MABUHAY
HOLDINGS CORPORATION

April 15, 2011

JANET A. ENCARNACION
Head, Disclosure Department
4/F The Philippine Stock Exchange, Inc.
PSE Centre, Exchange Road
Ortigas Center, Pasig City

Re: **Annual Report**

Gentlemen:

Enclosed is the Annual Report (SEC 17-A) of Mabuhay Holdings Corporation for the year ended December 31, 2010.

We trust you will find the report in order.

Very truly yours,

ARACELI C. MOLINA
Treasurer and Finance Manager

35/F, Rufino Pacific Tower, 6784 Ayala Avenue Makati City 1223, Philippines
Tel. (632) 750-2000 Fax (632) 751-0773

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the Year Ended **DECEMBER 31, 2010**
2. SEC Identification Number: **150014**
3. BIR Tax Identification Number: **050-000-473-206**
4. Exact Name of Registrant: **MABUHAY HOLDINGS CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: __________
7. Address of Principal Office: **35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223**
8. Registrant's Telephone Number, Including Area Code: **(632) 750-2000**
9. Former Name, former address, former fiscal year, if changed from last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

    Common stock **1,200,000,000 shares**

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

    Yes [✓] No [ ]

    Philippine Stock Exchange **Common shares of stock**

12. Check whether the Registrant:

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

    Yes [✓] No [ ]

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

    Yes [✓] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant

Total number of subscribed shares	1,200,000,000
Less: Shares held by affiliates	824,188,854
Shares held by non-affiliates	375,811,146
Market price as of December 31, 2010	0.40
Aggregate market value of voting stock held by non-affiliates	**P150,324,458**

14. Documents incorporated by reference: **None**

Fiscal Year 2010 Form 17-A

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1 – Business

Mabuhay Holdings Corporation (hereafter referred to as "Registrant" or "MHC" or "Company") was incorporated on April 06, 1988. It is a holding company principally engaged in the acquisition and disposition of investments in securities, stocks, real and personal properties, and of any kind of properties and of investments in other entities.

It was incorporated with an authorized capital of 200 million shares at a par value of P1 per share. It was listed at both the Makati and Manila stock exchanges in 1990. The Articles of Incorporation were amended in 1994 to increase authorized capital to 4 billion shares at P1 par value per share. Currently, capital stock issued and subscribed total 1.2 billion shares, of which around P939 million have been paid out of the P1.2 billion subscriptions.

The registrant currently holds office at 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223. Its last annual stockholders' meeting was on July 1, 2010.

As of December 31, 2010, the Registrant holds directly or indirectly substantial investments in several other corporations. Three of these are wholly owned subsidiaries while the rest are investees in which MHC has sizeable claims and interests. . For the past five years, operating activities of the Group have been kept to the minimum. Its affiliates engaged in the property business have likewise experienced a slowdown in growth and development. The Group's main focus is to support its large associate, Interport Resources Corporation (IRC). IRC has two main projects: Sunshine Fiesta Subdivision and the Trocadero Residences, both located in Binangonan. For the Sunshine Fiesta Subdivision project, IRC entered into a Joint Venture Agreement with Dreamhauz Management and Development Corporation (DMDC) on August 5, 2010 for the development of its 298,810 square meter land in Binangonan, Rizal. There is a huge demand for housing in the region and the property is well situated in relation to the future growth direction of the metropolis.
The Trocadero project on the other hand, will be a mixed development of condominium and townhouses within a 1.34 hectare property also in Binangonan, Rizal adjacent to Thunderbird Resort & Casino and the 18-hole Eastridge Golf Club ("Eastridge"). The enclave, located within the Eastridge Golf Village is beside the Pasadena Subdivision to be developed by Landco Pacific Corporation. With a commanding view of the Laguna Lake and valley view of Rizal towns, the project will cater to golfer members of Eastridge, and the mid to high end market of northern Metro Manila. The project will have a total of 40 townhouses for primary markets and 180 condominium units.
These projects of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

A. SUBSIDIARIES AND AFFILIATES

Major investees of the Registrant are the following:

1. **T & M Holdings, Inc. (100%-owned by the Registrant)**
T & M Holdings, Inc. (T&MHI) which was registered with the Commission on November 10, 1995, is a holding company engaged in investments in real properties, marketable securities and stocks of other companies, domestic or foreign.
Currently, it has a 40.07% stake in Interport Resources Corporation (IRC).

2. **M & M Holdings Corporation (M&MHC) (100%-owned by the Registrant)**

Like T&MHI, M & M Holdings Corporation which was registered with the SEC on April 21, 1995, is a holding company engaged in the business of acquiring and disposing of interests in real and personal properties of any kind or description, marketable securities and shares of stocks. Currently, M&MHC has no substantial property except for some advances to its parent company, and a minimal amount of cash.

3. **Shiun-Tung Investment Co., Ltd. (SICL) (100%-owned by the Registrant)**

Shiun-Tung Investment Co., Ltd., a Taiwan-based investment company, was acquired by the Registrant on March 4, 1999. It has a substantial amount of investments in First Steamship Co., Ltd., a medium-sized shipping company. The Company was incorporated on August 20, 1993**.** The Registrant acquired said company for the purpose of increasing its shares in First Steamship Co., Ltd. In 2008, investment in STICL have been acquired by a related party and later sold to a third party for a total consideration of P92.42 million.

4. **Interport Resources Corporation (IRC) (44%-owned by the Registrant directly and indirectly thru T&M Holdings, Inc.)**

Interport Resources Corporation, a company listed in the Philippine Stock Exchange, was incorporated on February 24, 1975 primarily to engage in the acquisition, reclamation, development or exploitation of land, forests, minerals, oil, gas and other resources. It owns about 2,200-hectare of land in Binangonan, Rizal.

5. **Tagaytay Properties and Holdings Corporation (TPHC) (26.04%-owned by the Registrant)**

A real estate company established and registered with the SEC on April 13, 1998**,** TPHC owns a high potential and strategically-located land in Tagaytay City. This property was supposed to be developed into a mixed commercial and residential subdivision but such plans were postponed indefinitely as a result of changes in the zoning laws of the city.

6. **The Taal Company, Inc. (TTCI) (29.97%-owned by the Registrant)**

The Taal Company, incorporated on August 29, 1990, is a real estate company with property holdings in several parts of the Batangas province.

7. **The Angeles Corporation (TAC) (38.46%-owned by the Registrant)**

The Angeles Corporation is an investment company incorporated on October 14, 1994. Most of its assets are invested in shares of the Prosperity Taxi Cab Corporation (PTCC), which the Company sold to a third party in 2009.

8. **Mindanao Appreciation Corporation (MAC) (28.51%-owned by the Registrant)**

Mindanao Appreciation Corporation is an investment Company, incorporated and registered with the SEC on November 21, 1991**.** Most of its assets are invested in shares of Mabuhay Holdings Corporation and The Taal Company, Inc. It owns about 3.14 hectares of property in General Santos City.

B. FOREIGN SALES.

Not applicable to the Registrant

C. COMPETITIVE BUSINESS CONDITION/COMPETITIVE POSITION IN THE INDUSTRY.

The competitiveness of the Registrant, given the nature of its business, is defined by the diversity of its interests. Most of the Registrant's business interests are concentrated in the real estate property business. The Tagaytay Properties & Holdings Corporation, The Taal Co., Inc., Mindanao Appreciation Corporation, T & M Holdings, Inc. and Interport Resources Corporation each hold an inventory of real properties in strategic locations like Tagaytay City, Batangas, Cavite, and Binangonan. The aggregate landholdings of the Registrant's investees easily run to 2,223 hectares, many of which are in prime locations.

D. DEPENDENCE ON A FEW CUSTOMERS. This disclosure is currently not applicable to the Registrant's business and concerns.

E. TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES. The Registrant's transactions with its subsidiaries and affiliates mainly consist of the granting of advances to /from them. The Registrant exercises control and management over some of its investees.

F. NEED FOR GOVERNMENTAL APPROVAL OF PRODUCTS AND SERVICES. Aside from being regulated by the PSE and the SEC, the Registrant generally is not subject to any other specific government regulation.

G. EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS TO THE BUSINESS. This disclosure is currently not applicable to the Registrant's business and concerns.

H. ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES. This disclosure is currently not applicable to the Registrant’s business and concerns.

I. COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS. This disclosure is currently not applicable to the Registrant’s business and concerns.

J. TOTAL NUMBER OF EMPLOYEES AND NUMBER OF FULL TIME EMPLOYEES. As of December 31, 2010, The Registrant has 6 employees, all rendering administrative services. Of the Company's 6 employees, 4 render support services: 2 for accounting/bookkeeping work and 2 doing office services functions while the other 2 belong to the management and administration of the Company. There is no Collective Bargaining Agreement between the employees and the Registrant and there had been no strikes or threats of strike for the past five (5) years. Aside from the statutory benefits prescribed by the labor code, the Registrant's employees enjoy Company-sponsored health insurance.

Item 2 – Properties

All the following properties owned by MHC and its affiliates/subsidiaries are free from lien:

Name of Property	Owner	Area	Location
Genil Property	The Taal Co., Inc.	11,784 sq. m	Bugaan East, Laurel, Batangas
Landicho Property	The Taal Co., Inc.	39,781 sq. m	Lumang Lipa, M.Kahoy, Batangas
Zara Property	The Taal Co., Inc.	14,022 sq. m	Don Juan, Cuenca, Batangas
Rañola Property	The Taal Co., Inc.	778 sq. m	Tanza, Cavite
Tagaytay Property	Tagaytay Properties and Holdings Corp.	98,760 sq. m	Rotonda, Tagaytay City
Binangonan Property	Interport Resources Corp.	2,200 has.	Binangonan, Rizal
Olalia	Tagaytay Properties and Holdings Corp.	20,459 sq. m	Tagaytay City
Mariano	Tagaytay Properties and Holdings corp.	22,500 sq. m	Tagaytay City
Carandang	Tagaytay Properties and Holdings Corp.	6,533 sq. m	Ambolong, Batangas
Atienza	Tagaytay Properties and Holdings corp.	2,636 sq. m	Ambolong, Batangas
Landicho	Tagaytay Properties and Holdings Corp.	15,605 sq. m	M. Kahoy, Batangas
35F Rufino Tower (office condo unit)	Mabuhay Holdings Corp.	886 sq. m*	Ayala Avenue, Makati City

* Only half of the 35th Floor is leased out and the other half is being used by the Company as its office together with its associate, Interport Resources Corporation.

The Registrant has no plans to acquire property in the next 12 months.

Item 3 – Legal Proceedings

The Registrant and its consolidated subsidiaries/affiliates are parties to various legal actions or proceedings. However, in the opinion of management, the ultimate liability, if any, resulting from these actions or proceedings, will not have a material effect on the Registrant's consolidated financial position.

Item 4 – Submission of Matters to a Vote of Security Holders

There were no substantial matters submitted to a vote of the security holders during the 4th quarter of the year 2010. The last meeting of the Registrant's stockholders was the annual stockholders' meeting, which was held on July 1, 2010. In that meeting, the stockholders elected the directors for 2010. Messrs. Steven G. Virata and Rodrigo B. Supeña were the Registrant's independent directors in compliance with SEC Memorandum Circular No. 16, Series of 2002, Section 38 of the Securities Regulation Code and its implementing rules and regulations.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5 – Market for the Registrant's Common Equity and Related Stockholder Matters

The Registrant's shares of common stock are being traded at the Philippine Stock Exchange. Of the authorized capital stock of four billion shares, 1.2 billion have been subscribed. As of December 31, 2010, MHC has received P194.7 million as deposits for future stock subscription.

Dividends. No dividend declarations were made during the two recent fiscal years of the Registrant. Aside from the accumulated deficit sustained by the company, there is no restriction that limits the ability to pay dividends on common equity.

Stock Prices. The shares of MHC traded along the following bands during 2010 and 2009:

	2010		2009	
	High	Low	High	Low
First Quarter	0.51	0.33	0.22	0.13
Second Quarter	0.62	0.36	0.36	0.15
Third Quarter	0.52	0.44	0.36	0.28
Fourth Quarter	0.51	0.39	0.48	0.27

The listed price of MHC shares as of April 4, 2011 is P0.43.

