





**GT CAPITAL**  
HOLDINGS, INCORPORATED

**Notice of Special Stockholders' Meeting**  
**October 26, 2012 at 10:00 a.m.**  
**Penthouse, GT Tower International**  
**6813 Ayala Avenue corner H.V. Dela Costa St., Makati City**

To all Stockholders:

Please take notice that a special stockholders' meeting of GT Capital Holdings, Inc. will be held on October 26, 2012 at 10:00 a.m. at the Penthouse of GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St., Makati City. The agenda of the meeting is set forth below:

**A G E N D A**

1. Call to order
2. Certification of notice and quorum
3. Approval of the minutes of the annual meeting of stockholders held on July 21, 2012
4. Amendment of Articles of Incorporation to deny pre-emptive right
5. Adjournment

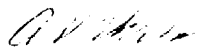
The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on September 21, 2012 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you are requested to accomplish the attached proxy form and return the same to the office of the Secretary at 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City 1227 on or before October 16, 2012.

For your convenience in registering your attendance, please bring some form of identification with a photograph, such as a passport, driver's license, or company I.D.

Makati City, October 05, 2012.

**BY THE ORDER OF THE BOARD OF DIRECTORS**

  
**ANTONIO V. VIRAY**  
Corporate Secretary  
GT CAPITAL HOLDINGS, INC.

PROXY

The undersigned stockholder of GT Capital Holdings, Inc. (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, *as attorney and proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Special Meeting of Stockholders of the Company on October 26, 2012 and at any of the adjournments thereof for the purpose of acting on the following matter:

1. Approval of minutes of the annual meeting held on July 11, 2012

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

2. Amendment of the Articles of Incorporation to deny pre-emptive right

\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE OCTOBER 16, 2012, THE DEADLINE FOR SUBMISSION OF PROXIES.

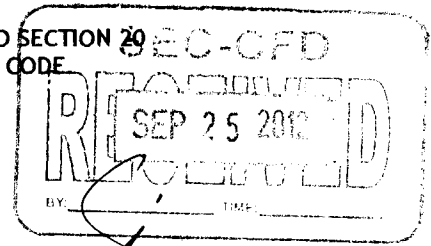
THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:  
[ ] Preliminary Information Statement  
[ X ] Definitive Information Statement
2. Name of Registrant as specified in its charter: **GT CAPITAL HOLDINGS, INC.**
3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
4. SEC Identification Number: **CS200711792**
5. BIR Tax Identification Code **006-806-867**
6. Address of principal office: **43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines Postal Code: 1227**
7. Registrant's telephone number, including area code: **(632) 836-4500**
8. Date, time and place of the meeting of security holders: **October 26, 2012 at 10:00 a.m., to be held at the Penthouse of GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St., Makati City 1227**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **October 05, 2012**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class  | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|----------------------|--|
| <b>Common Shares</b> | <b>158,000,000</b>   |
11. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes   X   No
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**THE PHILIPPINE STOCK EXCHANGE, INC.**

## PART I.

### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### A. GENERAL INFORMATION

##### Item 1. Date, time and place of meeting of security holders.

- (a) The Special Stockholders' Meeting of GT Capital Holdings, Inc. ("GT Capital" or the "Company") is scheduled to be held on October 26, 2012 at 10:00 a.m. at the Penthouse of GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St., Makati City 1227. The complete mailing address of the principal office of the registrant is 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa Street, Makati City, Metro Manila, Philippines 1227.
- (b) The approximate date on which the Information Statement will be sent or given to the stockholders is on October 05, 2012.

**Statement that proxies are not solicited**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.**

##### **Voting Securities**

The record date for purposes of determining the stockholders entitled to vote is September 21, 2012. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 158,000,000 shares.

##### Item 2. Dissenters' Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- (c) In case of merger or consolidation.

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

- (a) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver of his appraisal right;
- (b) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value thereof; and
- (c) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

##### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.
- (b) No director in the Company has given written notice that he intends to oppose any action to be taken by the Company at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- (a) As of September 15, 2012, the total number of shares outstanding and entitled to vote in the stockholders' meeting is 158,000,000 common shares.
- (b) The record date for determining the stockholders entitled to notice and to vote is September 21, 2012.
- (c) Stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.
- (d) Security Ownership of Certain Record and Beneficial Owners as of September 15, 2012:

As of September 15, 2012, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

| <b>Title of Class</b> | <b>Name and Address of Record Owner and Relationship with Issuer</b>  | <b>Name of Beneficial Owner and Relationship with Record Owner</b>   | <b>Citizenship</b> | <b>No. of Shares Held</b> | <b>Percent (%)</b> |
|-----------------------|---|--|--------------------|---------------------------|--------------------|
| Common                | Grand Titan Capital Holdings, Inc.<br>4 <sup>th</sup> Floor<br>Metrobank Plaza, Sen. Gil Puyat Ave.,<br>Makati City | Same as the Record Owner<br><br>Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc. | Filipino           | 110,095,110               | 69.680%            |
| Common                | PCD Nominee Corp. (Non-Filipino)  | Various Clients <sup>1</sup>   | Foreign            | 33,255,762                | 21.048%            |
| Common                | PCD Nominee Corp. (Filipino)  | Various Clients <sup>1</sup>   | Filipino           | 14,077,457                | 08.910%            |

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

## (e) Security Ownership of Management as of September 15, 2012

| Title of Securities | Name of Beneficial Owner of Common Stock | Amount and Nature of Beneficial Ownership (D) direct/(I) indirect    | Citizenship | Percent of Class   |
|---------------------|--|--|-------------|--------------------|
| Common              | Dr. George S. K. Ty                      | 200,000 (D)  | Filipino    | 0.1266%            |
| Common              | Arthur V. Ty                             | 100,000 (D)  | Filipino    | 0.0633%            |
| Common              | Alfred V. Ty                             | 100,000 (D)  | Filipino    | 0.0633%            |
| Common              | Mary Vy Ty                               | 99,000 (D)   | Filipino    | 0.0627%            |
| Common              | Anjanette T. Dy Buncio                   | 20,000 (D)<br>20,000 (I)   | Filipino    | 0.0126%<br>0.0126% |
| Common              | Solomon S. Cua                           | 1,000 (I)<br>20,000 (D)  | Filipino    | 0.0006%<br>0.0126% |
| Common              | Carmelo Maria Luza Bautista              | 1,000 (I)<br>10,000 (D)  | Filipino    | 0.0006%<br>0.0063% |
| Common              | Francisco H. Suarez, Jr.                 | 5,000 (D)  | Filipino    | 0.0032%            |
| Common              | Jocelyn Y. Kho                           | 2,200 (I)  | Filipino    | 0.0014%            |
| Common              | Roderico V. Puno                         | 1,000 (I)  | Filipino    | 0.0006%            |
| Common              | Jaime Miguel G. Belmonte                 | 1,000 (I)  | Filipino    | 0.0006%            |
| Common              | Manuel Q. Bengson                        | 1,000(I)   | American    | 0.0006%            |
| Common              | Renato C. Valencia                       | 1,000 (I)  | Filipino    | 0.0006%            |
| Common              | Joselito V. Banaag                       | 900 (D)  | Filipino    | 0.0005%            |
| Common              | Alesandra T. Ty                          | 0  | Filipino    | 0.0000%            |
| Common              | Antonio V. Viray                         | 0  | Filipino    | 0.0000%            |
| Common              | Susan E. Cornelio                        | 0  | Filipino    | 0.0000%            |
| Common              | Jose B. Crisol, Jr.                      | 0  | Filipino    | 0.0000%            |
| Common              | Reyna Rose P. Manon-Og                   | 0  | Filipino    | 0.000%             |
| <b>Total</b>        |  | <b>554,900 (D)</b><br><b>28,200(I)</b><br><b>583,100 (D) and (I)</b> |             | <b>0.3687%</b>     |

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

## (f) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

**Item 5. Directors and Executive Officers of the Registrant**

Not applicable.

