**1,394,375**	**5,137,733**	**5,700,000**
Advances to related parties	**102,674,638**	**102,674,638**	**–**	**–**	**–**	**–**	**–**
Refundable deposits	**8,218,951**	**8,218,951**	**–**	**–**	**–**	**–**	**–**
	743,267,520	**721,176,426**	**8,365,541**	**1,493,445**	**1,394,375**	**5,137,733**	**5,700,000**
AFS Investments							
Ordinary shares quoted	**11,600,000**	**11,600,000**	**–**	**–**	**–**	**–**	**–**
	₱754,867,520	**₱732,776,426**	**₱8,365,541**	**₱1,493,445**	**₱1,394,375**	**₱5,137,733**	**₱5,700,000**

			2009				
			Past Due but not Impaired				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Impaired
Loans and Receivables							
Cash and cash equivalents	₱55,151,107	₱55,151,107	₱–	₱–	₱–	₱–	₱–
Trade and other receivables	39,173,601	21,506,903	13,365,555	2,842,262	1,149,214	309,667	–
Advances to related parties	197,047,000	197,047,000	–	–	–	–	–
Refundable deposits	8,158,951	8,158,951	–	–	–	–	–
	₱299,530,659	₱281,863,961	₱13,365,555	₱2,842,262	₱1,149,214	₱309,667	₱–

<u>Interest Rate Risk</u>
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to interest rate risk are disclosed in Notes 15, 16, and 19.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt subject to floating interest rates as discussed in Note 16.

The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax due to a reasonably possible change in interest rates in the next reporting period with all other variables held constant. There is no other impact on the Group's equity other than those already affecting profit and loss.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
2010	**+1.0%**	**(₱13,687,503)**
	−1.0%	**13,687,503**
2009	+1.0%	(14,000,000)
	−1.0%	14,000,000

Liquidity Risk

Liquidity risk is the risk that the Group 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 processes and policies are overseen by management. The Group 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 Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group 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 Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The table below summarizes the maturity profile of the Group's financial assets and liabilities as of December 31, 2010 and 2009 based on undiscounted cash flows:

				2010		
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Assets						
Cash and cash equivalents*	**₱132,642,921**	**₱–**	**₱–**	**₱434,000,000**	**₱–**	**₱566,642,921**
Trade and other receivables	**–**	**54,893,277**	**–**	**–**	**10,837,733**	**65,731,010**
Advances to related parties	**102,674,638**	**–**	**–**	**–**	**–**	**102,674,638**
Refundable deposits	**–**	**–**	**–**	**–**	**8,218,951**	**8,218,951**
AFS Investments	**11,600,000**	**–**	**–**	**–**	**–**	**11,600,000**
	₱246,917,559	**₱54,893,277**	**₱–**	**₱434,000,000**	**₱19,056,684**	**₱754,867,520**

**Including cash of MPPI.*

***Included as part of "Other noncurrent assets" account in the consolidated balance sheets.*

	2010					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Liabilities						
Trade and other payables:						
Trade	₱110,796,558	₱–	₱113,533,094	₱487,576	₱76,839,290	₱301,656,518
Accrued expenses	–	15,960,959	–	–	–	15,960,959
Retention payable	50,148,544	–	–	–	–	50,148,544
Accrued interest	–	–	2,971,317	–	–	2,971,317
Others*	–	64,888,621	–	–	–	64,888,621
Loans payable:						
Principal	–	–	–	128,000,000	–	128,000,000
Interest	–	–	–	2,640,000	–	2,640,000
Customers' deposits	9,412,959	–	–	–	40,251,703	49,664,662
Long-term debt:						
Principal	–	–	–	137,499,100	1,459,168,417	1,596,667,517
Interest	–	–	–	78,873,695	167,065,730	245,939,425
Advances from related parties	10,347,098	–	–	–	–	10,347,098
Obligation under finance lease:**						
Principal	79,036	85,561	80,696	83,366	5,620,666	5,949,325
Interest	59,980	53,456	58,321	55,651	1,598,402	1,825,810
	₱180,844,175	₱80,988,597	₱116,643,428	₱347,639,388	₱1,750,544,208	₱2,476,659,796