Recent Sales of Unregistered Securities. No securities of the Registrant have been sold within the past three years which have not been registered under the Securities Regulation Code. Neither is there any claim for exemption from registration made by the Company.

Stockholders.

Stockholders of record as at December 31, 2010 total two hundred fifty one (251) in number, broken down as follows:

Citizen	No. of shares	Percentage	No. of Holders
Filipino	838,197,900	69.85	237
American	908,000	.08	7
Chinese	545,050	.04	4
Other Alien	360,349,050	30.03	3
Total	**1,200,000,000**	**100.00**	**251**

Top 20 Stockholders as at December 31, 2010 all holding Common Stock**:**

Name of Stockholder		No. of Shares Held	Percentage
1.	PCD Nominee Corporation	359,349,000	38.14
2.	Prokey Investments Ltd.	351,289,763	29.27
3.	PCD Nominee Corporation	230,135,998	10.40
4.	Mindanao Appreciation Corporation	10,183,000	0.85
5.	Belson Securities, Inc.	9,430,000	0.79
6.	Lim, Edward	5,901,000	0.49
7.	Castor, Arsenia Sonia	3,000,000	0.42
8.	Avesco Marketing	1,600,000	0.13
9.	Seng Chay Lee	1,324,000	0.11
10.	Four Treasures Development Corp	1,200,000	0.10
11.	Yan, Lucio W.	1,000,000	0.08
12.	Prosperity Taxi Cab Corporation	1,000,000	0.08
13.	Khoe, Valentin Khoe and/or Valentina Annette Lisa	1,000,000	0.08
14.	Century Sports Philippines	812,000	0.07
15.	Zosa, Rolando M..	800,000	0.07
16.	Uy, Samson	700,000	0.06
17.	Mendoza, Alberto	650,000	0.05
18.	Sy, Siliman	546,000	0.05
19.	Guei Tay Gi	500,000	0.04
20.	Sickling II, Herbert William	500,000	0.04

There had been no sales of unregistered or exempt securities of the Registrant, or issuance of its securities constituting exempt transaction.

Item 6 – Management's Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Registrant that are incorporated to this Report by reference. Such Consolidated Financial Statements have been prepared in accordance with Philippine GAAP.

The Group's main focus is to support the projects of its large associate, Interport Resources Corporation (IRC). IRC needs to secure funding of its planned residential development projects in its Binangonan Property. These projects of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

The management of the Company has plans to sell some assets and pursue the development of its investment properties as well as the real properties of its subsidiaries and affiliated companies and to enter into joint ventures if opportune.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management, under the direction of the Board of Directors of the Group is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Group's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies. Given the very limited operating activities undertaken by the Group, it does not require intensive capitalization. The Group's main objective is to ensure it has adequate capital moving forward to pursue its land disposal plans at optimum gain.

The Group does not anticipate heavy requirement for working capital in 2011 given that its focus is mainly to ensure successful site clearance and development activities of its major associate, Interport Resources Corporation (IRC) , which is 43.99% owned by the Company.

2010

Total assets of P649.5M increased by P297M or 84.3% mainly due to the increase in Investments in Interport Resources Corporation (IRC), an associate. The Registrant availed of IRC's stock rights offering in 2010 financed through borrowings. As a consequence, total liabilities likewise increased from P86.9M to P248.8M or 186.3%.

Total revenues decreased by P1.7M or 28% due to the non-occupancy of half of the Rufino Property for the entire first nine months of 2010. Total operating expenses increased by P2.3M or 18% caused by the increase in Taxes and licenses, Transportation and travel and Other fees. Other income (charges) increased by P137M or 30.6% due to the recovery of impairment losses and share in net earnings of Interport Resources Corporation, an associate.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

Material Changes in the Financial Statements (2010 vs 2009)

Cash

Increase of 23.3M or 1236% mainly due to additional borrowings and collection of Notes Receivables from IRC, an affiliate, offsetted by the availment of the stock rights offering of IRC.

Financial Assets at Fair Value through Profit or Loss

Increase of P4.2M or 144% mainly due to the net acquisition of listed stocks and recovery in market price.

Notes and Other Receivables
Decrease of P45.9M or 17% due to the collection of the Notes Receivables from Interport Resources Corporation, an affiliate.

Prepayments

Increase of P1.0M or 44% due to increase in prepaid taxes.

Investments in Associates

Increase of P310.2M or 863% due to the availment of the stock rights offering of IRC by T&M Holdings, Inc., a 100% subsidiary, share in the net income of IRC and recovery of impairment losses.

Property and equipment

Decrease of P.9M or 9% due to depreciation and disposal.

Investment properties

Decrease of P2.2M or 8% due to depreciation of its condominium unit and disposal of land in General Santos City owned by Mindanao Appreciation Corporation, a 100% subsidiary.

Borrowings

Increase of P150.8M or 496% mainly due to additional borrowings from Join Capital Limited, a Hongkong Company offsetted by partial repayment during the period.

Accrued expenses and other payables

Increase of 11.9M or 27% mainly due to accrual of interest charges.

Due to related parties

Decrease of P3.9M or 29% due to reclassification of accounts.

Below are the comparative key performance indicators of the Company and its subsidiaries:

	Dec. 31, 2010*	**Dec. 31, 2009***	**Dec. 31, 2008***
Return on Capital Employed	.32	.07	.30
Net Profit Ratio	29.97	75.55	21.72
Current ratio	1.04	3.21	2.94
Acid test	.13	.08	.08
Earnings (loss) per share	.1110	.0297	.0717

*****Audited

Notes:

1.) Return on Capital Employed is derived at by dividing Net Income by Total Assets less Current Liabilities.

2.) Net Profit Ratio is computed by getting the ratio of Consolidated Net Income (Loss) to Total Revenues.

3.) Current Ratio is expressed as Current Assets : Current Liabilities.

4.) Acid Test Ratio is expressed as Total of Cash on hand and in banks + Financial assets at fair value : Current Liabilities.

5.) Earnings (loss) per share is arrived at by dividing the Consolidated Net Income (Loss) over the total no. of shares subscribed and outstanding.

2009

Total assets increased by 8.8M or 3% mainly due to the increase in Notes and other receivables and the recovery in market value of investment in listed shares offsetted by the share in net losses of associates and decrease in Prepayments. . Total liabilities increased by P4.4M or 5.3% due to the increase in Trade and other payables while total equity increased by P4.5M or 1.7% due to the decrease in accumulated deficit and Non-controlling interest. Operating revenues increased by P2.3M or 64% due to increase in rental income. Operating expenses decreased by P21.5M or 62.2% mainly due to the decrease in professional fees, impairment losses and Other expenses. Registrant's operations for 2009 resulted in a net income of P4.5M, a reduction of P74.7M or 94.3% compared to last year's net income of 79.2M. This was mainly due to the extraordinary income earned last year arising from the sale of its investment in Shiun Tung, allowing it to have a gain on sale of P39.7M and a recovery of impairment losses of 68.1M. Interest income increased by P22.1M due to the increase of its Notes receivable.

Material Changes in the Financial Statements (2009 vs. 2008)

P1.9M or 50.78% decrease in Cash on hand and in bank mainly due to advances made to Interport Resources Corporation, an associate.

P1.8M or 60.05% increase in Financial assets at fair value through profit or loss due to acquisition of listed shares and recovery in market value.

P27.1M or 11.17% increase in Notes and other receivables due to advances made to Interport Resources Corporation, an associate.

P15.2M or 30.83% decrease in Investments in associates mainly due to increase in share in net losses of associates.

P4.5M or 77.32% increase in Property and equipment and P6.9M or 19.42% decrease in Investment properties mainly due to reclassification of Office Building currently being used by the Company from Investment properties to Property and equipment.

P4.1M or 10.58% increase in Accrued expenses and other payables due to accruals for professional fees, utilities and other recurring expenses.

<u>2008</u>

Total assets decreased by P448M or 57% mainly due to the disposal of its investment in Shiun Tung. Total liabilities and total equity likewise decreased by P22M and P426M respectively for the same reason.

Operating revenues increased by P.24M or 7% due to increase in rental income. Operating expenses increased by P7.6M or 28% mainly due to the incurrence of bad debt expense of P12.3M, impairment losses of P1.1M, increase in professional fees of P4.4M offsetted by a P10.4M reduction in Other expenses.

The Registrant's operations for 2008 resulted in a net income of P79.2M vs. a loss of P27.2M in 2007 due to the sale of its investment in Shiun Tung allowing it to have a gain on sale of P39.7M and a recovery of impairment losses of 68.1M. However, the Registrant shared equity losses of its associates amounting to P9.6M.

Material Changes in the Financial Statements (2008 vs. 2007)

11% decrease in Financial assets at fair value through profit and loss – mainly due to fair value adjustment.

97% increase in Notes and other receivables, net – mainly due to increase in interest bearing advances to IRC for 2008 amounting to P110M inclusive of interest coupled with the net effect of the sale of Shiun Tung investment amounting to P41M and reduced by the cancellation of subscription with the amount previously received as deposits applied against the Group's advances to concerned stockholders amounting to P47M.

42% increase in Prepayments – mainly due to increase in Input VAT and prepaid taxes.

100% decrease in Available-for-sale securities – mainly due to the sale of the Registrant's investment in Shiun Tung.

20% decrease in Investments in associates – due share in equity losses of associates.

309% increase in Property and equipment – due to the acquisition of Furniture, fixtures, office and communication equipment and Construction in progress pertaining to the renovation of the office of the Registrant (see Note 11 of Notes to Financial Statements).

6% decrease in Investment Properties – due to the annual depreciation of the Rufino Pacific Tower condominium units.

19% increase in Borrowings – due mainly to the additional borrowings carrying an interest of 18% per annum.

44% decrease in Trade and Other Payables – due mainly to the effect of the sale of Shiun Tung investment.

19% decrease in Deposits for Future Subscriptions – due to the cancellation of subscription with the amount previously received as deposits applied against the Group's advances to concerned stockholders.

100% decrease in Accumulated Translation Adjustments – due to the sale of the investment in Shiun Tung.

100% decrease in Revaluation Reserves – due to the sale of the investment in Shiun Tung that holds the First Steamship shares.

Item 7 – Financial Statements

The audited consolidated financial statements of the Registrant as of and for the year ended December 31, 2010, as listed in the accompanying Index to Financial Statements and Supplementary Schedules, are filed as part of this Form 17-A.

The financial statements attached to the report include the audited balance sheets, statements of income, statements of changes in equity, statements of cash flows and the notes to the financial statements. Such reports form part of our attachment to our SEC Annual Report Form 17-A.

Item 8 – Independent Public Accountants

(a) Audit and Audit-Related Fees

There were no disagreements with the auditors with respect to accounting principles and practices, financial disclosures, or auditing scope or procedures. As in previous years, representatives of the Registrant's auditors are expected to be present at this year's annual stockholders' meeting, available to respond to questions that may be asked by the stockholders. The said auditors will have the opportunity to make a statement if they desire to do so.

The external auditors charged the Company and its subsidiaries an aggregate amount of P.9M for the last two (2) calendar years ending December 31, 2010 and 2009.

(b) Tax Fees

There were routinary professional services rendered by the external auditors for tax accounting, compliance, advice, planning and any other form of tax services in each of the last two (2) calendar years ending December 31, 2010 and 2009. The fees for these services are included in the Audit and Audit-Related Fees mentioned above.

Tax consultancy services are secured from entities other than the external auditors.

(c) All Other Fees

There were no other professional services rendered by the external auditors during the period.

(d) Company Policy in Appointment of Independent Auditor

The President and the Treasurer recommend to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors approves their recommendation.