**Item 6. Compensation of Directors and Executive Officers**

Not applicable.

**Item 7. Independent Public Accountants**

Not applicable.

**Item 8. Compensation Plans**

GT Capital Holdings, Inc. has no existing or planned stock options.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

Not applicable.

**Item 10. Modification or Exchange of Securities**

Not applicable.

**Item 11. Financial and Other Information**

Not applicable.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

Not applicable.

**Item 13. Acquisition or Disposition of Property**

Not applicable.

**Item 14. Restatement of Accounts**

Not applicable.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following are to be submitted for approval during the special stockholders' meeting:

- (a) Minutes of the annual meeting of the stockholders held on July 11, 2012.

The following was the agenda of the said meeting:

- Call to order
- Certification of notice and quorum
- Approval of minutes of special meeting of stockholders held on February 14, 2012
- Amendment of By-laws to change date of Annual Stockholders Meeting



- Annual Report for the Year 2011
  - General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting
  - Appointment of external auditors
  - Adjournment
- (b) Amendment of the Company's Articles of Incorporation to deny the stockholders' pre-emptive right to the issue or disposition of any share of any class of the Company.

The purpose of the amendment is to provide the Company with the flexibility to undertake future capital-raising exercises without need to request waiver of pre-emptive rights from shareholders.

There are no matters that would require approval of the stockholders.

**Item 16. Matters Not Required to be Submitted**

Not applicable.

**Item 17. Amendment of Charter, Bylaws or Other Documents**

At a special meeting of the Board of Directors on September 7, 2012, the Board approved the amendment of Article VI of the Company's Articles of Incorporation to deny the stockholders' pre-emptive right to the issue or disposition of any share of any class of the Company.

At the Annual meeting of stockholders held on July 11, 2012, at which a quorum was present, the stockholders approved the amendment of the Company's Articles of Incorporation to change the date of the Annual Stockholder's Meeting from the second Monday of June to the second Monday of May.

**Item 18. Other Proposed Action**

Not applicable.

**Item 19. Voting Procedures**

As stated in Section 7 of Article II of the Company's By-Laws, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. All proxies must be in the hands of the secretary before the time set for the meeting. Proxies filed with the secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the secretary prior to a scheduled meeting or by their personal presence at the meeting.

**Methods by which votes will be counted**

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote of any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.

The external auditor of the Company, SGV & Co., will validate the ballots when voting is done by secret ballot. Likewise, SGV & Co. will count the number of hands raised when voting by show of hands is done.

**N.B. UPON WRITTEN REQUEST OF A STOCKHOLDER, GT CAPITAL HOLDINGS, INC. SHALL PROVIDE, FREE OF CHARGE, A COPY OF ITS 2012 ANNUAL REPORT (SEC FORM 17-A). THE REQUEST SHOULD BE ADDRESSED TO THE ATTENTION OF FRANCISCO H. SUAREZ, JR., CHIEF FINANCIAL OFFICER, 43RD FLOOR, GT TOWER INTERNATIONAL, AYALA AVENUE CORNER H. V. DELA COSTA ST., MAKATI CITY 1227.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on September 25, 2012.

By:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

**FRANCISCO H. SUAREZ, JR.**  
**Chief Financial Officer**

**MANAGEMENT REPORT**

**A. i Consolidated Financial Statements**

The Company's consolidated financial statements for the six months ended June 30, 2012 are incorporated herein by reference.

**A. ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no changes in and disagreements with accountants on accounting and financial disclosures.

**A. iii Management's Discussion and Analysis or Plan of Operation**

Consolidated Results of Operations - For the Six Months Ended June 30, 2012 and For the Six Months ended June 30, 2011

| Results of Operations<br>(In millions, except for percentage) | Unaudited<br>Six Months Ended June |              | Increase (Decrease) |                |
|---|------------------------------------|--------------|---------------------|----------------|
|   | 2012                               | 2011         | Amount              | Percentage     |
| <b>REVENUE</b>  |                                    |              |                     |                |
| Equity in net income of associates - net                      | 2,556                              | 1,903        | 653                 | 34.29%         |
| Net fees  | 3,778                              | –            | 3,778               | 100.00%        |
| Real estate sales   | 1,107                              | 748          | 359                 | 47.94%         |
| Sale of goods and services                                    | 376                                | 370          | 6                   | 1.49%          |
| Commission income   | 61                                 | 58           | 3                   | 3.99%          |
| Interest income on real estate sales                          | 117                                | 82           | 35                  | 42.71%         |
| Rent income   | 112                                | 105          | 7                   | 6.62%          |
| Interest and other income                                     | 1,860                              | 194          | 1,666               | 857.33%        |
|   | <b>9,967</b>                       | <b>3,460</b> | <b>6,507</b>        | <b>187.89%</b> |
| <b>COSTS AND EXPENSES</b>                                     |                                    |              |                     |                |
| Cost of real estate sales                                     | 676                                | 491          | 185                 | 37.75%         |
| Cost of goods and services                                    | 332                                | 325          | 7                   | 1.90%          |
| Power plant operation and maintenance                         | 2,127                              | –            | 2,127               | 100.00%        |
| General and administrative expenses                           | 896                                | 473          | 423                 | 89.54%         |
| Interest expense  | 1,055                              | 406          | 649                 | 159.79%        |
|   | <b>5,086</b>                       | <b>1,695</b> | <b>3,391</b>        | <b>200.08%</b> |
| <b>INCOME BEFORE INCOME TAX</b>                               | <b>4,881</b>                       | <b>1,765</b> | <b>3,116</b>        | <b>176.20%</b> |
| PROVISION FOR INCOME TAX                                      | 87                                 | 21           | 66                  | 312.45%        |
| <b>NET INCOME</b>   | <b>4,794</b>                       | <b>1,744</b> | <b>3,050</b>        | <b>174.56%</b> |
| Attributable to:  |                                    |              |                     |                |
| <b>Equity holders of the GT Capital Holdings, Inc.</b>        | <b>4,016</b>                       | <b>1,700</b> | <b>2,316</b>        | <b>136.07%</b> |
| Non-controlling interest                                      | 778                                | 44           | 734                 | 1,627.79%      |
|   | <b>4,794</b>                       | <b>1,744</b> | <b>3,050</b>        | <b>174.56%</b> |

GT Capital Holdings, Inc. ("GT Capital" or the "Company") reported a net income attributable to shareholders of Php4 billion for the six months ended June 30, 2012, representing a 136% growth over the Php1.7 billion registered in the same period last year. The increase in net income was principally due to the 188% improvement in total revenue to Php10 billion from Php3.5 billion.

The revenue growth largely came from the following sources: (1) consolidation of Global Business Power Corporation ("GBP"); (2) higher equity in net income of associates; and (3) non-recurring income realized from Federal Land, Inc. ("FLI").

Excluding the FLI non-recurring income, net income attributable to shareholders amounted to Php2.6 billion, representing a 51% increase from the same period of the previous year.