**Excluding tax related obligations and current portion of obligation under finance lease.*
***Including current portion of obligation under finance lease.*

	2009					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Assets						
Cash and cash equivalents	₱36,137,841	₱–	₱–	₱19,013,266	₱–	₱55,151,107
Trade and other receivables	–	39,173,601	–	–	–	39,173,601
Advances to related parties	197,047,000	–	–	–	–	197,047,000
Refundable deposits*	–	–	–	–	8,158,951	8,158,951
	₱233,184,841	₱39,173,601	₱–	₱19,013,266	₱8,158,951	₱299,530,659

Excluding tax related obligations and current portion of obligation under finance lease.

	2009					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Liabilities						
Trade and other payables:						
Trade	₱154,507,742	₱2,455,445	₱5,538,325	₱16,464,912	₱54,624,395	₱233,590,819
Accrued expenses	–	11,851,926	–	–	–	11,851,926
Accrued interest	–	–	3,017,507	–	–	3,017,507
Others*	15,205,342	899,734	–	–	–	16,105,076
Customers' deposits	9,412,959				40,251,703	49,664,662
Long-term debt:						
Principal	31,249,400	–	–	–	1,368,750,600	1,400,000,000
Interest	–	–	–	20,683,600	323,964,498	344,648,098
	₱210,375,443	₱15,207,105	₱8,555,832	₱37,148,512	₱1,787,591,196	₱2,058,878,088

**Excluding tax related obligations.*

Foreign Currency Risk

The Group follows a policy to manage its currency risk by not maintaining major cash accounts aside from US dollar (US$) and ₱. The Group also has transactional currency exposures.

The Group's US$-denominated monetary assets as of December 31, 2010 and 2009 are as follows:

	2010		2009	
	In $	**In ₱**	In $	In ₱
Financial Assets				
Cash and cash equivalents	**$1,133**	**₱49,671**	$238,023	₱10,996,663
Trade and other receivables	**–**	**–**	1,281,676	59,213,431
Exposure	**$1,133**	**₱49,671**	$1,519,699	₱70,210,094

As of December 31, 2010 and 2009, the exchange rates of the Philippine peso to the US$ are ₱43.84:US$1 and ₱46.20:US$1, respectively.

The following tables set forth, for the periods indicated, the impact of the range of reasonably possible changes in the US$:₱ exchange rate, with all other variable held constant, on the Group's income before income tax. There is no other impact on the Group's equity other than those affecting profit and loss.

	Impact on Income before Income Tax	
	2010	2009
US$ strengthens by:		
15%	**₱7,451**	₱10,531,514
10%	**4,967**	7,021,009
5%	**2,484**	3,510,505
US$ weakens by:		
5%	**(2,484)**	(3,510,505)
10%	**(4,967)**	(7,021,009)
15%	**(7,451)**	(10,531,514)

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from parent and stockholders return capital to parent and stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2010 and 2009.

The Group monitors capital using the monthly cash position report and financial statements.

The components of the Group's capital as of December 31, 2010 and 2009 follow:

	2010	2009
Layer I		
Capital stock	**₱1,429,220,287**	₱150,588,900
Additional paid-in capital	**5,998,700,015**	–
Equity reserves	**–**	6,892,686,762
	7,427,920,302	7,043,275,662
Layer II		
Deposits for future stock subscriptions	**2,147,819,426**	–
Retained earnings - operating income	**2,201,208,686**	2,376,051,795
Gain on sale of preferred shares of a subsidiary	**2,559,163**	–
Excess of acquisition price over acquired interest	**(159,018,215)**	–
Treasury shares	**(1,213,526)**	(1,213,526)
	4,191,355,534	2,374,838,269
Layer III		
Retained earnings - gain on fair value change of investment properties	**958,615,184**	298,902,598
Retained earnings - gain on bargain purchase	**761,886,845**	–
Unrealized valuation gains on AFS investments	**1,000,000**	–
	1,721,502,029	298,902,598
Total capital	**₱13,340,777,865**	₱9,717,016,529

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of deposits for future stock subscriptions, income from operations, gain on sale of preferred shares of a subsidiary, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed of income from fair value changes of investment properties, gain on bargain purchase and unrealized valuation gains on AFS investments.

26. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income before income tax in the consolidated statement of comprehensive income.

Business Segments

The following tables present revenue, costs and expenses, certain assets and liabilities information regarding the Group's real property development and plastics manufacturing business segments in 2010. In 2009 and 2008, there is only one reportable segment which is the real property development.

No separate segment is presented pertaining to the club operations of the Group as the subsidiaries under this segment are on start-up stage.

	Real Property Development	Plastics Manufacturing	Total	Eliminations	Consolidated
Revenues					
External customers	₱184,264,310	₱544,535,527	₱728,799,837	(₱544,535,527)	₱184,264,310
Gain on fair value change of investment properties	958,615,184	–	958,615,184	–	958,615,184
Equity in net income of associates	27,044,818	–	27,044,818	–	27,044,818
Interest income	7,810,466	94,047	7,904,513	(94,047)	7,810,466
Gain on sale of preferred shares	2,559,163	–	2,559,163	(2,559,163)	–
Other income	46,566,490	2,088,452	48,654,942	(35,688,452)	12,966,490
	1,226,860,431	546,718,026	1,773,578,457	(582,877,189)	1,190,701,268
Costs and Expenses					
Costs and expenses	298,670,905	465,679,201	764,350,106	(465,679,201)	298,670,905
Interest expense and other finance charges	93,676,292	9,688,301	103,364,593	(9,688,301)	93,676,292
Depreciation and amortization	6,179,362	27,259,992	33,439,354	(27,259,992)	6,179,362
Impairment losses	5,700,000	–	5,700,000	–	5,700,000
Other expenses	11,838,037	6,364,133	18,202,170	(6,364,133)	11,838,037
	416,064,596	508,991,627	925,056,223	(508,991,627)	416,064,596
Provision for (benefit from) income tax					
Current	1,967,708	10,756,260	12,723,968	(10,756,260)	1,967,708
Deferred	311,030,730	634,098	311,664,828	(634,098)	311,030,730
	312,998,438	11,390,358	324,388,796	(11,390,358)	312,998,438
Income before income associated with assets held for sale after tax	497,797,397	–	497,797,397	(62,495,204)	435,302,193
Income associated with assets held for sale after tax	–	26,336,041	26,336,041	–	26,336,041
Net income	₱497,797,397	₱26,336,041	₱524,133,438	(₱62,495,204)	₱461,638,234
Operating assets	₱16,841,858,614	₱571,427,261	₱17,413,285,875	₱–	₱17,413,285,875
Operating liabilities	₱5,245,888,247	₱294,191,987	₱5,540,080,234	(₱1,809,445)	₱5,538,270,789

(Forward)

	2010				
	Real Property Development	Plastics Manufacturing	Total	Eliminations	Consolidated
Other Disclosures					
Investments in associates	₱84,756,108	₱–	₱84,756,108	₱–	₱84,756,108
Investment properties	15,337,579,953	–	15,337,579,953	–	15,337,579,953
AFS investments	2,255,100,000	–	2,255,100,000	(2,243,500,000)	11,600,000
Goodwill	23,229,684	–	23,229,684	–	23,229,684
Assets held for sale	–	571,427,261	571,427,261	–	571,427,261
Liabilities related to assets held for sale	–	294,191,987	294,191,987	(1,809,445)	292,382,542
Capital expenditures	3,031,638,906	58,588,156	3,090,227,062	–	3,090,227,062
Cash flows from (used in):					
Operating activities	₱138,824,829	₱146,273,337	₱285,098,166	(₱146,273,337)	₱138,824,829
Investing activities	(3,569,038,270)	(62,286,148)	(3,631,324,418)	62,286,148	(3,569,038,270)
Financing activities	3,941,784,968	(72,157,616)	3,869,627,352	72,157,616	3,941,784,968