PART III -- CONTROL AND COMPENSATION INFORMATION

Item 9 – Directors and Executive Officers

A. **DIRECTORS –** The names, ages, terms of office, business experience for the last five years, directorship in other companies of the directors of the Registrant are as follows:

Atty. Roberto V. San Jose, Director, Chairman of the Board - He was elected Chairman of the Board in 2003, or for more than 5 years now. He has been a member of the Board of Directors as early as 1991, or for more than five years now. He is a consultant of the Castillo Laman Tan Pantaleon & San Jose Law Offices and a Director or Officer of the following companies: Anglo Philippine Holdings Corporation, Alsons Consolidated Resources Corporation, Philweb Corporation, CP Group of Companies, Carlos Palanca Foundation, Inc., MAA Consultants, Inc., Solid Group Inc., United Paragon Mining Corporation, The Metropolitan Club, Inc. and various client corporations of their law firm. Attorney San Jose, a Filipino, is 69 years old.

Esteban G. Peña Sy, Director and President - He was elected as Director and President on Nov. 1, 2006 and has served as such for more than three years now**.** He graduated from the University of the Philippines in 1968 with the degree of A.B. Economics and completed the Program for Management Development at Harvard Business School in 1982. He was the Managing Director of Pan Asian Management Ltd. And AI Financial Services Ltd., which are management and investment consultancy firms based in Hongkong, and Pan Asian Oasis Telecom Ltd. that operates joint venture factories engaged in the manufacture of communication and fiber optic cables in China. His previous work experience includes the following: Asst. Secretary General of the Federation of Filipino-Chinese Chambers of Commerce and Industry from 1971-1979 and Executive Director from 1980-1986; various positions in the Ayala Group of Companies from 1979-1984. Mr. Peña Sy, a Filipino citizen, is 64 years old

Wong Peng Chong, Director - Mr. Wong Peng Chong is currently a director of Interport Resources Corporation and an executive director of COL Capital Limited. Mr. Wong is also an executive director and vice-president of Shanghai Allied Cement Limited. Upon his graduation from the University of Malaya in 1967 with a degree of Bachelor of Arts (Honours), he joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in publicly listed companies in Hong Kong, Malaysia and the Philippines. Mr. Wong, a Malaysian citizen, is 67 years old.

Atty. Delfin P. Angcao, Director and Corporate Secretary - He holds the position since 1995, or for more than five years now. A partner at the Castillo Laman Tan

Pantaleon & San Jose Law Offices (CLTPSJ) since the year 2000. He was a junior associate with CLTPSJ from 1995 to 1997. He climbed up to being a Senior Associate from 1997 to 2000. He was a former associate at the San Jose, Enriquez, Lacas, Santos, Borje & Vendero from 1992 to 1995. His other business experience in the last 5 years are as follows: director and/or Corporate/Asst. Corporate Secretary of various client corporations of CLTPSJ namely: United Paragon Mining Corporation, The Manila Southwoods Golf & Country Club, Inc., and Golden Valley Exploration Corporation. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Attorney Angcao, a Filipino, is 53 years old.

Atty. Ana Maria Katigbak, Director and Assistant Corporate Secretary – She holds the position of Assistant Corporate Secretary since 1999, or for more than five years now. She held the position of a director for seven years, or from 1999 to October 31, 2006, and then from June 27, 2007 up to the present. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws and Bachelor of Arts in Comparative Literature (Cum Laude) at the University of the Philippines, she is currently a partner at the Castillo Laman Tan Pantaleon San Jose Law Offices. Her other business experience in the last 5 years are as follows: assistant corporate secretary of publicly-listed companies and registered membership clubs such as: Boulevard Holdings, Inc., Premier Entertainment Productions, Inc., Solid Group, Inc., The Metropolitan Club, Inc., AJO.net Holdings, Inc. and PhilWeb.Corporation. She is also a lecturer at the Thames International Business School, Philippine Campus. Atty. Katigbak, a Filipino, is 42 years old.

Rodrigo B. Supeña, Independent Director - Mr. Rodrigo B. Supeña has been elected as Independent Director of the Company since March 31, 2009, and has served as such for more than two years now . Mr. Supeña, a seasoned banker who previously held various key positions in Land Bank of the Philippines and Bank of the Philippine Islands, is currently a Consultant of Land Bank of the Philippines and a Board Member of LBP Leasing Corporation. Mr. Supeña, a Filipino, is 71 years old.

Steven Gamboa Virata, Independent Director – He joined the Company in 2001 and has served as such for more than five years now. A degree holder of B.S. Architecture from the University of the Philippines, he has more than 10 years experience in the aviation industry, marketing, architecture, graphic design and production, theater industry and farm management. His other business experiences in the last 5 years are as follows: currently, he is a Director of C. Virata and Associates, ATAR-IV, Inc., Chilco Holdings Inc., and V.L. Araneta Properties, Inc. He was elected last year and is nominated this year, as an independent director. Mr. Virata, a Filipino, is 53 years old.

Messrs. Rodrigo B. Supeña and Steven G. Virata were elected as the Company's independent directors at the last annual stockholders' meeting held on July 1, 2010.

INDEPENDENT DIRECTORS

In compliance with SRC Rule 38 which provides for the guidelines on the nomination and election of independent directors, a Nomination Committee has been created with the following as members:

1. Wong Peng Chong - Chairman
2. Rodrigo B. Supeña - Independent director member
3. Steven G. Virata - Independent director member
4. Araceli C. Molina - Non-director member

Under the Company's Manual of Corporate Governance, the members of the Nomination Committee shall consist of two directors, one of whom is an independent director, and one non-director who is an officer of the Company. The Nomination Committee was tasked to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed in the said SEC Memo Circular and the Company's Code of Corporate Governance, and to prepare and to make available to the SEC and the stockholders before the stockholders' meeting a Final List of Candidates as required in the said SEC Memo Circular.

In compliance with SRC Rule 38, hereunder is the Final List of Candidates for Independent Directors of Mabuhay Holdings Corporation for the term 2011-2012 based on nominations received and pre-screened by the Nomination Committee:

Name of Candidate	**Nominated By**
Mr. Rodrigo B. Supeña	Mr. Esteban G. Peña Sy
Mr. Steven G. Virata	Mr. Esteban G. Peña Sy

Mr. Peña Sy, presently a stockholder and the incumbent President of Mabuhay Holdings Corporation, is not related to any of his above-mentioned nominees.

Information about said candidates as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12 are as contained in this item 5.

To comply with the Notice of the Securities and Exchange Commission (SEC) dated October 20, 2006, the independent directors shall be requested to submit to the SEC within thirty (30) days from their elections their respective Certificates of Qualification as independent director in the form prescribed by the SEC.

The stockholders and the board of directors of the Company have on May 20, 2008 duly approved to amend the Company's By-Laws by inserting a new provision therein relating to the procedure on nomination and election of independent directors as required under SRC Rule 38 of the Implementing Rules and Regulations of the Securities Regulations Code. The amended By-Laws is yet to be filed with and approved by the SEC.

B. EXECUTIVE OFFICERS/CONTROL PERSONS

Esteban G Peña Sy, President - See foregoing Director's Profile.

Araceli C. Molina, Corporate Treasurer – effective August, 2004. Also acts as the Chief Financial Officer of the group; a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants, has been for several years connected with listed companies such as Vulcan Industrial and Mining Corporation, A Brown Company, etc**..** Her past affiliations cover dealings with banks and other financial institutions, the Philippine Stock Exchange, Inc., and government agencies such as the Department of Energy, Securities and Exchange Commission and Bureau of Internal Revenue. Miss Molina, a Filipino, is 54 years old.

All the directors and executive officers named above were elected to their positions for a term of one (1) year and to serve as such until their successors are elected and qualified.

None of the directors and officers of the Company was involved in the past five years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

No directors and officers are related to the extent of the fourth civil degree either by consanguinity or affinity.

There is no other person aside from those listed under Directors and Executive Officers who makes a significant contribution to the business.

Except for the above directors and officers, the Registrant has no significant employees (as the term is defined under the SRC and its implementing rules and regulations).

Item 10 – Executive Compensation

DIRECTORS

The Directors receive P1,000 as per diem transportation allowance for every board meeting.

EXECUTIVE OFFICERS

The annual compensation of the Company’s directors and executive officers for the last two (2) fiscal years and the ensuing year 2011 (estimate) are as follows:

Executive Officer	Position	Salary			Bonus	Other Annual Compensation
		2011 (Estimate)	2010	2009		
Roberto V. San Jose	Chairman of the Board					
Esteban G. Peña Sy	President					
Delfin P. Angcao	Director					
Steven G. Virata	Director					
Rodrigo B. Supeña	Director					
Araceli C. Molina	Treasurer					
Agnes Marie R. Lopez-Villano (until 2009)	Personnel & Administration Manager					
Total of all above named directors & officers as a group		P4.41M	P4.41M	P4.16M	None	None

Directors receiving compensation were either employed as officers of the Company receiving fixed monthly salary or receiving reimbursement of representation expenses incurred from time to time.

Directors and executive officers employed by the Company, receiving fixed monthly salary (*see table above*) are Atty. Roberto V. San Jose, Atty. Delfin P. Angcao, Mr. Esteban G. Peña Sy, Mr. Steven G. Virata, Mr. Rodrigo B. Supeña and Ms. Araceli C. Molina. The Company has only two officers.

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

Item 11 – Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Stockholders owning more than 5% of the Registrant's shares of stocks as of December 31, 2010:

Title of Class	Name And Address Of Record Owner And Relationship With Issuer	Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation* G/F MSE Building 6767Ayala Avenue, Makati City	B. A. Securities *	Filipino	230,295,998	19.19
Common	Prokey Investment Ltd.** c/o Mabuhay Holdings Corporation: 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223	Esteban G. Peña Sy, President of Registrant	Filipino	351,289,763	29.27
Common	PCD Nominee Corporation* G/F MSE Building 6767Ayala Avenue, Makati City	B. A. Securities*	Other Alien	359,189,000	29.93
TOTAL				940,774,761	78.39

* Out of the total shares held by PCD, 60,624,106 shares classified as Domestic and 350,248,000 shares classified as Foreign are in the name of B. A. Securities, Inc. This bank is the only participant under the PCD that owns 5% or more of the Company's voting stock. While in the past year, Atty. Roberto V. San Jose, the Chairman of the Meeting was appointed proxy for 224,579,000 shares in the name of Standard Chartered Bank, and 185,308,106 shares in the name of B. A. Securities, Inc., Registrant is not aware of the identity of its new proxy, if any, entitled to vote in the forthcoming annual stockholders' meeting.

** Prokey Investment Ltd. (Prokey) is a 100% Filipino-owned company registered in the British Virgin Islands and licensed by the SEC on March 15, 2010 to operate a representative office in the Philippines. Mr. Esteban Peña Sy, President of the Registrant and the owner of Prokey will exercise his right to vote for these shares.

(2) Security Ownership of Management.

The following directors and officers are record/beneficial (R/B) owners of the Registrant's shares as indicated opposite their names as of December 31, 2010:

Title of Class	Nameof Beneficial Owner	Amount and Nature of Beneficial Ownership			Citizenship	Percent of Ownership
		Shares	Amount	Nature		
Common	Roberto V. San Jose Director/Chairman of the Board	600	600	R & B	Filipino	0
Common	Esteban G. Peña Sy	353,779,813	353,779,813	R & B	Filipino	29.48
Common	Delfin P. Angcao Director/Corp. Secretary	691	691	R & B	Filipino	0
Common	Steven G.Virata Director	100	100	R	Filipino	0
Common	Rodrigo B. Supeña	50	50	R	Filipino	0
Common	Ana Maria A. Katigbak Director/Asst. Corp. Secretary	50	100	R	Filipino	0
Common	Wong Peng Chong	50	50	R	Malaysian	0
Common	Kong Muk Yin	50	50	R	HK Chinese	0
Common	Araceli C. Molina, Treasurer	50	50	R	Filipino	0
TOTAL		351,290,863	351,290,863			29.48

Item 12 – Certain Relationships and Related Transactions

There are no related party transactions other than those presented in Note 19 of the Notes to Consolidated Financial Statements attached herein.