FLI and GBP are consolidated in the financial statements of the Company. The other component companies namely: Metropolitan Bank and Trust Company ("Metrobank"), Toyota Motor Philippines Corporation ("TMP") and Philippine AXA Life Insurance Corporation ("AXA Life") are reflected through equity accounting.

Of the five (5) component companies, only AXA Life exhibited a 10% decline (a reduction of Php36.7 million) in its net income performance in the first half chiefly due to a 183% surge in regular premium linked sales which resulted in the corresponding front loading of legal policy reserves and commissions and bonuses. The other component companies exhibited double digit growth in net income.

Equity in net income of associates from GT Capital's other component companies amounted to Php2.6 billion in the first half, 34% higher than the Php1.9 billion recorded in the first half of 2011.

Net fees from GBP comprising energy fees for the energy supplied by the generation companies contributed Php3.8 billion in revenues.

Real estate sales rose by 48% year-on-year to Php1.1 billion from Php748 million primarily driven by sales contributions from ongoing high end and middle market development projects situated in Pasay City, Escolta, Binondo, Makati and Marikina.

Commission income reached Php61 million up 4% year-on-year from Php58 million chiefly due to commissions earned from the selling of units in the Grand Midori project in Makati City.

Interest income on real estate sales rose by 43% to Php117 million from Php82 million due to higher accumulation of interest income from unit buyers availing of long term payment schemes.

Rent income, from the Blue Wave malls and the commercial portion of Florida Sun Estates situated in General Trias, Cavite, increased by 7% to Php112 million from Php105 million due to the increase in occupancy levels.

Finance and other income grew 10x to Php1.9 billion from Php194 million as FLI realized a Php1.4 billion non-recurring revaluation gain from the conversion of a wholly-owned subsidiary of FLI into a joint venture corporation. The other income components came from the reimbursement of interest expenses from option money granted to affiliates arising from land purchases and interest income from money market placements.

Consolidated costs and expenses grew by 200% to Php5.1 billion as of the first half of 2012 from Php1.7 billion in the same period of the previous year. GBP contributed Php2.8 billion of costs and expenses comprising power plant operations and maintenance, general and administrative expenses, and interest expenses. FLI contributed Php1.8 billion consisting of cost of real estate sales, cost of goods sold and general and administrative expenses, and interest expenses. GT Capital accounted for the balance of Php491 million, a major portion of which consisted of interest expenses.

Cost of real estate sales increased by 38% to Php676 million from Php491 million due to the increase in real estate sales.

Power plant operations and maintenance expenses from GBP reached Php2.1 billion for the period in review.

General and administrative expenses rose by 90% to Php896 million from Php473 million largely from FLI and GBP amounting to Php534 million and Php198 million, respectively. The balance of Php164 million came from GT Capital Parent Company of which Php109 million were IPO related expenses.

Interest expenses grew 160% to Php1.1 billion from Php406 million with GBP and GT Capital contributing Php499 million and Php327 million. The balance of Php229 million originated from FLI.

Provision for income tax rose 4x to Php87 million from Php21 million in the same period last year with FLI, GBP and GT Capital contributing Php45 million, Php30 million and Php12 million, respectively.

Consolidated net income attributable to shareholders rose by 136% to Php4 billion for the first half of 2012 as compared to Php1.7 billion in the same period last year.

Equity in net unrealized losses on available-for-sale financial assets of associates amounted to Php756 million. Equity in translation adjustments of associates, likewise, recorded a loss of Php165 million. This loss arose principally from mark-to-market losses incurred on available-for-sale financial assets. As a result, other comprehensive income resulted into a loss of Php919 million.

**GT Capital Consolidated Results of Operations**  
**Second Quarter ended June 30, 2012 vs. Second Quarter ended June 30, 2011**

| (In millions, except for percentage)                   | Unaudited     |              | Increase (Decrease) |                |
|--|---------------|--------------|---------------------|----------------|
|  | April to June |              | Amount              | Percentage     |
|  | 2012          | 2011         |                     |                |
| <b>REVENUE</b>   |               |              |                     |                |
| Equity in net income of associates - net               | 1,104         | 944          | 160                 | 16.95%         |
| Net fees   | 3,778         | –            | 3,778               | 100.00%        |
| Real estate sales                                      | 547           | 306          | 241                 | 78.75%         |
| Sale of goods and services                             | 180           | 191          | (11)                | (5.39%)        |
| Commission income                                      | 10            | 14           | (4)                 | (33.83%)       |
| Interest income on real estate sales                   | 63            | 48           | 15                  | 31.14%         |
| Rent income  | 64            | 46           | 18                  | 37.78%         |
| Interest and other income                              | 1,715         | 154          | 1,561               | 1,013.19%      |
|  | <b>7,461</b>  | <b>1,703</b> | <b>5,758</b>        | <b>338.00%</b> |
| <b>COSTS AND EXPENSES</b>                              |               |              |                     |                |
| Cost of real estate sales                              | 309           | 187          | 122                 | 65.43%         |
| Cost of goods and services                             | 149           | 159          | (10)                | (6.26%)        |
| Power plant operation and maintenance                  | 2,127         | –            | 2,127               | 100.00%        |
| General and administrative expenses                    | 546           | 230          | 316                 | 137.46%        |
| Interest expense                                       | 774           | 244          | 530                 | 216.79%        |
|  | <b>3,905</b>  | <b>820</b>   | <b>3,085</b>        | <b>376.02%</b> |
| <b>INCOME BEFORE INCOME TAX</b>                        | <b>3,556</b>  | <b>883</b>   | <b>2,673</b>        | <b>302.66%</b> |
| PROVISION FOR INCOME TAX                               | 62            | 1            | 61                  | 4,875.24%      |
| <b>NET INCOME</b>                                      | <b>3,494</b>  | <b>882</b>   | <b>2,612</b>        | <b>296.23%</b> |
| Attributable to:                                       |               |              |                     |                |
| <b>Equity holders of the GT Capital Holdings, Inc.</b> | <b>2,740</b>  | <b>850</b>   | <b>1,890</b>        | <b>222.60%</b> |
| Non-controlling interest                               | 754           | 32           | 722                 | 2,224.30%      |
|  | <b>3,494</b>  | <b>882</b>   | <b>2,612</b>        | <b>296.23%</b> |

Net income attributable to equity holders of GT Capital grew by 223% to Php2.7 billion for the second quarter ended June 30, 2012 from Php850 million in the second quarter of the previous year. The net income improvement came from the 338% increase in total revenue to Php7.5 billion from Php1.7 billion including a Php1.4 billion non-recurring revaluation gain from FLI.

Excluding this non-recurring revaluation gain, the Company registered a 52% core net income growth to Php1.3 billion.

Equity in net income of associates from GT Capital's other component companies recorded a 17% increase to Php1.1 billion from Php944 million. Only AXA Life registered a drop in its second quarter net income chiefly due to a surge in regular premium linked sales which resulted in the corresponding front loading of legal policy reserves and commissions and bonus expenses. The other component companies posted an improvement in their respective net income.

Net fees from GBP representing energy fees for the energy and supplies supplied by the generation companies contributed Php3.8 billion in revenues.

Real estate sales rose by 79% quarter-on-quarter to Php547 million from Php306 million driven by revenue contributions from ongoing high end and middle market developments of FLI.

Interest income on real estate sales grew by 31% to Php63 million from Php48 million due to higher accumulation of interest income from unit buyers availing of long term payment packages.