Capital expenditures consist of additions to investment properties and property and equipment.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Reconciliation of income:

Segment income	₱524,133,438
Gain on bargain purchase	761,886,845
Management service income (eliminations)	(33,600,000)
Gain on sale of preferred shares	(2,559,163)
Income associated with assets held for sale (see Note 5)	(26,336,041)
Group income	₱1,223,525,079

Reconciliation of assets:

Segment operating assets	₱17,413,285,875
Assets classified as held for sale (see Note 5)	571,427,261
Group reporting assets	₱17,984,713,136

Reconciliation of liabilities:

Segment operating liabilities	₱5,540,080,234
Liabilities directly associated with assets held for sale (see Note 5)	292,382,542
Advances to related parties	(1,809,445)
Estimated liability for project development	(1,190,609,298)
Group reporting liabilities	₱4,640,044,033

27. Commitments and Contingencies

Estimated Liability for Project Development

In October 2010, ADI, AMPI and TCCAMPI entered into a Development Agreement (DA) for the development and construction of the City Club. It is agreed that ADI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for the completion of the City Club and its amenities.

In December 2010, ADI, AMPI and TCCAMPI entered into a supplemental development agreement to clarify that under the DA it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ADI and AMPI to additional paid-in capital after the completion of the City Club. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI after its completion, which is expected by the second quarter of 2013.

As of December 31, 2010, AMPI recognized an estimated liability for project development cost amounting to ₱1.2 billion, ₱1.1 billion of which is allocated for podium and club equipment, ₱72.0 million for land and ₱67.2 million for leasehold right. The estimated liability for the project development costs has been developed in consultation with AMPI's executives and project managers. The estimated liability for project development is eliminated and does not form part of the Group's consolidated balance sheets.

Advances to Contractors

Advances to contractors are considered as nonfinancial instruments as these will be applied against future billings from contractors. The Group entered into various construction contracts for the development of the said projects (see Note 11). Total advances to contractors amounted to ₱47.9 million and ₱8.0 million as of December 31, 2010 and 2009, respectively (see Note 8). The significant construction contracts that gave rise to the advances are as follows:

a. ADI

   Total advances to contractors amounted to ₱15.7 million as of December 31, 2010. The identified contracts below represent more or less 70% of the total advances to contractors of ADI as of balance sheet date.

   - Total advances to a project director amounted to ₱6.0 million. The undertaking aims to transform a prime property in Boracay into a high-end mixed use resort complex anchored by a Polo and Country Club as well as water recreational activities.
   - Advances to a supplier of textiles amounted to ₱1.9 million.
   - Total advances to a project director amounted to ₱1.3 million. The advances will be used for the purchasing of materials, engines and other construction items.
   - Contract representing architectural and civil works for the covered walkway at 6th floor of Alphaland Southgate Tower and Mall. As of December 31, 2010, total advances from said contract amounted to ₱0.6 million after application of the first progress billing amounting to ₱0.6 million in November 2010.
   - Contract providing for services for the re-waterproofing works at Alphaland Southgate Tower and Mall's roof deck area. Total advances amounted to ₱0.5 million as of December 31, 2010.
   - Advances to a contractor amounted to ₱0.4 million for the proposed breakwater and jetty project in Bay City.
   - Contract for the topping of Alphaland Southgate Tower and Mall's 5th floor. Total advances amounted to ₱0.4 million as of December 31, 2010.
   - Advances to a contractor amounting to ₱0.3 million is for the supply and installation of 3 units of elevator parts.
   - Advances to a contractor amounting to ₱0.3 million is for the retrofitting of air condition and fire protection system.

b. AMPI

   Total advances to contractors amounted to ₱16.6 million as of December 31, 2010. The identified contracts below represent more or less 90% of the total advances to contractors of AMPI as of balance sheet date.