PART IV – CORPORATE GOVERNANCE

Item 13 – Compliance with Leading Practice on Corporate Governance

The Company is committed to good corporate governance and continues to pursue efforts towards attaining full compliance with its Manual on Corporate Governance.

The Company has designated its VP-Treasurer and Chief Financial Officer, Ms. Araceli C. Molina, as Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of the Company's Manual on Corporate Governance.

The Company progressively develops a plan and timetable for compliance with certain leading practices and principles of good corporate governance, such as structured monitoring of compensation, benefits, succession planning and continuous training for management and key personnel on the leading practices of good corporate governance.

PART V -- EXHIBITS AND SCHEDULES

Item 14 – Exhibits and Reports on Form 17-C

A. **Exhibits --** The exhibits, as indicated in the Index to Exhibits, are either not applicable to the Company or require no answer.

B. **Report on SEC Form 17-C**

The following current reports have been reported by Mabuhay Holdings Corporation during the year 2010 through official disclosure letters dated:

Date	Disclosures
March 22, 2010	Loan agreement with Join Capital Limited
April 15, 2010	Extension of additional loan to Interport Resources Corporation
	Setting of the 2010 Annual Stockholders' Meeting
May 25, 2010	Loan agreement with Join Capital Limited
July 1, 2010	Election of Directors for the term 2010-2011
	Appointment of Isla Lipana & Co. as external auditors
	Election of Officers and Corporate Governance Committee Members
November 25, 2010	Deed of Variation with Join Capital Limited

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporate Code, this report is signed on its behalf by the issuer by the undersigned, thereunto duly authorized, in the City of Makati, on April 13, 2011.

MABUHAY HOLDINGS CORPORATION
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated:

By:
Board of Directors and Officers:

ROBERTO V. SAN JOSE
Chairman of the Board

ESTEBAN G. PEÑA SY
Director and President

DELFIN P. ANGCAO
Director and Corporate Secretary

ARACELI C. MOLINA
Treasurer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

SUBSCRIBED AND SWORN TO before me, a Notary Public, for and in Makati City, this 13th day of April 2011, exhibiting to me their Community Tax Certificates/Passports, as follows:

Affiant	CTC No. / Passport No.	Date of Issue	Place of Issue
Roberto V. San Jose	05973657	January 25, 2011	Makati City
Esteban G. Peña Sy	05947787	January 12, 2011	Makati City
Delfin P. Angcao	05973668	January 25, 2011	Makati City
Araceli C. Molina	05977898	January 28, 2011	Makati City

DOC. NO.: 946 ;
PAGE NO.: 95 ;
BOOK NO.: XII ;
SERIES OF 2011 .

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2011
ROLL OF ATTORNEY 40091
MCLE COMPLIANCE NO. III-0014282
IBP NO. 656155 – LIFETIME MEMBER
PTR NO. 2641658 JAN. 3, 2011 MAKATI CITY

MABUHAY HOLDINGS CORPORATION

INDEX TO EXHIBITS
SEC FORM 17-A

* Either not applicable to the Company or requires no answer

SUBSIDIARIES OF THE REGISTRANT

The following are the subsidiaries of the Registrant over which it exercises considerable control:

A. Wholly-owned subsidiaries

T & M Holdings, Incorporated
M & M Holdings Corporation
Shiun-Tung Investment Company, Ltd. (sold in 2008)

B. Others

Subsidiary	Ownership
The Taal Company, Incorporated (TTCI)	29.97
Tagaytay Properties and Holdings Corporation	26.04
Mindanao Appreciation Corporation	28.51
The Angeles Corporation	38.46
Interport Resources Corporation	43.99 (direct and indirect thru T&M Holdings Inc.)

MABUHAY HOLDINGS CORPORATION

INDEX TO SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

Page No.

Supplementary Schedules

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule A. Marketable Securities - (Investments in Listed Equity and Debt Securities)
December 31, 2010

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
AYALA LAND, INC.	100,000	1,646,000	1,646,000	-
GLOBE TELECOM, INC.	2,000	1,600,000	1,600,000	-
PHIL. REALTY A	1,900,000	1,387,000	1,387,000	-
AYALA CORPORATION	3,000	1,182,000	1,182,000	-
SPLASH CORPORATION	100,000	270,000	270,000	-
UNIWIDE HOLDINGS, INC.	1,410,000	190,350	190,350	-
BASIC ENERGY CORP.	1,110,000	183,150	183,150	-
MLA MINING CORP. "B"	6,859,551	157,770	157,770	-
MLA MINING CORP. "A"	5,924,345	136,260	136,260	-
FILINVEST LAND, INC.	84,250	110,368	110,368	-
RFM CORPORATION	40,000	69,600	69,600	-
MUSX CORPORATION	623,000	44,856	44,856	-
CHEMREZ TECH. INC.	15,000	37,500	37,500	-
AYALA CORPORATION	58	22,852	22,852	-
UNITED P. MINING CORP.	750,000	12,000	12,000	-
FIL-ESTATE LAND INC.	6,850	10,001	10,001	-
NAT"L REINS. CORP.	5,000	9,050	9,050	-
SWIFT FOOD INC.	44,621	7,764	7,764	-
GMA NETWORK,INC.	1,000	7,200	7,200	-
ALCORN GOLD RES.CORP	500,000	6,000	6,000	-
BDO UNIBANK, INC.	90	5,265	5,265	-
VULCAN INDUSTRIAL	5,000	4,050	4,050	-
FILIPINO FUND INC.	157	1,091	1,091	-
ANSCOR	190	587	587	-
BASIC(PET.B)CONSO.INC	3,300	545	545	-
TOTAL	19,487,412	7,101,258	7,101,258	-

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other Than Related Parties)
December 31, 2010

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

NOT APPLICABLE

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule C. Current Marketable Equity Securities,
Other Long-term Investments in Stock, and Other Investments
December 31, 2010

Name of issuing entity and description of investments	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Other	Number of shares or principal amounts of bonds and notes	Amount In Pesos	Dividends received from investments not accounted for by the equity method

NOT APPLICABLE

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule D. Indebtedness of Unconsolidated Subsidiaries and Related Parties
December 31, 2010

Name of related parties	Balance at beginning of period	Balance at the end of period
Interport Resources Corporation		
Principal	201,555,546	126,840,600
Interest	71,339,664	100,315,703
	272,895,210	227,156,303

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule E. Intangible Assets - Other Assets
December 31, 2010

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending
			NOT APPLICABLE			

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule F. Long-Term Debt
December 31, 2010

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related balance sheet	Amount shown under caption “Long-term Debt” in related balance sheet
NOT APPLICABLE			

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule G. Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2010

Name of related party	Balance at beginning of period	Balance at the end of period
	NOT APPLICABLE	

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule H. Guarantees of Securities of Other Issuers
December 31, 2010

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed.	Nature of guarantee
		NOT APPLICABLE		

MABUHAY CORPORATION AND SUBSIDIARIES

Schedule I. Capital Stock
December 31, 2010

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others

See note 15 of the audited financial statements

MABUHAY
HOLDINGS CORPORATION

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

The management of **MABUHAY HOLDINGS CORPORATION and Subsidiaries** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2010 and 2009. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company. Isla Lipana & Co., the independent auditors appointed by the Board of Directors, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation in accordance with Philippine Financial Reporting Standards upon completion of such examination, in its report to stockholders.

ROBERTO V. SAN JOSE
Chairman of the Board of Directors

ESTEBAN G. PEÑA SY
President

ARACELI C. MOLINA
VP/Treasurer
(Also acting as the Company's Chief Financial Officer)

35TH FLOOR, RUFINO PACIFIC TOWER, 6784 AYALA AVENUE, MAKATI CITY 1223, PHILIPPINES
TEL NO. (632) 750-2000 FAX NO. (632) 751-0773

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

SUBSCRIBED AND SWORN TO before me, a Notary Public, for and in Makati City, this 12th day of April 2011, affiants exhibiting to me their Community Tax Certificates/Passports, as follows:

Affiant	CTC No./ Passport No.	Date of Issue	Place of Issue
Roberto V. San Jose	05973657	January 25, 2011	Makati City
Esteban G. Peña Sy	05947787	January 12, 2011	Makati City
Araceli C. Molina	05977898	January 28, 2011	Makati City

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2011
ROLL OF ATTORNEY 40091
MCLE COMPLIANCE NO. III-0014282
IBP NO. 656155 – LIFETIME MEMBER
PTR NO. 2641658 JAN. 3, 2011 MAKATI CITY

Doc. No. 148
Page No. 31
Book No. XIII
Series of 2011

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Financial Statements
As of and for each of the three years in the period ended December 31, 2010

pwc

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Mabuhay Holdings Corporation
35 Floor, Rufino Pacific Tower
6784 Ayala Avenue
Makati City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mabuhay Holdings Corporation and its Subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2010 and 2009, and the consolidated statements of total comprehensive income, statements of changes in equity and statement of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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.

Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Mabuhay Holdings Corporation
Page 2

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates that the Group has incurred continuous losses in prior years and has an accumulated losses of P694,344,741 and P820,791,366 as of December 31, 2010 and 2009, respectively. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Management plans in regard to this matter are also disclosed in Note 1 of the financial statements.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on Schedules A, B, C, D, E, F, G, H, and I is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information, as required by Securities Regulation Code (SRC) Rule 68.1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Roderick M. Danao
Partner

CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 04, 2011, Makati City
SEC A.N. (individual) as general auditors 0791-A
SEC A.N. (firm) as general auditors 0009-FR-2
TIN 152-015-078
BIR A.N. 08-000745-42-2008, issued on December 1, 2008; effective until December 2, 2011
BOA/PRC Reg. No. 0142, effective until December 31, 2013

Makati City
April 14, 2011

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Balance Sheets
December 31, 2010 and 2009
(All amounts in Philippine Peso)

	Notes	2010	2009
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	6	25,193,094	1,885,133
Financial assets at fair value through profit or loss	7	7,101,258	2,904,840
Notes and other receivables, net	8	224,088,686	270,037,668
Prepayments	17	3,405,219	2,358,618
Total current assets		259,788,257	277,186,259
NON-CURRENT ASSETS			
Investments in associates	9	346,132,252	35,928,040
Property and equipment, net	10	9,471,773	10,361,049
Investment properties	11	26,499,876	28,673,921
Other non-current assets	12	204,901	305,250
Total non-current assets		382,308,802	75,268,260
Total assets		642,097,059	352,454,519
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Borrowings	13	181,183,009	30,416,144
Accrued expenses and other payables	14	55,016,460	43,151,430
Due to related parties	19	9,399,040	13,313,820
Deferred tax liability - current		3,156,877	-
Subscriptions payable		2,500	-
Total current liabilities		248,757,886	86,881,394
EQUITY	15		
Capital attributable to Parent Company's equityholders			
Share capital		939,484,053	939,484,053
Treasury shares		(61,782,864)	(61,782,864)
Deposits on future subscriptions		194,695,275	194,695,275
Deficit		(694,344,741)	(820,791,366)
		378,051,723	251,605,098
Non-controlling interest		15,287,450	13,968,027
Total equity		393,339,173	265,573,125
Total liabilities and equity		642,097,059	352,454,519

The notes on pages 1 to 33 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2010
(All amounts in Philippine Peso)