Sales of goods and services consisting of the sale of petroleum products, on a wholesale and retail basis, dropped by 5% to Php180 million from Php191 million due to lower fuel sales arising from successive price rollbacks implemented in the quarter.

Commission income declined by 34% to Php10 million from Php14 million due to lower commissions earned from the selling of units in the Grand Midori project in Makati City.

Rent income coming from the Blue Wave malls and the commercial portion of the Florida Sun Estate in General Trias, Cavite and other FLI projects increased by 38% to Php64 million from Php46 million due to higher occupancy levels.

Finance and other income increased 11x to Php1.7 billion from Php154 million as FLI realized a Php1.4 billion revaluation gain from the conversion of a wholly owned subsidiary of FLI into a joint venture corporation.

Consolidated costs and expenses grew more than 5x to Php3.9 billion from Php820 million in the same period of the previous year. GBP accounted for Php2.8 billion comprising power plant operations and maintenance and general and administrative expenses. FLI contributed Php858 million coming from cost of real estate sales, cost of goods and services, and general and administrative expenses. GT Capital accounted for the balance of Php240 million.

Cost of real estate sales increased by 65% to Php309 million from Php187 million due to an increase in real estate sales.

Power plant operations and maintenance expenses from GBP reached Php2.1 billion for the period in review.

Cost of goods and services decreased by 6% to Php149 million from Php159 million chiefly due to a drop in fuel costs from the price rollback implemented for the period.

General and administrative expenses increased by 137% to Php546 million from Php230 million largely accounted for by GBP and FLI contributing Php198 million and Php276 million, respectively.

Interest expenses grew by 217% to Php774 million from Php244 million with GBP, GT Capital and FLI contributing Php499 million, Php152 million and Php123 million, respectively.

Provision for income tax reached Php62 million subdivided among GBP, (Php30 million); FLI, (Php20 million); and GT Capital, (Php12 million).

Equity in net unrealized losses on available-for-sale of associates amounted to Php1.3 billion. Equity in translation adjustments of associates, likewise, recorded a loss of Php90 million. This loss arose principally from mark-to-market losses incurred on available-for-sale financial assets. As a result, other comprehensive income resulted in a loss of Php1.3 billion.

Consolidated Balance Sheet

(In Millions, except for Percentage)

| <b>ASSETS</b>                                       |                |               |               |               |
|---|----------------|---------------|---------------|---------------|
| <b>Current Assets</b>                               |                |               |               |               |
| Cash and cash equivalents                           | 15,513         | 454           | 15,059        | 3313.7%       |
| Receivables   | 8,819          | 4,864         | 3,955         | 81.3%         |
| Inventories   | 9,924          | 11,338        | (1,414)       | (12.5%)       |
| Due from related parties                            | 1,257          | 939           | 318           | 33.9%         |
| Prepayments and other current assets                | 2,959          | 975           | 1,984         | 204.2%        |
| <b>Total Current Assets</b>                         | <b>38,472</b>  | <b>18,570</b> | <b>19,902</b> | <b>107.2%</b> |
| <b>Noncurrent Assets</b>                            |                |               |               |               |
| Noncurrent installment contracts receivable         | 2,259          | 1,115         | 1,144         | 102.6%        |
| Long term investment                                | –              | 2,440         | (2,440)       | (100.0%)      |
| Deposits  | 3,354          | 4,085         | (731)         | (17.9%)       |
| Investments and advances                            | 38,487         | 38,113        | 374           | 1.0%          |
| Investment properties                               | 5,260          | 5,228         | 32            | 0.6%          |
| Property and equipment                              | 36,992         | 396           | 36,596        | 9,232.8%      |
| Deferred tax assets                                 | 163            | 4             | 159           | 4,182.8%      |
| Other noncurrent assets                             | 1,636          | 112           | 1,524         | 1,360.7%      |
| <b>Total Noncurrent Assets</b>                      | <b>88,151</b>  | <b>51,493</b> | <b>36,658</b> | <b>71.2%</b>  |
|   | <b>126,623</b> | <b>70,063</b> | <b>56,560</b> | <b>80.7%</b>  |
| <b>LIABILITIES AND EQUITY</b>                       |                |               |               |               |
| <b>Current Liabilities</b>                          |                |               |               |               |
| Accounts and other payables                         | 6,497          | 4,573         | 1,924         | 42.1%         |
| Short term loans payable                            | 4,021          | 7,649         | (3,628)       | (47.4%)       |
| Customers' deposits                                 | 522            | 458           | 64            | 14.2%         |
| Due to related parties                              | 400            | 403           | (3)           | (1.0%)        |
| Income tax payable                                  | 26             | –             | 26            | 100.0%        |
| Other current liabilities                           | 2,224          | 58            | 2,166         | 3691.8%       |
| <b>Total Current Liabilities</b>                    | <b>13,690</b>  | <b>13,141</b> | <b>549</b>    | <b>4.2%</b>   |
| <b>Noncurrent Liabilities</b>                       |                |               |               |               |
| Pension liabilities                                 | 126            | 28            | 98            | 348.5%        |
| Loans payable - non-current portion                 | 44,067         | 19,600        | 24,467        | 124.8%        |
| Deferred tax liabilities                            | 370            | 81            | 289           | 358.7%        |
| Other noncurrent liabilities                        | 701            | 63            | 638           | 1014.2%       |
| <b>Total Noncurrent Liabilities</b>                 | <b>45,264</b>  | <b>19,772</b> | <b>25,492</b> | <b>128.9%</b> |
|   | <b>58,954</b>  | <b>32,913</b> | <b>26,041</b> | <b>79.1%</b>  |
| <b>Equity</b>                                       |                |               |               |               |
| Equity attributable to equity holders of GT Capital |                |               |               |               |
| Capital Stock                                       | 1,580          | 1,250         | 330           | 26.4%         |
| Additional paid-in capital                          | 36,693         | 23,072        | 13,621        | 59.0%         |
| Retained earnings                                   | 11,818         | 7,802         | 4,016         | 51.5%         |
| Other equity adjustments                            | (513)          | –             | (513)         | (100.0%)      |
| Other Comprehensive income                          | 1,886          | 2,805         | (919)         | (32.8%)       |
|   | <b>51,464</b>  | <b>34,929</b> | <b>16,535</b> | <b>47.3%</b>  |
| Non-controlling interest                            | 16,205         | 2,221         | 13,984        | 629.7%        |
| <b>Total equity</b>                                 | <b>67,669</b>  | <b>37,150</b> | <b>30,519</b> | <b>82.2%</b>  |
|   | <b>126,623</b> | <b>70,063</b> | <b>56,560</b> | <b>80.7%</b>  |

The major changes in the balance sheet items of the Company from December 31, 2011 to June 30, 2012 are as follows:

Total assets of the Group significantly increased by 81% or Php57 billion from Php70.1 billion as of December 31, 2011 to Php126.6 billion as of June 30, 2012 as GBP was consolidated. Total liabilities increased by 79% or Php26 billion from Php32.9 billion to Php59 billion while total equity rose by 82% or Php30.5 billion from Php37.2 billion to Php67.7 billion.

Cash and cash equivalents increased by Php15.1 billion reaching Php15.5 billion with GBP, the Company, and FLI accounting for Php11.7 billion, Php2 billion and Php1.8 billion, respectively.