   - Contract for the bulk excavation and slope protection works on March 4, 2010. The contractor shall supply the labor, materials, equipment, supervision and other related works of the project. As of December 31, 2010, the project is approximately 87% complete.
   - Contract for the construction of the following developments:

- Phase 1 - Construction of a 6-level Podium, with approximately 32,343 square meters, comprised of city club, convention center and retail spaces and three-level basements to accommodate a supermarket and parking spaces.

- Phase 2 - Construction of three towers (one serviced apartments and two residential units).

- The contract also includes the architectural design which will be provided by a foreign architect and a local architect.

- Contract for the Base Building Electrical and Auxiliary System Design for Phases 1 & 2 on July 27, 2009.

c. ABIRC
Total advances to contractors amounted to ₱14.6 million as of December 31, 2010. The identified contracts below represent more or less 90% of the total advances to contractors of ABIRC as of balance sheet date.

- On December 22, 2010, ADI entered into an undertaking with a contractor for the complete supply and labor, materials, equipment, supervision and all other related works for the Atimonan Jump-Off Point. Total advances for the undertaking amounted to ₱5.9 million, representing 40% of the negotiated contract cost. The undertaking is expected to be completed within 75 working days after the date of contract.

- Advances amounting to ₱3.4 million to a contractor for its 20,000 GPD desalination plant for the Balesin project.

- Contract encompassing the supply of labor and materials for the Atimonan warehouse. Scope of work includes, but not limited to mobilization, structural design, roofing and sidings. Total advances amounted to ₱1.9 million as of December 31, 2010.

- Contract for engineering design and services for the project and the Atimonan Jump-Off Point. Total advances amounted to ₱0.9 million as of December 31, 2010.

- Contract for the preliminary masterplan for Balesin. Total advances amounted to ₱0.7 million as of December 31, 2010.

- Contract for the proposed perimeter fence in Balesin. Total advances amounted to ₱0.7 million as of December 31, 2010.

d. AMTI
Total advances to contractors amounted to ₱1.0 million as of December 31, 2010. The identified contracts below represent more or less 87% of the total advances to contractors of AMTI as of balance sheet date.

- The scope of work for the contract entered into by AMTI is for obtaining a gold (60 points) LEED registration under US Green Building Council. Total advances amounted to ₱0.9 million as of December 31, 2010.

Retention Payable

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works. Total retention payable amounted to ₱50.1 million as of December 31, 2010. Significant contracts with retention clause are as follows:

a. ADI

As of December 31, 2010 total retention payable due from ADI amounted to ₱43.1 million. The identified contracts below represent more or less 90% of the total retention payable of ADI as of balance sheet date.

- The contract for the structural and architectural works for the rehabilitation of Alphaland Southgate Tower and Mall. Scope of work includes the furnishing and supplying of all necessary materials, labor, equipment and tools, plant, scaffoldings, supervision and all other facilities needed. Total retention payable allocable from said contract amounts to ₱32.6 million as of December 31, 2010. The retention payable shall be released to the contractor within 30 working days upon completion and acceptance of works.

- Contract for the sanitary and plumbing works for rehabilitation of Alphaland Southgate Tower and Mall. Total retention payable allocable from said contract amounted to ₱3.4 million as of December 31, 2010.

- Contract for the supply and installation of Integrated Facilities Management System for rehabilitation of Alphaland Southgate Tower and Mall. Total retention payable allocable from said contract amounts to ₱1.0 million as of December 31, 2010.

- Contract of construction encompassing various services such as, but not limited to, ceiling works, masonry, painting, carpentry and wall partitions of the 9th floor level₱0.7 million as of December 31, 2010.