	Notes	2010	2009	2008
REVENUES				
Rental	11,20	4,263,674	5,921,012	3,648,283
OPERATING EXPENSES				
Salaries and employee benefits	21	3,782,471	3,127,554	3,145,910
Depreciation and amortization	10,11	2,925,710	2,779,501	1,952,181
Professional fees		1,189,005	2,153,216	5,757,281
Impairment loss	8,9,16	-	-	13,351,916
Others	16	7,552,219	5,057,325	10,456,780
		15,449,405	13,117,596	34,664,068
LOSS FROM OPERATIONS		11,185,731	7,196,584	31,015,785
OTHER INCOME (EXPENSES)				
Finance income, net				
Interest income	8	29,259,251	32,305,278	10,193,017
Interest expense	13	(21,387,208)	(3,088,783)	(2,910,511)
Recovery of impairment losses	9	64,364,636	-	-
Share in net earnings (losses) of associates	9	54,089,083	(20,684,273)	(9,639,704)
Foreign exchange gains, net		10,308,181	1,291,049	4,995,694
Gain (loss) on disposal of assets	22	4,729,379	(512,882)	107,822,377
Unrealized gain (loss) on securities	7	588,075	2,329,923	(2,709,748)
Others		158,476	792,916	2,709,748
		142,109,873	12,433,228	110,460,873
INCOME BEFORE INCOME TAX		130,924,142	5,236,644	79,445,088
PROVISION FOR (BENEFIT FROM) INCOME TAX	17	(3,158,094)	763,337	217,223
NET INCOME FOR THE YEAR		127,766,048	4,473,307	79,227,865
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		127,766,048	4,473,307	79,227,865
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	18	0.1110	0.0167	0.0717
Net income attributable to:				
Equity holders of the Parent Company		126,446,625	19,050,211	81,668,740
Non-controlling interest		1,319,423	(14,576,904)	(2,440,875)
		127,766,048	4,473,307	79,227,865
Total comprehensive income attributable to:				
Equity holders of the Parent Company		126,446,625	19,050,211	81,668,740
Non-controlling interest		1,319,423	(14,576,904)	(2,440,875)
		127,766,048	4,473,307	79,227,865

The notes on pages 1 to 33 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2010
(All amounts in Philippine Peso)

	Equity Holders of the Company						
	Share capital (Note 15)	Treasury shares (Note 15)	Deposits on future subscriptions (Note 15)	Revaluation reserves	Deficit	Non-controlling interest	Total
Balances at January 1, 2008	939,484,053	(61,782,864)	241,620,861	517,035,382	(921,510,317)	30,985,806	745,832,921
Cancellation of deposits for future subscription	-	-	(46,925,586)	-	-	-	(46,925,586)
Total comprehensive income for the year	-	-	-	-	81,668,740	(2,440,875)	79,227,865
Fair value reserve recycled to profit and loss	-	-	-	(517,035,382)	-	-	(517,035,382)
Balances at January 1, 2009	939,484,053	(61,782,864)	194,695,275	-	(839,841,577)	28,544,931	261,099,818
Total comprehensive income for the year	-	-	-	-	19,050,211	(14,576,904)	4,473,307
Balances at January 1, 2010	939,484,053	(61,782,864)	194,695,275	-	(820,791,366)	13,968,027	265,573,125
Total comprehensive income for the year	-	-	-	-	126,446,625	1,319,423	127,766,048
Balances at December 31, 2010	939,484,053	(61,782,864)	194,695,275	-	(694,344,741)	15,287,450	393,339,173

The notes on pages 1 to 33 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Consolidated of Statements of Cash Flows
For each of the three years in the period ended December 31, 2010
(All amounts in Philippine Peso)

	Notes	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		130,924,142	5,236,644	79,445,088
Adjustments for:				
Share in net (earnings) losses of associates	9	(54,089,083)	20,684,273	9,639,704
Recovery of impairment losses		(64,364,636)	-	-
Impairment losses		-	-	13,351,916
Unrealized (gain) loss on securities	7	(588,075)	(2,329,923)	2,709,748
Depreciation and amortization	10,11	2,925,710	2,779,501	1,952,181
Unrealised foreign exchange gain		(10,522,923)	-	-
Interest expense		21,387,208	3,088,782	2,910,511
Interest income	8	(29,259,251)	(32,305,277)	(10,193,017)
Loss (gain) on sale of assets	22	(4,729,379)	512,882	(107,822,377)
Operating loss before working capital changes		(8,316,287)	(2,333,118)	(8,006,246)
Decrease (increase) in:				
Notes and other receivables	8	74,925,022	(4,740,007)	(95,243,221)
Prepaid expenses		(1,046,601)	146,443	(925,194)
Other non-current assets		100,348	(154,081)	(1,031,502)
Increase (decrease) in:				
Accrued expenses and other payables		5,936,018	1,045,091	2,980,570
Due to related parties		(3,914,780)	121,600	8,858,109
Cash generated from (used in) operations		67,683,720	(5,914,072)	(93,367,484)
Interest received		283,211	-	-
Income tax paid		(1,010,404)	(104,833)	-
Net cash generated from (used in) operating activities		66,956,527	(6,018,905)	(93,367,484)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investment in associates		(191,750,492)	-	-
Acquisitions of property and equipment	10	(424,898)	(384,629)	(5,009,707)
Proceeds from disposals of property and equipment		9	-	2,503,306
Net increase in financial asset at fair value through profit or loss		(1,816,464)	(291,658)	(1,118,517)
Proceeds from disposal of investment and properties	22	3,500,000	4,750,000	-
Proceeds from disposal of available-for-sale securities		-	-	89,347,580
Net cash (used in) provided by investing activities		(190,491,845)	4,073,713	85,722,662
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	13	175,309,033	-	7,463,578
Payment of borrowings		(14,019,245)	-	-
Subscription payable		2,500	-	-
Interest paid		(14,449,009)	-	-
Net cash provided by financing activities		146,843,279	-	7,463,578
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		23,307,961	(1,945,192)	(181,244)
CASH ON HAND AND IN BANKS				
January 1		1,885,133	3,830,325	4,011,569
December 31		25,193,094	1,885,133	3,830,325

The notes on pages 1 to 33 are an integral part of these financial statements.

Mabuhay Holdings Corporation and Subsidiaries

Notes to Financial Statements
As of and for each of the three years in the period ended December 31, 2010
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Mabuhay Holdings Corporation (the “Company” or “Parent Company”) was incorporated in the Philippines on April 6, 1988 primarily to engage in the acquisition of and disposition of investments in marketable securities, shares of stocks and real estate properties. The Parent Company is 29.3% owned by Prokey Investments Limited, a 100% Filipino-owned company registered in the British Virgin Islands and licensed by the Securities and Exchange Commission (SEC) on March 15, 2010 to operate a representative office in the Philippines. The remaining 70.7% is owned by various individuals and corporations. The Parent Company’s common shares were listed in the Philippine Stock Exchange (PSE) in 1990.

The Company and its subsidiaries have no commercial operations as of December 31, 2010 and 2009. The subsidiaries’ operations consist mainly of monitoring and maintenance of existing investments and recognition of interest income on their cash deposits in banks. The Parent Company, in addition to interest income on cash deposits in banks, earns revenue through rental of its condominium units and interest income on notes receivable from a related party.

The Group’s main focus is to support the ongoing property developments of its large associate, Interport Resources Corporation (IRC). IRC is in the process of developing a large property in Binangonan and was able to generate P399 million cash in 2010 through stock rights offering. These ongoing property developments of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

The Group has incurred accumulated losses amounting to P686.98 million and P820.79 million as of December 31, 2010 and 2009, respectively. Also, the recoverability of the Group’s assets consisting mainly of notes and other receivables, available-for-sale securities, investments in associates and investment properties, as well as the Group’s ability to settle its liabilities, are dependent upon the success of future operations of the Group and its associate, IRC. The management of the Parent Company has plans to sell some assets and pursue the development of its investment properties as well as the real properties of its subsidiaries and affiliated companies and to enter into joint ventures. The outcome of these plans cannot be presently determined. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The registered office of the Group is at 35/F Rufino Pacific Tower, Ayala Avenue, Makati City.

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on April 12, 2011.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippines Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale investments included in other non-current assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 5.

(a) Amendments and interpretations to existing standards effective 1 January 2010 but are not currently relevant to the Group

The following amendments to existing standards and interpretations have been published and are effective for the accounting periods beginning on or after 1 January 2010:

- PFRS 2 (Amendment), Group Cash-settled Share-based Payment Transactions (effective 1 January 2010). In addition to incorporating Philippine Interpretation IFRIC 8, Scope of PFRS 2, and Philippine Interpretation IFRIC 11, PFRS 2 - Group and Treasury Share Transactions, the amendments expand on the guidance in Philippine Interpretation IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The adoption of this amendment currently has no significant impact to the consolidated financial statements since the Group does not have cash-settled share-based payment transactions.

- PFRS 3 (Revised), Business Combinations, and consequential amendments to PAS 27, Consolidated and Separate Financial Statements, PAS 28, Investments in Associates, and PAS 31, Interests in Joint Ventures, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with PFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statements of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. There adoption of this amendment has no impact to the Group as there is no business combination during the year.

PAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The adoption of this revision did not have an impact to the Group since the Group did not engage in a business combination during the year.

- Philippine Interpretation IFRIC 17, Distribution of Non-cash Assets to Owners (effective on or after 1 July 2009). This interpretation addresses accounting by an entity that makes a non-cash asset distribution to owners. An entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. If an entity gives its owner a choice of receiving either a non-cash asset or a cash alternative, the entity shall estimate the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative. At the end of each reporting period and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognized in equity as adjustment to the amount of the distribution. The adoption of this interpretation did not have impact to the consolidated financial statements since the Group has no distribution of non-cash assets to owners.

2009 Improvements to PFRS (effective for annual period on or after 1 January 2010)

The following are the relevant improvements to PFRS which contains amendments that result in changes in presentation, recognition and measurement. It also includes amendments that are terminology or editorial changes only which have either minimal or no effect on accounting (effective 1 January 2010). This amendment is part of the IASB's annual improvements project published in April 2009. The adoption of these improvements did not have a significant impact on the consolidated financial statements.

- PAS 1, Presentation of Financial Statements (effective 1 January 2010). The amendment clarifies that the classification of potential settlement of a liability by issuing an equity is not relevant to its classification as current or non-current. The definition of current liability is amended which permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- PAS 7, Statement of Cash Flows (effective 1 January 2010). This amendment requires that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities.

- PAS 17, Lease (effective 1 January 2010). This amendment deleted the specific guidance regarding the classification of leases of land as operating lease. It also eliminates the inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of PAS 17.

- PAS 36 (Amendment), Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). This amendment is to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined in PFRS 8, Operating Segments.

- PAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010), the following are the amendments:

  - Clarifies that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.
  - Amended the scope exemption in PAS 39, Financial Instruments: Recognition and Measurement to clarify that:
    1. it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at future date;
    2. the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and
    3. the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.
  - Amendment to clarify when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.
  - Amendment to clarify that entities should no longer use hedge accounting for transactions between segments in their separate financial statements.

- PFRS 2, Share-based Payment (effective from annual period 1 July 2010), The amendment clarifies that in addition to business combinations as defined by PFRS 3, Business Combination, contributions of a business on formation of a joint ventures and common control transactions are excluded from the scope of PFRS 2, Share-based Payment.

- PFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations (effective 1 January 2010). This amendment clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other PFRS do not apply to such assets (disposal groups) unless:

  - Those PFRS require disclosure in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or
  - The disclosure relates to the measurement of assets or liabilities within a disposal group that are outside the scope of PFRS 5, measurement requirements and the information is not disclosed elsewhere in the consolidated financial statements.

- PFRS 8, Operating Segment (effective 1 January 2010). The amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.

- Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives and PAS 39, Financial Instruments: Recognition and Measurement (effective on or after 1 July 2009). This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.
- Philippine Interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective on or after 1 July 2009). This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities, 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. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels.

(b) Interpretation to an existing standard that is effective for the annual periods beginning January 1, 2010 but not considered relevant to the Group's operations and consolidated financial statements

- PFRS 1 (Amendment), First-time Adoption of Philippine Financial Reporting Standards (effective on or after 1 July 2011)
- Philippine Interpretation IFRIC 18, Transfers of Assets from Customers, (effective on or after 1 July 2009)

(c) Amendments and interpretations to existing standards that are not yet effective and not early adopted by the Group

The Group's assessment of the impact of these new standards, amendments and interpretations is set out below.

- PAS 24 (Revised), Related Party Disclosures (effective 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from January 1, 2011. When the revised standard is applied, the Group will need to disclose any transactions between its associates and other relate entities. The Group has a system in place to capture the necessary information.

- PAS 32 (Amendment), Financial Instruments: Presentation - Classification of Rights Issues (effective 1 February 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Group will apply the amended standard from 1 January 2011 but is not expected to have a significant impact on the consolidated financial statements.