Receivables increased by 81% to Php8.8 billion from Php4.9 billion with GBP accounting for Php5.5 billion representing outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity while the balance of Php3.3 billion came from FLI a majority of which were installment contract receivables, advances to contractors and suppliers and trade receivables.

Inventories declined by 12% or Php1.4 billion to Php9.9 billion from Php11.3 billion. The decrease came from the change in accounting treatment of FLI's investment from investment in subsidiary to investment in a joint venture.

Due from related parties decreased by 34% or Php318 million to Php1.3 billion mainly due to collections received from various FLI subsidiaries.

Prepayments and other current assets increased 3x to Php3 billion largely from GBP with Php1.8 billion and FLI with Php1.2 billion.

Noncurrent installment contract receivables from various electric cooperatives of GBP and from the unit buyers of FLI who availed of long term payment packages for equity build up rose by 103% or Php1.1 billion to Php2.3 billion.

The long term cash investment of FLI amounting to Php2.4 billion was terminated and used to fully settle FLI's short term loans.

Deposit for purchase of land representing option money declined by 18% or Php731 million to Php3.4 billion as FLI opted to purchase the property from a third party.

Property and Equipment grew 37x to Php37 billion from Php396 million with the inclusion of the fixed assets of GBP.

Deferred tax assets coming from GBP reached Php163 million representing provision for retirement benefits.

Other noncurrent assets from GBP amounted to Php1.6 billion representing accumulated deferred input tax on capitalized assets.

Accounts payable increased by 42% or Php1.9 billion to Php6.5 billion with FLI and GBP accounting for Php4 billion and Php2.5 billion, respectively.

Short term loans payable decreased by 47% or Php3.6 billion to Php4 billion as FLI and GT Capital opted to partially prepay its short term loans.

Customer deposits from FLI clients increased by 14% or Php64 million to Php522 million due to an increase in cash payments arising from higher reservation sales generated.

Income tax payable from FLI and GBP increased by 100% to Php26 million.

Other current liabilities amounted to Php2.2 billion representing uncollected output VAT from energy sales from the bilateral customers of GBP.

Pension liabilities increased by Php98 million to Php126 million with the inclusion of GBP.

Long term debt grew by 125% or Php24.5 billion to Php44.1 billion as the Php28.5 billion outstanding project loans of GBP were included which offset the Php4 billion loan prepayment of GT Capital.

Deferred tax liabilities reached Php370 million with GBP and FLI accounting for Php262 million and Php108 million, respectively.



Other noncurrent liabilities reached Php701 million largely from due to holders of non-controlling interest and decommissioning liability accounts aggregating to Php638 million from GBP.

Capital stock increased by 26% or Php330 million to Php1.6 billion representing the new primary shares issued from the recently concluded IPO of the Company.

Additional paid in capital increased by 59% or Php13.6 billion representing the IPO proceeds received, net of direct offer expenses.

Retained earnings increased by 51% or Php4 billion principally due to the consolidated net income realized by the Company in the first half of the year.

Equity adjustment amounted to Php513 million representing the excess of the consideration paid by GT Capital to acquire the 20% non-controlling interests of FLI.

Other comprehensive income declined by 33% or Php920 million to Php1.9 billion due to mark-to-market losses incurred on available-for-sale financial assets.

Equity before non-controlling interests grew by 47% or Php16.5 billion to Php51 billion with GT Capital accounting for Php14 billion of the increase coming from the increase in capital stock, additional paid in capital and the net income realized for the period.

Non-controlling interests increased by Php14 billion to Php16.2 billion representing the reversal of the non-controlling interests in FLI offset by the setup of the non-controlling interests in GBP.

#### Key Performance Indicators

The following are the key performance indicators of the Company for the months ended June 30, 2012 and 2011:

##### *In Million Pesos, except for percentages*

| <b>Income Statement</b>                        | <b>June 30, 2012</b> | <b>June 30, 2011</b>     |
|--|----------------------|--------------------------|
| Total Revenues                                 | 9,967                | 3,462                    |
| Net Income attributable to GT Capital Holdings | 4,016                | 1,700                    |
| <b>Balance Sheet</b>                           | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
| Total Assets                                   | 126,623              | 70,063                   |
| Total Liabilities                              | 58,954               | 32,913                   |
| Equity attributable to GT Capital Holdings     | 51,464               | 34,929                   |
| Return on Equity (%) *                         | 15.2                 | 10.3                     |

\* Annualized net income attributable to GT Capital Holdings divided by the average equity; where average equity is the sum of equity attributable to GT Capital Holdings at the beginning and end of the period/year divided by 2

#### Component Companies Financial Performance

##### Metrobank

Metrobank registered 21% growth in consolidated net income attributable to shareholders of Php7.4 billion for the first half of this year from Php6.1 billion realized in the same period last year due to the 30% improvement in non-interest income to Php13.8 billion from Php10.7 billion and 4% increase in net interest income to Php15.3 billion from Php14.7 billion. The growth in non-interest income was driven by fee based income, higher net income contributions from associates and strong treasury and investment activities, and income from trust operations.

##### FLI

FLI registered total revenue of Php3.6 billion in the first half of this year, up by 123% from Php1.6 billion in the first half of last year. The revenue improvement came from the Php1.4 billion non-recurring income and real estate sales. The non-recurring income is a revaluation gain from the conversion of a wholly-owned subsidiary

of FLI into a joint venture corporation. The improvement in real estate sales was driven by booked sales from ongoing high end and middle market development projects. Excluding other income, core revenues increased by 33% to Php2.1 billion. As a result of the increase in total revenue, net income attributable to equity holders increased by 770% from Php201 million to Php1.7 billion.

#### GBPC

GBPC's net income more than doubled from Php575 million in the first half of 2011 to Php1.3 billion in the first half of 2012 as net fees grew by 44% from Php7 billion to Php10.1 billion chiefly due to the full year commercial operations of the Company's Cebu and Panay coal-fired plants.

#### TMP

TMP's net income increased by 35% from Php1.1 billion as of the first half of 2011 to Php1.5 billion as of the first half of 2012 as revenue increased by 31.5% from Php25.5 billion to Php33.5 billion due to an increase in volume, normalization of vehicle parts and supply, favorable mix and aggressive sales and promotion. For the period in review, TMP's unit sales increased by 17.7% which exceeded the 7.2% increase in industry sales. In May alone, TMP sold 5,977 units, its highest monthly sales since 1989.

#### AXA Life

AXA Life realized a 46% increase in total sales of Php1.3 billion from January to June 2012, as compared to Php922 million during the same period in 2011. This translates to a 29% increase in premium revenues of Php5.9 billion from Php4.6 billion. The Company's net income amounted to Php321 million for the period, which is 10% lower than the Php358 million realized last year, due to a 183% surge in regular premium linked sales which resulted in the corresponding front loading of legal policy reserves and commissions and bonus expenses.

#### A. iv Brief Description of the General Nature and Scope of the Company's Business and Its Subsidiaries

The Company is a major Philippine conglomerate with interests in market-leading businesses across banking, real estate development, power generation, automotive and life insurance. GT Capital is the primary vehicle for the holding and management of the diversified business interests of the Ty family in the Philippines. The Company's business management, investment decisions and future business development are and will be firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit and commitment to value creation.