- Contract for mechanical works of the Tabacalera and Executive lounge at the 6th floor Alphaland Southgate Tower. Total retention payable allocable from said contract amounts to ₱0.6 million as of December 31, 2010.

b. AMPI

Total retention payable as of December 31, 2010 amounting to ₱7.0 million is allocable to contract for the complete bulk excavation and slope protection works as discussed above.

28. Events After Balance Sheet Date

Additional Shareholders' Infusion

On January 28, 2011, the following shareholders of ALPHA contributed a total of ₱1,933.7 million as additional capital infusion and this was recorded as deposits for future stock subscriptions of the following shareholders:

Shareholders	Deposits for Future Stock Subscriptions
Alphaland Holdings (Singapore) Pte. Ltd. (AH)	₱1,701,641,237
Boerstar Corporation	193,368,322
Azurestar Corporation	38,673,665
Total	₱1,933,683,224

Conversion of Deposits for Future Subscriptions into Common Stock

On March 3, 2011, the Executive Committee of the BOD authorized the issuance of 408,150,264 shares in favor of some of the existing shareholders of ALPHA at the same subscription price of ₱10 per share payable by previously paid deposits, as follows:

Shareholders	Deposits for Future Stock Subscriptions	New Shares Issued
Alphaland Holdings (Singapore) Pte. Ltd.	₱2,591,722,332	259,172,233
Masrickstar Corporation	1,000,000,000	100,000,000
Boerstar Corporation	408,150,265	40,815,026
Azurestar Corporation	81,630,053	8,163,005
Total	₱4,081,502,650	408,150,264

As a result of above issuance and the additional deposits for future stock subscriptions of ₱1,933.7 million received by ALPHA on January 28, 2011, deposits for future stock subscriptions as of December 31, 2010 of ₱2,147.8 million is converted to common stock

Authorization for Issuance of Additional Shares to D. M. Wenceslao Associates Inc. (DMWAI)

On March 3, 2011, the Executive Committee of the BOD of ALPHA authorized the issuance to DMWAI of 147,375,700 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share. This resulted in an increase in the issued and subscribed shares of ALPHA from 1,428,796,387 shares to 1,576,172,087 as of February 28, 2011. The shares to be issued to DMWAI represent approximately 9.35% of the resulting outstanding capital stock of ALPHA.

Out of the total subscription made by DMWAI, ₱1,000.0 million will be paid in cash with the balance of ₱1,472.8 million to be paid by conveyance to ADI of shares of stock of the Joint Venture Company. The conveyance of shares of stock to ADI will be effected immediately after DMWAI has conveyed the additional 4 hectares to the Joint Venture Company to bring the total development area of the Alphaland Bay City project to at least 32 hectares. ADI will then issue common shares to ALPHA in payment of the Joint Venture Company's shares it received from DMWAI.

However, as these existing stockholders are related parties of ALPHA, the foregoing issuances will be submitted for the approval of the stockholders during the annual stockholders' meeting of ALPHA scheduled in May 2011.

In the event the required stockholders' approval of the foregoing issuances is obtained, the resulting shareholder structure of ALPHA will be as follows:

Shareholders	Number of Shares	Percentage
Alphaland Holdings (Singapore) Pte. Ltd.	767,065,849	38.66%
Masrickstar Corporation	709,472,340	35.75%
Boerstar Corporation	167,788,430	8.46%
DMWAI	147,375,700	7.43%
RVO Capital	142,656,748	7.19%
Azurestar Corporation	33,557,686	1.69%
Public	16,405,599	0.82%
Total issued and outstanding capital stock	1,984,322,352	100.00%

The Executive Committee of the BOD approved a follow-on public offering to ensure that ALPHA will comply with the minimum public ownership requirement.

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Bank of Commerce

Banco de Oro Unibank

Bank of the Philippine Islands

Land Bank of the Philippines

Maybank Philippines, Inc.

United Coconut Planters Bank

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