- PFRS 7 (Amendment), Financial Instruments: Disclosures (effective 1 July 2011). The amendment requires the disclosure of information that enables the users of consolidated financial statements to understand the relationship between transferred financial assets that are derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entities continuing involvement in derecognized financial assets. The Group will apply these amendments for the financial reporting period commencing on 1 January 2012. It is not expected to have a significant impact on the consolidated financial statements.

- PFRS 9, Financial Instruments (effective 1 January 2013). This standard is the first step in the process to replace PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities and is likely to affect the Group's accounting for its financial assets and liabilities. The Group is yet to assess PFRS 9's full impact. Given that there are no complex financial instruments, this standard is not expected to have a material impact in the consolidated financial statements. However, it may impact the classification of the Group's financial instruments.

- Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment) (effective 1 January 2011). The amendment corrects an unintended consequence of Philippine Interpretations IFRIC 14. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when Philippine Interpretation IFRIC 14 was issued, and the amendment corrects this. The amendment should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011, but is not expected to have a significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (Effective 1 July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the consolidated financial statements.

2010 Improvements to PFRS (effective for annual period on or after 1 January 2011)

The following are the relevant improvements to PFRS which contains amendments that result in changes in presentation, recognition and measurement. It also includes amendments that are terminology or editorial changes only which have either minimal or no effect on accounting (effective 1 January 2011). This amendment is part of the IASB's annual improvements project published in August 2009. The adoption of these improvements will not have a significant impact on the consolidated financial statements.

- PAS 1, Presentation of Financial Statements (effective 1 January 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.

- PAS 27, Consolidated and Separate Financial Statements (effective 1 July 2010). The amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, The Effect of Changes in Foreign Exchange Rates', PAS 28, Investments in Associates', and PAS 31, Interests in Joint Ventures, apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when PAS 27 is applied earlier.

- PAS 34, Interim Financial Reporting (effective 1 January 2011). The amendment provides guidance to illustrate how to apply disclosure principles in PAS 34 and add disclosure requirements around:

  - The circumstances likely to affect fair values of financial instruments and their classification;
  - Transfers of financial instruments between different levels of the fair value hierarchy;
  - Changes in classification of financial assets; and
  - Changes in contingent liabilities and assets.

- PFRS 3, Business Combinations (effective 1 July 2010). The amendment clarifies that the amendments to PFRS 7, Financial Instruments: Disclosures, PAS 32, Financial Instruments: Presentation, and PAS 39, Financial instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

  The amendment also clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS.

  It also clarifies that the application guidance in PFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

- PFRS 7, Financial Instruments: Disclosures (effective 1 January 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- Philippines Interpretation IFRC 13, Customer Loyalty Program (effective 1 January 2011). The amendment clarifies the meaning of 'fair value' in the context of measuring award credits under customer loyalty program.

(d) Revision to existing standard that is not yet effective and not relevant to the Group

- PFRS 1 (Revised), First-time Adoption of Philippine Financial Reporting Standards (effective from 1 January 2011).

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2010 and 2009. The subsidiaries' financial statements are prepared using the same reporting year as the Parent Company. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

This consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as of December 31, 2010 and 2009:

Subsidiaries	Percentage of ownership		
	Direct	Indirect	Total
T&M Holdings, Inc. (TMHI)	100.00%	-	100.00%
M&M Holdings Corporation (MMHC)	100.00%	-	100.00%
Mindanao Appreciation Corporation (MAC)	28.51%	13.98%	42.49%
The Angeles Corporation (TAC)	38.46%	15.02%	53.48%
The Taal Company, Inc. (TTCI)	29.97%	14.49%	44.46%
Tagaytay Properties and Holding Corporation (TPHC)	26.04%	-	26.04%

All subsidiaries are domestic companies registered in the Philippines.

(e) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

MAC, TAC, TTCI and TPHC are consolidated because the Parent Company takes effective and absolute control over key decisions, operating strategies, and key policies of the entities. Consistent with PAS 27, the entities have been consolidated in the Group's financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share in the net assets acquired, the difference is recognized directly in profit or loss.

Intercompany transactions, balances and intragroup gains on transactions between the Group of companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The results of the subsidiaries acquired or disposed of during the year are included in profit or loss from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

TPHC holds interests in the companies listed above namely: (1) The Angeles Corporation, 57.69%; (2) The Taal Company, Inc., 55.64%; and (3) Mindanao Appreciation Corporation, 53.68%.

(b) Transactions with non-controlling interests

Interests in the equity of subsidiaries not attributable to the Parent Company are reported in the balance sheets as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the statement of total comprehensive income.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Parent Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the statements of total comprehensive income, and its share of post-acquisition movements in reserves is recognized in the statement of capital funds. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, it does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.3 Cash on hand and in banks

Cash consist of cash on hand and deposits at call with banks.

2.4 Financial assets

2.4.1 Classification of financial assets

The Group classifies its financial assets at initial recognition depending on the purpose for which the financial assets were acquired. As at reporting dates, the Group's financial assets are categorized as follows: (i) at fair value through profit or loss; (ii) loans and receivables and (iii) available-for-sale. There are no financial assets that are classified as held-to-maturity.

(a) Financial assets at fair value through profit or loss

The Group's financial assets falling under this category include listed equity securities (Note 7) that are held for trading.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that will mature more than 12 months after the balance sheet date. These are classified as non-current assets. Significant financial assets falling under this classification include cash in banks and financial receivables such as notes receivables and other receivables and refundable deposits.

(c) Available-for-sale financial assets

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

2.4.2 Initial recognition and measurement

Regular-way purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs on financial assets carried at fair value through profit or loss are expensed as incurred.

Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of profit or loss (as "Unrealized gain on securities") in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity (as "Net change in fair value of available-for-sale securities"), until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

2.4.3 Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

2.4.4 Impairment of financial assets

(i) Assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial 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 asset's original effective interest rate (recoverable amount). The calculation of recoverable amount of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale and fair value through profit and loss, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for the financial assets, 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 in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized on equity instruments are not reversed through profit or loss.

(iii) Financial assets at fair value through profit and loss

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as financial assets at fair value through profit and loss, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for the financial assets, 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 in profit or loss - is recognized immediately in profit or loss.

2.5 Financial liabilities

2.5.1 Classification and measurement of financial liabilities

The Group's financial liabilities include financial instruments that are carried at amortized cost. These include borrowings and trade and other payables, excluding provisions and payable to government agencies. The Group holds no financial liabilities classified at fair value through profit or loss.

2.5.2 Initial recognition and derecognition of financial liabilities

Financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired.

2.5.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the year in which they are incurred.

Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and fixtures	3 to 5 years
Office equipment	5 years
Office condominium	25 years
Communication and other equipment	5 years
Building improvements	10 years
Transportation equipment	5 years

Building and leasehold improvements are amortized over the life of its assets or lease term, whichever is shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

2.7 Investment properties

Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

Investment properties are stated at historical cost less accumulated depreciation and amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Investment properties are carried at cost less accumulated depreciation and less impairment, if any.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the financial period in which they are incurred.

Depreciation of building classified as investment property is calculated using the straight-line method over the estimated useful lives of 25 years.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset. This is recognized in the profit or loss.

Property that is being constructed or developed for future use as investment property is classified as investment property.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that are impaired are reviewed for possible reversal of the impairment at each reporting date.

2.9 Construction-in-progress

Construction-in-progress is stated at cost. This represents the accumulated costs for the construction of the projects. Construction-in-progress is transferred to property and equipment or investment property when completed and ready for its intended use.

2.10 Accrued expenses and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

2.11 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Until December 31, 2008, all borrowing costs are recognized and charged to operations in the year which they are incurred.

Effective January 1, 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred.

2.12 Revenue and expenses recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the Group and specific criteria have been met for each of its activities as described below.

(a) *Rental income*

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

(b) Interest income and expense

Interest income and expense are recognized in the profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

(c) *Other income*

Other income is recognized when earned.

(d) Expenses

Operating expenses are recognized when they are incurred.

2.13 Income tax

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

The Group reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax asset.

(c) Recent tax laws

On December 20, 2008, Revenue Regulations No. 16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of goods sold" and "cost of services" will be allowed to be deducted from gross sales.

On February 18, 2010, the BIR issued Revenue Regulations No. 2-2010. It requires a taxpayer who avails of the OSD in the first quarter of its taxable year to claim the same OSD in determining its taxable income for the rest of the year, including the final annual income tax return. Likewise, a taxpayer who avails of the itemized deduction in the first quarter of its taxable year or fails to file an income tax return for the first quarter of the taxable year shall have to claim the itemized deduction in determining the taxable income for the rest of the year, including the final income tax return. The amendment is applicable beginning annual period ended December 31, 2009.

The Group did not avail of the OSD for purposes of income tax calculation in 2010 and 2009.

2.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Share capital

(a) Common shares

Common shares are classified as equity.

(b) Treasury shares

Where any member of the Group purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's equity holders.

2.16 Leases

(a) The Group is the lessor

Properties leased out under operating leases are included in investment property in the consolidated balance sheets. Lease income is recognized over the term of the lease on a straight-line basis.

(b) The Group is the lessee

Leases, where a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the period of the lease.

2.17 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

2.18 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares in issue during the year. Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

There are no dilutive potential common shares as of December 31, 2010 and 2009.

2.19 Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Parent Company has determined its President as its chief operating decision maker.

In view of the current status of the Group's operation which is limited only to rental income and interest on loans, the performance of the Group is being assessed as a single unit. Consequently, detailed segment reporting as required under PFRS 8 is deemed not relevant.

2.20 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

2.21 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

2.22 Subsequent events (or events after the balance sheet date)

Post year-end events that provide additional information about the Group's 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 the consolidated financial statements when material.

Note 3 - Financial instruments and risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management, under the direction of the Board of Directors of the Group is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Group's financial performance due to the unpredictability of financial markets.

3.1 Market risk

a. Currency risk

The Group's exposure to currency risk relates only to the foreign currency denominated borrowings amounting to HK$5,000,000 (2009 - HK$3,000,000) and US$3,168,184 (2009 - nil) at December 31, 2010.

Comparing the average HK$ to Philippine Peso exchange rates, the HK$ weakened by 5.5% against the Philippine Peso from December 31, 2009 to December 31, 2010 based on analysis performed using historical movements of the HK$ against the Philippine Peso. The average of US$ to Philippine Peso has weakened by 5.3% against the Philippine Peso from the same period as above.

At December 31, 2010, if the HK$ and US$ had weakened/strengthened by +/- 5% against Philippine Peso with all variables held constant, the effect on income before tax and equity will be P8.6 million.

Price risk

The Group's exposure on price risk is minimal and limited only to investments classified as at fair value through profit or loss (Note 7) and available-for-sale securities (Note 12). Changes in market prices of these investments are not expected to impact significantly the financial position or results of operations of the Group.

b. Interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include notes receivable (Note 8) and various loans payable and borrowings (Note 13). These financial instruments are not exposed to fair value interest rate risk as they are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as they carry fixed interest rates.

3.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

(a) Maximum exposure to credit risk

The Group's exposure to credit risk primarily relates to cash in banks and financial receivables as shown below.

The table below shows the credit quality of significant financial assets as of December 31:

2010	Fully performing	Past due but not impaired	Past due and impaired	Total
Cash in banks	25,178,094	-	-	25,178,094
Notes and other receivables	158,023,442	66,065,244	17,734,762	241,823,448
Refundable deposits	19,800	-	-	19,800
	183,221,336	66,065,244	17,734,762	267,021,342

2009	Fully performing	Past but not impaired	Past due and impaired	Total
Cash in banks	1,870,133	-	-	1,870,133
Notes and other receivables	102,209,572	167,828,096	18,188,191	288,225,859
Refundable deposits	131,189	-	-	131,189
	104,210,894	167,828,096	18,188,191	290,227,181

(i) Cash in banks

The Group manages credit risk on its cash balances by depositing in banks that qualified in the criteria of the Group. Some of these criteria are stability, financial performance, industry-accepted ratings, quality, diversity and responsiveness of products and services.