GT Capital's current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The current portfolio comprises directly held interests in the following component companies:

**Banking** - GT Capital conducts banking services through its 25.1% interest in Metrobank, a universal bank that offers corporate and commercial banking products and services throughout the Philippines. As of June 30, 2012, Metrobank was the second largest Philippine bank with an asset size of Php942.8 billion, and third largest in terms of net loans and receivables (Php471.7 billion) and total deposits (Php666 billion). Metrobank has been listed on the Philippine Stock Exchange since 1981, and as of June 30, 2012 was the second largest Philippine bank by market capitalization (Php195.3 billion). As of the same date, the Metrobank Group's Tier 1 and total adequacy ratios were 14.5% and 18.5%, respectively.

**Real estate development** - GT Capital conducts its real estate development business through its 100.0% interest in its fully consolidated subsidiary FLI, which develops residential and commercial projects. On May 3, 2012, the Company executed a Deed of Absolute Sale with various selling shareholders of FLI to acquire the remaining 20% equity stake in FLI for an aggregate consideration of Php2.7 billion. The consideration was based on a premium above book value as of December 31, 2011. The acquisition increases the direct holdings of GT Capital from 80% to 100%. On June 28, 2012, GT Capital disbursed the amount of Php3.8 billion to FLI to partially finance several of FLI's ongoing projects in Metro Manila and Cebu. Following a successful consolidation process, FLI is the sole Philippine real estate development company of the Ty family. FLI is currently executing a comprehensive growth plan that aims to fully capitalize on the Ty family companies' 40-year track record in real estate and FLI's high-quality land bank and brand recognition. As of June 30, 2012, FLI had twenty-nine (29) ongoing residential projects at various stages of completion, with a total number of 8,619 units. As of the first six (6) months of 2012 ending June 30, FLI registered reservation sales of Php7 billion, 76% higher than Php4 billion recorded in the same period of the previous year.

**Power generation** - GT Capital conducts its power generation business through its 50.9% direct ownership interest in GBPC, a holding company that, through its subsidiaries, is a leading independent power producer in

the Visayas Region, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBPC, net of minority interests in its subsidiaries). On May 2, 2012, the Company exercised its option to acquire an additional 4.6% of GBPC's outstanding capital stock at a fixed price of PhP35.00 per share. On September 12, 2012, GT Capital acquired an additional 12% of GBPC at a fixed price of PhP35.13 per share, fulfilling an item in the Use of Proceeds portion of the Company's prospectus. The acquisition increases GT Capital's direct holdings in GBPC to 50.9%. Panay Energy Development Corporation and Cebu Energy Development Corporation, GBPC's two largest power generation subsidiaries which own power plants with a combined installed capacity of 410 MW, only began commercial operations during the first quarter of 2011. The financial year ending December 31, 2012 is expected to be the first year of full contribution by these plants. On May 24, 2012, the Company disbursed an initial PhP507 million as its pro-rata share in an equity call for GBPC upon its stockholders. The equity call funded GBPC's downpayment on the Engineering Procurement and Construction and initial expenses of the Toledo Expansion Project. GBPC is actively considering further expansion options across the Philippines.

**Automotive** - GT Capital conducts its automotive business through its 21.0% interest in TMPC. TMPC is engaged in the manufacture, importation and wholesale distribution of Toyota brand motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and through exports. TMPC is also engaged in the distribution of Lexus brand motor vehicles in the Philippines. Every year since 2002, Toyota has been the top selling brand for both passenger cars and commercial vehicles in the Philippines, and since 1989, TMPC has been number one in total sales in 21 out of 23 years. In June 30, 2012, TMPC achieved a market share of 33.6% of total vehicle sales in the Philippines, according to data from the Chamber of Automotive Manufacturers of the Philippines ("CAMPI") and the Association of Vehicle Importers and Distributors ("AVID"). As the clear market leader in a key consumption sector and as exclusive manufacturer, importer and wholesale distributor in the Philippines of the No.1 global automotive brand (based on Interbrand 2011 and WPP 2011 studies), TMPC is ideally positioned to capitalize on the strong projected growth of the domestic automotive market.

**Insurance** - GT Capital conducts its insurance business through its 25.3% interest in AXA Life, which offers personal and group insurance products in the Philippines, including life insurance and investment-linked insurance products. AXA Life is a joint venture between the AXA Group, one of the world's largest insurance groups, and the Metrobank Group. AXA Life was first in first year premium and single premium of variable life insurance in the Philippines and is the third largest insurance company with a total net premium income of PhP10.0 billion as of December 31, 2011. In 2011, the 'AXA' brand was the top insurance brand in the world according to Interbrand.

#### A.v Market Price, Shareholder and Dividend Information

##### Market Information

The Company's shares of stock are traded in the Philippine Stock Exchange.

As of September 21, 2012, the closing price of the Company's shares of stock is PhP550.00/share.

##### Shareholder and Dividend Information:

The top 20 stockholders as of September 15, 2012 are as follows:

| NAME OF STOCKHOLDER                   | NO. OF SHARES * | RATIO (%) TO TOTAL AMOUNT SUBSCRIBED |
|---------------------------------------|-----------------|--------------------------------------|
| 1. GRAND TITAN CAPITAL HOLDINGS, INC. | 110,095,110     | 69.680                               |
| 2. PCD NOMINEE (NON-FILIPINO)         | 33,255,762      | 21.048                               |
| 3. PCD NOMINEE (FILIPINO)             | 14,077,457      | 08.910                               |
| 4. TY SIAO KIAN                       | 200,000         | 00.127                               |
| 5. TY, ARTHUR VY                      | 100,000         | 00.063                               |
| 6. TY, ALFRED VY                      | 100,000         | 00.063                               |
| 7. TY, MARY VY                        | 99,000          | 00.063                               |
| 8. DE CASTRO, SALUD D.                | 30,000          | 00.019                               |
| 9. CENTURY SAVINGS BANK CORP.         | 8,000           | 00.005                               |
| 10. CHUA CO KIONG                     | 6,500           | 00.004                               |
| 11. CHOI, ANITA C.                    | 4,000           | 00.003                               |
| 12. CHUA, JOSEPHINE TY                | 3,000           | 00.002                               |
| 13. MAR, PETER OR ANNABELLE C. MAR    | 3,000           | 00.002                               |
| 14. PUNO, REGIS VILLANUEVA            | 2,200           | 00.001                               |

|                                  |                    |                |
|----------------------------------|--------------------|----------------|
| 15. CHOI, DENNIS C.              | 2,000              | 00.001         |
| 16. TING, ELIZABETH H.           | 2,000              | 00.001         |
| 17. PATERNO, ROBERTO L.          | 1,100              | 00.001         |
| 18. ANG, GERRY G.                | 1,000              | 00.001         |
| 19. BAGUYO, DENNIS G.            | 1,000              | 00.001         |
| 20. BAUTISTA, CARMELO MARIA LUZA | 1,000              | 00.001         |
| <b>TOTAL</b>                     | <b>158,000,000</b> | <b>100.000</b> |

\* Fully subscribed and paid up

The Company paid cash dividends to its shareholders in 2009, 2010 and 2011 in the amounts of PhP1.04 billion, PhP500 million, and PhP500 million, respectively. On September 12, 2012, the Company declared a cash dividend amounting to PhP500 million (or PhP3.17 per share), with record date set on September 28, 2012, and payment date on October 22, 2012.

#### A.vi Corporate Governance

The Company adopted its Manual on Corporate Governance (the "Governance Manual") on December 2, 2011. The policy of corporate governance is based on the Governance Manual. The Governance Manual lays down the principles of good corporate governance in the entire organization. The Governance Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster long-term success and to secure the Company's sustained competitiveness in a manner consistent with its fiduciary responsibility.