As at December 31, 2010 and 2009, the Group's funds are maintained with depository banks which are locally classified as universal banks.

(ii) Notes and other receivables

Notes receivables classified as fully performing are current and expected to be fully settled by IRC, a related party. Management believes this balance is fully recoverable given the improving financial condition of IRC. Past due but not impaired notes and other receivables are not collateralized and are overdue by more than one year.

(ii) Refundable deposits

Refundable deposits are considered highly recoverable as the counterparty is assessed to have strong capacity to meet its obligation.

3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to repay creditors and fulfill commitments. The Group's liquidity management process as carried out within the Group includes:

a. Day-to-day funding requirement, managed by monitoring future cash flows to ensure that requirements can be met;
b. Monitoring balance sheet liquidity ratios against internal requirements; and
c. Assessing if additional funding from lenders or stockholders is needed.

Accordingly, each financial asset and liability is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. The amounts disclosed in the table below are the expected undiscounted cash flows of financial assets and liabilities, which the Group uses to manage the inherent liquidity risk.

Substantial component of expected cash inflows in 2011 and foreseeable future is the expected payments from IRC.

The table below shows of financial assets and liabilities as of December 31 which are all current:

	2010	2009
Assets		
Cash on hand and in banks	25,193,094	1,885,133
Financial asset at fair value through profit or loss	7,101,258	4,750,751
Notes and other receivables	224,088,686	270,037,668
Other non-current assets	204,902	319,787
Total financial assets	256,587,940	276,993,339
Liabilities		
Borrowings	181,183,009	30,416,144
Accrued expenses and other payables	28,855,810	16,990,778
Due to related parties	9,399,040	13,313,820
Subscription payable	2,500	-
Total financial liabilities	219,440,359	60,720,742

Additional advances or loans from shareholders will be obtained to the extent necessary to meet maturing obligations.

3.4 Fair value of financial assets and liabilities

PFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments listed on exchanges
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial instruments measured at fair value fall under the category of Level 1. These are valued using published quoted prices from Philippine Stock Exchange. These include financial assets at fair value through profit or loss (Note 7) and available-for-sale securities (Note 12).

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities at December 31 not presented in the balance sheets at fair value.

	Carrying Value/Fair Value	
	2010	2009
Financial assets		
Cash in bank	25,193,094	1,885,133
Notes and other receivables	224,088,686	270,037,668
Other non-current assets	204,902	319,787
Financial liabilities		
Borrowings	181,183,009	30,416,144
Accrued expenses and other payables	28,855,809	16,990,778
Due to related parties	9,399,040	13,313,820
Subscription payable	2,500	-

These carrying amounts approximate fair values at reporting dates due to the short-term nature of financial assets and liabilities.

Note 4 - Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and to maintain an optimal capital structure to reduce the cost of capital. For this purpose, capital is represented by total equity as shown in the balance sheets.

In order to maintain or adjust the capital structure, the Group may, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the very limited pre-operating activities undertaken by the Group, it does not require intensive capitalization as of December 31, 2010 and 2009. The Group's main objective is to ensure it has adequate capital moving forward to pursue its development plans and support the development projects of IRC which is expected to provide sustained stream of cash flow in the near future.

The Group does not anticipate heavy requirement for working capital in 2011 given that its focus is mainly to ensure successful site clearance and future development activities of its major associate, Interport Resources Corporation (IRC) , which is 43.99% (2009 - 40.07%) owned by the Company. In 2010, IRC as completed its stock rights offering and has raised P600 million capital.

There are no external minimum capitalization requirements imposed to the Company.

Note 5 - Critical accounting estimate, assumption and judgment

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments 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.

(a) Critical accounting estimate

Estimation of provision for impairment losses (Note 8)

Allowance for impairment losses is maintained at a level considered adequate to provide for potentially uncollectible receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance. The factors considered in the estimate of probable losses include among others, age and nature as well as indicators of disputes, if any. The provision is recognized in the statement of total comprehensive income.

Management believes that carrying amount of notes receivables at reporting dates is fully collectible given the positive operating prospects of IRC.

The Group considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the estimation of provision for impairment losses as the major assumptions used may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year are different from assumptions could require a material adjustment to the carrying amount of notes receivables.

(b) Judgment

Recognition of deferred income tax assets (Note 17)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. Management believes that the non-recognition of deferred income tax assets of P3,817,251 (2009 - P9,924,742; 2008 - P11,668,051) is appropriate due to the Group's limited capacity to generate sufficient taxable income.

Recoverability of investment in IRC

Management believes that the carrying amount of its investment in IRC is fully recoverable due to a number of factors, which include among others, the following:

1) IRC has a vast tract of land held for development and capital appreciation in Binangonan Rizal. Portion of the vast property has started development, hence, the property's fair value started to appreciate. The fair value expected to substantially increase when additional developments are undertaken. Currently, the property is valued at P500 per square meter.
2) IRC is in process of constructing a residential project over a 29 hectare property under the joint development agreement with a local developer.
3) IRC has successfully generated P399 million cash arising from its stock rights offering in 2010.
4) IRC sold its property in Palawan in 2010 to focus on the development of its property in Binangonan
5) Clearing and retitling is ongoing for the remaining large portion of the land to make it ready for future developments.

<u>Note 6 - Cash on hand and in banks</u>

The account at December 31 consists of:

	2010	2009
Cash in banks	25,178,094	1,870,133
Cash on hand	15,000	15,000
	25,193,094	**1,885,133**

Note 7 - Financial assets at fair value through profit or loss

The movement of financial assets at fair value through profit or loss at December 31 is summarized as follows:

	2010	2009
Balance at January 1	2,904,840	2,968,347
Acquisition	9,871,549	-
Disposals	(6,173,206)	(547,519)
Fair value adjustment	588,075	2,329,923
Reclassification	-	(1,845,911)
Balance at December 31	7,101,258	2,904,840

Gain on disposals of financial assets at fair value through profit or loss amounts to P1,791,879 (2009 - P326,925).

Note 8 - Notes and other receivables

The account at December 31 consists of:

	Note	2010	2009
Notes receivable		237,174,377	272,537,737
Due from related parties	19	77,777	10,009,928
Advances and other receivables		4,571,294	5,678,194
		241,823,448	288,225,859
Allowance for impairment losses		(17,734,762)	(18,188,191)
		224,088,686	270,037,668

Notes receivable represents loans granted to IRC with no definite payment terms and bears annual interest rates ranging from 12%% to 18%. The account also includes accrued interest receivable of P100.32 million (2009 - P71.34 million). Total interest income recognized from this loan for the years ended December 31, 2010, 2009 and 2008 amounts to P28.98 million, P32.31 million and P10.19 million, respectively. These loans are due and demandable at balance sheet dates.

The movement in allowance for impairment losses is summarized below:

	2010	2009
January 1	18,188,191	18,188,191
Reversal of allowance	(453,429)	-
December 31	17,734,762	18,188,191

Note 9 - Investment in associates

Details of the account at December 31 follow:

	Ownership	2010	2009
Acquisition cost			
Interport Resources Corporation (IRC)	43.99%	575,637,344	383,886,851
Accumulated share in net losses of associate			
Balance at January 1		(347,958,811)	(340,598,679)
Share in net earnings (losses) of associate		54,089,083	(20,684,273)
Recovery during the year		64,364,636	-
Disposal of TPTCC		-	13,324,141
Balance, December 31		(229,505,092)	(347,958,811)
Total		346,132,252	35,928,040

On April 14, 2010, the Philippine Stock Exchange (PSE) has approved the Stock Rights Offering of IRC. The Group has exercised its rights and invested in additional 191,750,493 shares at P1 per share. The additional shares has increased the Group's interest in IRC to 43.99% (2009 - 40.07%).

On June 15, 2009, the Group disposed its interests in The Prosperity Tax Cab Corporation (TPTCC) to a third party for a total consideration of P4,750,000. Gain on sale on the disposals amounts to P839,807.

Recovery of impairment losses in 2010 was recognized during the year since the Group's share in their underlying net assets have exceeded the carrying amounts of investment in IRC. The increase in fair value of the property of IRC is due to various development projects in 2010. The carrying amount of investment at December 31, 2010 is still below its original costs.

The summarized financial information of IRC as of and for the years ended December 31 follows:

	2010	2009
	(in millions of Peso)	
Total assets	2,075.86	1,806.88
Total liabilities	1,423.80	1,748.64
Total equity	652.06	58.24
Net income (loss)	193.82	(51.62)

Note 10 - Property and equipment

Details and movements of property and equipment as of and for the years ended December 31, 2009 and 2008 follow:

	Furniture and fixtures	Office equipment	Communication and other equipment	Office condominium	Building improvements	Transportation equipment	Construction in progress	Total
Cost								
Balances at January 1, 2009	1,574,748	760,792	1,043,144	-	-	1,451,488	3,481,563	8,311,735
Additions	-	6,950	-	-	-	-	377,679	384,629
Reclassification from construction in progress	-	-	-	-	3,859,242	-	(3,859,242)	-
Reclassification from investment property (Note 11)	-	-	-	13,746,305	-	-	-	13,746,305
Disposals	(220,639)	(33,900)	-	-	-	-	-	(254,539)
Balances at December 31, 2009	1,354,109	733,842	1,043,144	13,746,305	3,859,242	1,451,488	-	22,188,130
Additions	308,007	116,891	-	-	-	-	-	424,898
Disposals	-	-	(230,982)	-	-	-	-	(230,982)
Balances at December 31, 2010	1,662,116	850,733	812,162	13,746,305	3,859,242	1,451,488	-	22,382,046
Accumulated depreciation								
Balances at January 1, 2009	778,792	480,064	913,006	-	-	296,606	-	2,468,468
Depreciation and amortization	128,592	70,061	27,393	381,682	284,698	148,303	-	1,040,729
Reclassification from investment property	-	-	-	8,572,419	-	-	-	8,572,419
Disposals	(220,637)	(33,898)	-	-	-	-	-	(254,535)
Balances at December 31, 2009	686,747	516,227	940,399	8,954,101	284,698	444,909	-	11,827,081
Depreciation and amortization	188,858	61,108	27,389	508,908	379,598	148,304	-	1,314,165
Disposals	-	-	(230,973)	-	-	-	-	(230,973)
Balances at December 31, 2010	875,605	577,335	736,815	9,463,009	664,296	593,213	-	12,910,273
Net book value								
December 31, 2010	786,511	273,398	75,347	4,283,296	3,194,946	858,275	-	9,471,773
December 31, 2009	667,362	217,615	102,745	4,792,204	3,574,544	1,006,579	-	10,361,049

Note 11 - Investment properties

The Group's investment properties include several parcels of land and condominium units held for lease. Land includes properties of MAC, TTCI and TPHC held for appreciation purposes, including those strategically located and potentially high value land in Tagaytay City and Batangas with a total land area of 29 hectares. The condominium units, which are located in Makati with a total floor area of 888 square meters, are being leased out to third parties. Income from these properties amounted to P4.3 million, P5.92 million and P3.65 million in 2010, 2009 and 2008, respectively, and is shown as Rental revenue in the statements of total comprehensive income. Other than the depreciation expense below, there are no direct costs relating to investment properties.