The Company's By-laws and Manual on Corporate Governance (the "Governance Manual") provide that the Board shall have at least two independent directors. The Company espouses the definition of independence pursuant to the Securities Regulation Code. The Company considers as an independent director one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of GT Capital Holdings.

The Governance Manual embodies the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Governance Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. Commission of any violation of the Governance Manual is punishable by a penalty ranging from reprimand to dismissal, depending on the frequency of commission as well as the gravity thereof.

The Board has constituted four committees to effectively oversee the Company's operations: (i) the Audit Committee; (ii) the Nominations Committee; (iii) the Compensation Committee; and (iv) the Corporate Governance Committee.

#### A.vii Undertaking to provide without charge a copy of the Company's Annual Report

The Company will provide without charge a copy of the Company's Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addressed to Mr. Francisco H. Suarez, Jr., Senior Vice President and Chief Financial Officer at 43rd Floor, GT Tower International, Ayala Avenue corner H. V. Dela Costa St., 1227 Makati City, Metro Manila, Philippines.

# GT Capital Holdings, Inc. and Subsidiaries

## **Interim Condensed Consolidated Financial Statements**

As of June 30, 2012 (Unaudited) and December 31, 2011 (Audited)  
and for the period ended June 30, 2012 and 2011 (Unaudited)

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Millions)

|  | Unaudited       | Audited           |
|--|-----------------|-------------------|
|  | June 30, 2012   | December 31, 2011 |
| <b>ASSETS</b>  |                 |                   |
| <b>Current Assets</b>  |                 |                   |
| Cash and cash equivalents  | P15,513         | P454              |
| Receivables  | 8,819           | 4,864             |
| Inventories  | 9,924           | 11,338            |
| Due from related parties   | 1,257           | 939               |
| Prepayments and other current assets                               | 2,959           | 975               |
| Total Current Assets   | 38,472          | 18,570            |
| <b>Noncurrent Assets</b>   |                 |                   |
| Noncurrent receivables   | 2,259           | 1,115             |
| Long - term cash investments                                       | -               | 2,440             |
| Deposits   | 3,354           | 4,085             |
| Investments and advances   | 38,487          | 38,113            |
| Investment properties  | 5,260           | 5,228             |
| Property and equipment   | 36,992          | 396               |
| Deferred tax assets  | 163             | 4                 |
| Other noncurrent assets  | 1,636           | 112               |
| Total Noncurrent Assets  | 88,151          | 51,493            |
|  | <b>P126,623</b> | <b>P70,063</b>    |
| <b>LIABILITIES AND EQUITY</b>                                      |                 |                   |
| <b>Current Liabilities</b>   |                 |                   |
| Accounts and other payables  | P6,497          | P4,573            |
| Short term loans payable   | 4,021           | 7,649             |
| Customers' deposits  | 522             | 458               |
| Due to related parties   | 400             | 403               |
| Income tax payable   | 26              | -                 |
| Other current liabilities  | 2,224           | 58                |
| Total Current Liabilities  | 13,690          | 13,141            |
| <b>Noncurrent Liabilities</b>                                      |                 |                   |
| Pension liabilities  | P126            | P28               |
| Long- term loans payable   | 44,067          | 19,600            |
| Deferred tax liabilities   | 370             | 81                |
| Other noncurrent liabilities                                       | 701             | 63                |
| Total Noncurrent Liabilities                                       | 45,264          | 19,772            |
|  | <b>58,954</b>   | <b>32,913</b>     |
| <b>Equity</b>  |                 |                   |
| Equity attributable to equity holders of GT Capital Holdings, Inc. |                 |                   |
| Capital Stock  | 1,580           | 1,250             |
| Additional paid-in capital   | 36,693          | 23,072            |
| Retained earnings  | 11,818          | 7,802             |
| Other equity adjustments   | (513)           | -                 |
| Other comprehensive income   | 1,886           | 2,805             |
|  | 51,464          | 34,929            |
| Non-controlling interests  | 16,205          | 2,221             |
| Total equity   | 67,669          | 37,150            |
|  | <b>P126,623</b> | <b>P70,063</b>    |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In Millions, Except Earnings Per Share)

|   | Unaudited     |               |               |               |
|---|---------------|---------------|---------------|---------------|
|   | 2012          |               | 2011          |               |
|   | April to June | Jan to June   | April to June | Jan to June   |
| <b>REVENUE</b>  |               |               |               |               |
| Equity in net income of associates                          | P1,104        | P2,556        | P944          | P1,903        |
| Net fees  | 3,778         | 3,778         | -             | -             |
| Real Estate sales   | 547           | 1,107         | 306           | 748           |
| Interest income on real estate sales                        | 63            | 117           | 48            | 82            |
| Sale of goods and services                                  | 180           | 376           | 191           | 370           |
| Commission income   | 10            | 61            | 14            | 58            |
| Rent income   | 64            | 112           | 46            | 105           |
| Interest and other income                                   | 1,715         | 1,860         | 154           | 194           |
|   | <u>7,461</u>  | <u>9,967</u>  | <u>1,703</u>  | <u>3,460</u>  |
| <b>COSTS AND EXPENSES</b>                                   |               |               |               |               |
| Cost of real estate sales                                   | 309           | 676           | 187           | 491           |
| Cost of goods and services                                  | 149           | 332           | 159           | 325           |
| Power plant operation and maintenance                       | 2,127         | 2,127         | -             | -             |
| General and administrative expenses                         | 546           | 896           | 230           | 473           |
| Interest expense  | 774           | 1,055         | 244           | 406           |
|   | <u>3,905</u>  | <u>5,086</u>  | <u>820</u>    | <u>1,695</u>  |
| <b>INCOME BEFORE INCOME TAX</b>                             | <b>3,556</b>  | <b>4,881</b>  | <b>883</b>    | <b>1,765</b>  |
| <b>PROVISION FOR INCOME TAX</b>                             | <b>62</b>     | <b>87</b>     | <b>1</b>      | <b>21</b>     |
| <b>NET INCOME</b>   | <b>P3,494</b> | <b>P4,794</b> | <b>P882</b>   | <b>P1,744</b> |
| Attributable to:  |               |               |               |               |
| Equity holders of the GT Capital Holdings, Inc.             | P2,740        | P4,016        | P850          | P1,700        |
| Non-controlling interest                                    | 754           | 778           | 32            | 44            |
|   | <u>P3,494</u> | <u>P4,794</u> | <u>P882</u>   | <u>P1,744</u> |
| <b>Basic/Diluted Earnings Per Share</b>                     |               |               |               |               |
| <b>Attributable to Equity Holders of the Parent Company</b> |               |               |               |               |
|   |               | <b>P29.10</b> |               | <b>P13.61</b> |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In Millions)

|  | Unaudited      |               |               |               |
|--|----------------|---------------|---------------|---------------|
|  | 2012           |               | 2011          |               |
|  | April to June  | Jan to June   | April to June | Jan to June   |
| <b>NET INCOME</b>  | <b>P3,494</b>  | <b>P4,794</b> | <b>P882</b>   | <b>P1,744</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                |               |               |               |
| Equity in net unrealized loss on available for sale financial assets of associates | (1,251)        | (756)         | 91            | (118)         |
| Equity in revaluation reserve on investment property of associates                 | 1              | 1             | -             | -             |
| Equity in revaluation increment on property and equipment of associates            | 1              | 1             | -             | -             |
| Equity in translation adjustment of associates                                     | (90)           | (165)         | 22            | 39            |
|  | <b>(1,339)</b> | <b>(919)</b>  | <b>113</b>    | <b>(79)</b>   |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>P2,155</b>  | <b>P3,875</b> | <b>P995</b>   | <b>P1,665</b> |
| Attributable to:   |                |               |               |               |
| Equity holders of the GT Capital Holdings, Inc.                                    | 1,401          | 3,097         | 963           | 1,621         |
| Non-controlling interest   | 754            | 778           | 32            | 44            |
|  | <b>P2,155</b>  | <b>P3,875</b> | <b>P995</b>   | <b>P1,665</b> |