The changes to the carrying amounts presented in the balance sheets as of December 31, 2010 and 2009 are summarized as follows:

	2010		
	Land	Condominium	Total
Cost			
Balance at January 1, 2010	13,498,605	43,529,965	57,028,570
Disposal	(562,498)	-	(562,498)
Balance at December 31, 2010	12,936,107	43,529,965	56,466,072
Accumulated Depreciation			
Balance at January 1, 2010	-	28,354,651	28,354,651
Depreciation for the year	-	1,611,545	1,611,545
Balance, December 31, 2010	-	29,966,196	29,966,196
Net carrying value at December 31, 2010	12,936,107	13,563,769	26,499,876

		2009		
	Note	Land	Condominium	Total
Cost				
Balance at January 1, 2009		13,498,605	57,276,270	70,774,875
Reclassification to property and equipment	10	-	(13,746,305)	(13,746,305)
Balance at December 31, 2009		13,498,605	43,529,965	57,028,570
Accumulated Depreciation				
Balance at January 1, 2009		-	35,188,296	35,188,296
Depreciation for the year		-	1,738,772	1,738,772
Reclassification to property and equipment	10	-	(8,572,419)	(8,572,419)
Balance, December 31, 2009		-	28,354,649	28,354,649
Net carrying value at December 31, 2009		13,498,605	15,175,316	28,673,921

During the year, the Company sold an investment property for P3.5 million. Gain resulting from the sale amounting to P2.9 million is credited to the statement of total comprehensive income.

The estimated fair value of the condominium property as of December 31, 2010 amounted to P60 million (2009 - P59 million). The fair value of the properties is based on market data approach. The land has an estimated fair value of P127.63 million as of December 31, 2010 and 2009 as determined by an independent firm of appraisers using the market data approach.

Note 12 - Other non-current assets

Other non-current assets at December 31 consist of :

	2010	2009
Refundable deposits	19,800	131,189
Available-for-sale investments	185,101	174,061
	204,901	305,250

In 2008, the Group generated P589 million from the sale of available-for-sale investments. Related gain from the disposal amounted to P106.6 million.

Note 13 - Borrowings

Borrowings at December 31 consist of unsecured short-term interest-bearing loans obtained from the following:

	2010	2009
Join Capital Limited	138,924,867	-
Intrinsic Value Management Ltd. (Phils.) Co., a related party	32,148,283	13,624,642
Philippine Strategic International Holdings, Inc., a related party	450,000	450,000
Others	9,659,859	16,341,502
	181,183,009	30,416,144

In May 25, 2010, the Company entered into a loan agreement with Join Capital Limited, a company incorporated in Hong Kong. Total outstanding borrowing as of December 31, 2010 amounts to US$3,216,358. This borrowing carries an interest rate of 15% per annum and is due on May 25, 2011.

Borrowings made to related parties and others carry interest rates of 10%-18% per annum and are payable on demand.

Interest expense incurred from these borrowings amounts to P21.39 million, P3.09 million and P2.91 million for the years ended December 31, 2010, 2009 and 2008, respectively. There was no qualifying asset in 2010 and 2009.

Note 14 - Accrued expenses and other payables

The account at December 31 consists of:

	Note	2010	2009
Accrued expenses		27,196,420	15,119,187
Provisions	24	26,160,652	26,160,652
Others		1,659,388	1,871,591
		55,016,460	43,151,430

Accrued expenses represent accruals for professional fees, utilities and other recurring expenses.

Provisions pertain to liabilities related to guarantees arising from acquisition of an asset of a previous related party which is currently under legal proceedings.

Note 15 - Equity

(a) Share capital

Share capital at December 31, 2010 and 2009 consists of:

Common shares - P1 par value	
In shares	
Authorized	4,000,000,000
Subscribed	1,200,000,000
Issued and outstanding	1,200,000,000
Amount	
Subscribed capital stock	1,200,000,000
Subscriptions receivable	(260,515,947)
Paid up	939,484,053

In accordance with the Parent Company's articles of incorporation, certain restrictions have been imposed on the Parent Company and some subsidiaries regarding the issuance and transfer of share capital.

No shareholder shall, because of his ownership of share have a pre-emptive or other right to purchase, subscribe for, or take any part of any share or any other securities convertible into carrying options or warrants to purchase share of the corporation without first offering such share or securities or any part thereof to existing equity holders.

No issuance or transfer of shares of stock of the Parent Company which would reduce the share ownership of the Filipino citizens shall be allowed or permitted to be recorded in the books of the Parent Company.

(b) Deposits for future subscriptions

In 1997, the Group received from certain shareholders deposits on future stock subscriptions totaling P241.62 million. Movements of P46.93 million in 2008 pertain to cancellation of subscription with the amount previously received as deposits applied against the Group's advances to concerned shareholders. There were no movements in the account in 2010 and 2009.

(c) Treasury shares

Treasury shares represent investment of MAC, a subsidiary, to the Parent Company's shares. Acquisition cost of these shares amounts to P61,782,864.

Note 16 - Operating expenses

a) Other operating expenses for the years ended December 31 consist of:

	Note	2010	2009	2008
Taxes and licenses		2,033,015	868,105	5,104,400
Transportation and travel		2,033,007	1,443,435	1,302,124
Communication, light and water		575,667	532,903	482,223
Representation and entertainment		18,545	36,297	536,528
Rental	20	-	-	576,491
Other fees		1,249,227	487,586	339,515
Miscellaneous		1,642,758	1,688,999	2,115,499
		7,552,219	5,057,325	10,456,780

b) Impairment losses in 2008 include additional provision for impairment of receivables of P12.30 million provided to notes and other receivables (Note 8) and impairment on investment in associates of P1.05 million.

Note 17 - Income taxes

On May 24, 2005, Republic Act 9337 (the Act), otherwise known as "Expanded Value Added Tax (EVAT) of 2005" amending certain sections of the National Internal Revenue Code (NIRC) of 1997, was passed into law and became effective on November 1, 2005. The Act raised the corporate income tax rate from 32% to 35% through 2008 (reducing to 30% thereafter) and imposed value-added tax from 10% to 12%.

Provision for income tax for the years ended December 31 follows:

	2010	2009	2008
Current	1,217	763,337	217,223
Deferred	3,156,877	-	-
Provision for income tax	3,158,094	763,337	217,223

The reconciliations of tax on pretax loss computed at the statutory income tax rates to tax expense are as follows:

	2010	2009	2008
Tax on pretax income (loss)	39,277,243	1,570,993	23,833,526
Adjustment for income subjected to lower tax rates	-	(862,177)	(13,514,126)
Share in net (earnings) losses of associates	(16,226,725)	6,205,282	3,373,846
Unrecognized deferred tax assets from impairment losses, NOLCO and MCIT	1,146,028	763,337	4,127,941
Non-taxable income	(20,156,607)	803,485	(19,785,052)
Others	(881,845)	(7,717,583)	2,181,088
	3,158,094	763,337	217,223

The deferred tax assets of the Group as of December 31, 2010 and 2009 which were not recognized consist of the following:

	2010	2009
NOLCO	3,816,034	2,346,490
MCIT	1,217	1,258,519
Unrealized foreign exchange loss	-	902
Allowance for impairment	-	6,318,831
	3,817,251	9,924,742

Deferred income tax assets are recognized to the extent that the realization of the related tax benefits through the future tax profits is probable. The Company did not recognize the deferred tax asset from NOLCO since management believes that this may not be recovered within the prescription period.

The Group is liable to MCIT equivalent to 2% of gross income, as defined in the tax regulations. The details of the Group's unrecognized MCIT which can be claimed as deduction against future corporate income tax due are as follows:

Year	Valid Until	2010	2009
2010	2013	630,829	-
2009	2012	763,337	763,337
2008	2011	217,223	217,223
2007	2010	-	135,347
		1,611,389	1,115,907

The Company did not recognize deferred tax asset on its MCIT from 2007 to 2009 because management believes that it probable that the carry-forward benefit of this asset will not be realized prior to its expiration date. In 2010, management believes that they will realize the benefit of its MCIT prior to its expiration, as such, the Parent Company recognize an asset relating to 2010 MCIT amounting to P629,612 shown under prepaid expense.

DTL as of December 31, 2010 represents the tax effect of temporary difference (mainly unrealized foreign exchange gain) which are expected to be realized within three years.

Note 18 - Basic and diluted earnings per share

The computation of basic earnings per share for the years ended December 31 follows:

	2010	2009	2008
Net income (loss) attributable to the equity holders of the Parent Company	126,446,625	19,050,211	81,668,740
Divided by the average number of outstanding common shares	1,139,013,000	1,139,013,000	1,139,013,000
Basic earnings per share	0.1110	0.0167	0.0717

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

Note 19 - Related party transactions

The Group's transactions with related parties include those with associates and other related parties described below:

a) Due from related parties

Details of the account at December 31 follow:

	2010	2009
Due from a shareholder	-	10,000,000
Others	77,777	9,928
	77,777	10,009,928

Due from shareholder represents advances which is payable on demand.

The outstanding receivables from related parties are presented as Due from related parties under Notes and other receivables account in the balance sheets (see Note 8).

Receivables from related parties are non-interest bearing and have no definite repayment terms.

b) Due to related parties

This account is composed of advances from the following related parties which were obtained for working capital purposes:

	2010	2009
Intrinsic Value Management Ltd. (Phils.) Co., Inc., a subsidiary of a major shareholder	9,226,416	12,850,148
Others	172,624	463,672
	9,399,040	13,313,820

The above advances are non-interest bearing and are payable on demand thus, considered current.

Note 20 - Leases

The Company leases its office space under a two-year lease agreement up to October 31, 2008. Rental expense related to the lease amounted to P576,491 in 2008.

In 2009, the Company occupied a portion of its investment in condominium units and converted it into an office space. The portion which is owner-occupied is properly reclassified as property and equipment (Notes 10 and 11). The remaining portion is leased to other parties. Rental income from investment in condominium units amounts to P4.26 million, P5.92 million and P3.65 million in 2010, 2009 and 2008, respectively.

Note 21 - Salaries and employee benefits

The balance of employee benefits at December 31 consists of:

	2010	2009	2008
Salaries and wages	2,631,870	2,382,996	2,391,687
Bonus and allowances	106,999	116,280	117,800
SSS, Philhealth and HDMF	88,738	89,909	93,434
Others	954,864	538,369	542,989
	3,782,471	3,127,554	3,145,910

The total compensation of the Group's executive officers for the years ended December 31, 2010, 2009 and 2008 amounted to P4.41 million, P4.16 million and P3.55 million, respectively.

The Group has seven (7) employees at December 31, 2010 (2009 - six (6) employees; 2008 - seven (7) employees). Accordingly, the Group has not accrued any retirement benefits for the year ended December 31, 2010, 2009 and 2008 since the Group is exempt from Republic Act 7641.

Note 22 - (Loss) gain on disposal of assets

The account includes gains (losses) resulting from the sale of the following assets:

	Notes	2010	2009	2008
Investment property	11	2,937,500	-	-
Financial asset at fair value through profit or loss	7	1,791,879	326,925	1,227,227
Investment in associates	9	-	(839,807)	-
Available-for-sale investments	12	-	-	106,595,150
		4,729,379	(512,882)	107,822,377

Note 23 - Contingencies

In the normal course of business, the Group is a defendant of a case which is pending with the Court of Appeals. The case arose from a demand for payment of minimum guaranteed return on investment by corporation was formerly a co-shareholder of the Parent Company. Details of this pending case follow:

In 1996, the Parent Company entered into a shareholders agreement with a couple of other corporate entities involving a venture in fast craft shipping business. The claimant (one of the co-shareholders) violated a number of the terms of the agreement, including a direct purchase of the shares of the other shareholder without the consent of the Parent Company as stipulated under the agreement.

In 1999, the plaintiff demanded full payment of the guaranteed return on its investment after audits of the fast craft business revealed a significant amount of loss. The Parent Company denied the liability. The plaintiff filed a request for Arbitration to compel the Parent Company to pay the minimum guaranteed return. The arbitrator rendered an award in favor of the plaintiff. Thus, the plaintiff instituted the present action to enforce the arbitral award.

After the termination of mediation proceedings, the case has been sent back to the regional trial court of Makati (Makati RTC). On May 23, 2008, the Makati RTC dismissed the petition for the recognition and enforcement of the Arbitral Award on the ground that the award was issued in violation of the agreement and the payment obligation ordered by the sole arbitrator is void. The plaintiff filed its motion for reconsideration in June 2008. On July 25, 2008, the Makati RTC denied the plaintiff's motion for reconsideration for lack of merit.

In view of the Notice of Appeal by the plaintiff, the RTC ordered the case to be transferred to Court of Appeals for further proceedings.

The case is pending as of balance sheet date.