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**AS OF JUNE 30, 2012 AND 2011 (UNAUDITED)**

(In Millions)

|   | Attributable to Equity Holders of GT Capital Holdings, Inc |                            |                   |                         |   |  |   |  |                |                          |                |
|---|--|----------------------------|-------------------|-------------------------|---|--|---|--|----------------|--------------------------|----------------|
|   | Capital stock  | Additional paid-in capital | Retained earnings | Other equity adjustment | Equity in net unrealized gain (loss) on available-for-sale financial assets of associates | Equity in revaluation reserve on investment property of associates | Equity in revaluation increment on property and equipment of associates | Equity in translation adjustment of associates | Total          | Non-controlling interest | Total Equity   |
| At January 1, 2012                      | P1,250   | P23,072                    | P7,802            | P-                      | P2,546  | (P1)   | (P1)  | P261   | P34,929        | P2,221                   | P37,150        |
| Issuance of capital stock               | 330  | 13,621                     | -                 | -                       | -   | -  | -   | -  | 13,951         | -                        | 13,951         |
| Net income                              | -  | -                          | 4,016             | -                       | -   | -  | -   | -  | 4,016          | 778                      | 4,794          |
| Other comprehensive income              | -  | -                          | -                 | -                       | (756)   | 1  | 1   | (165)  | (919)          | -                        | (919)          |
| Effect of acquisition of GBP Group      | -  | -                          | -                 | -                       | -   | -  | -   | -  | -              | 15,393                   | 15,393         |
| Acquisition of non-controlling interest | -  | -                          | -                 | (513)                   | -   | -  | -   | -  | (513)          | (2,187)                  | (2,700)        |
| <b>At June 30, 2012</b>                 | <b>P1,580</b>  | <b>P36,693</b>             | <b>P11,818</b>    | <b>(P513)</b>           | <b>P1,790</b>   | <b>P-</b>  | <b>P-</b>   | <b>P96</b>                                     | <b>P51,464</b> | <b>P16,205</b>           | <b>P67,669</b> |
| At January 1, 2011                      | P1,250   | P23,072                    | P5,377            | P-                      | (P216)  | (P1)   | (P1)  | P128   | 29,609         | P2,211                   | P31,820        |
| Net income                              | -  | -                          | 1,700             | -                       | -   | -  | -   | -  | 1,700          | 44                       | 1,744          |
| Other comprehensive income              | -  | -                          | -                 | -                       | (118)   | -  | -   | 39   | (79)           | -                        | (79)           |
| <b>At June 30, 2011</b>                 | <b>P1,250</b>  | <b>P23,072</b>             | <b>P7,077</b>     | <b>P-</b>               | <b>(P334)</b>   | <b>(P1)</b>  | <b>(P1)</b>   | <b>P167</b>                                    | <b>31,230</b>  | <b>P2,255</b>            | <b>P33,485</b> |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Millions)

|   | Unaudited            |                |
|---|----------------------|----------------|
|   | Period Ended June 30 |                |
|   | 2012                 | 2011           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                      |                |
| Income before income tax                                    | P4,881               | P1,765         |
| Adjustments for:  |                      |                |
| Interest expense  | 1,055                | 406            |
| Depreciation and amortization                               | 968                  | 33             |
| Equity in net income of associates and a joint venture      | (2,556)              | (1,903)        |
| Interest income   | (385)                | (17)           |
| Operating income before changes in working capital          | 3,963                | 284            |
| Decrease (increase) in:                                     |                      |                |
| Receivables   | (5,101)              | (815)          |
| Due from related parties                                    | (318)                | (6,745)        |
| Inventories   | 1,414                | 1,657          |
| Prepayments and other current assets                        | (1,980)              | (179)          |
| Increase (decrease) in:                                     |                      |                |
| Accounts and other payables                                 | 2,116                | 293            |
| Customers' deposits   | 64                   | (155)          |
| Other current liabilities                                   | 2,165                | 13             |
| Pension liabilities   | 98                   | -              |
| Cash provided by (used in) operations                       | 2,421                | (5,647)        |
| Interest received   | 387                  | 134            |
| Interest paid   | (1,247)              | (519)          |
| Dividends received  | 988                  | 1,339          |
| Income taxes paid   | (14)                 |                |
| Net cash provided by (used in) operating activities         | 2,535                | (4,693)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                      |                |
| Proceeds from sales of:                                     |                      |                |
| Long term investment  | 2,440                | -              |
| Additions to:   |                      |                |
| Investment properties                                       | (39)                 | (1,257)        |
| Property and equipment                                      | (37,557)             | (51)           |
| Long term investment  |                      |                |
| Decrease (increase) in investments and advances             | 275                  | (2,642)        |
| Increase in other noncurrent asset                          | (791)                | (2)            |
| Net cash used in investing activities                       | (35,672)             | (3,952)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                      |                |
| Proceeds from loan availment                                | 29,895               | 9,204          |
| Payment of loans payable                                    | (9,056)              | (3,217)        |
| Issuance of capital stock                                   | 13,951               | -              |
| Increase (decrease) in:                                     |                      |                |
| Liabilities on purchased land                               | -                    | (517)          |
| Due to related parties                                      | (4)                  | 97             |
| Other noncurrent liabilities                                | 717                  | 1,457          |
| Noncontrolling interest                                     | 12,693               | -              |
| Net cash provided by financing activities                   | 48,196               | 7,024          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>15,059</b>        | <b>(1,621)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>     | <b>454</b>           | <b>3,059</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>           | <b>P15,513</b>       | <b>1,438</b>   |

## **GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

### **GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

GT Capital Holdings, Inc. (the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned. The ultimate parent is Grand Titan Capital Holdings, Inc.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc.

In 2012, the Parent Company acquired an additional 20% equity interest in Federal Land Inc. (Fed Land). The acquisition increased the Parent Company's interest in Fed Land to 100%. Likewise, the Parent Company's effective interest in Global Business Power Corporation (GBP) increased to 51% as of June 30, 2012.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBT), Toyota Motor Philippines, Inc. (Toyota) and Philippine AXA Life Insurance Corp. (Phil AXA).

#### Group Activities

The Parent Company, Fed Land and Subsidiaries (Fed Land Group) and GBP and subsidiaries (GBP Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group, is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations. The principal business interests of the Fed Land Group are real estate development and leasing and sell properties and act as a marketing agent for and in behalf of any real estate development company or companies. The Fed Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis; maintaining a petroleum service station and; food and restaurant service.

On the other hand, GBP was registered with the Philippine Securities and Exchange Commission (SEC) on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

The registered office address of the Parent Company is at the 43<sup>rd</sup> Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2011.

The interim condensed financial statements of the Group have been prepared using the historical cost basis and are presented in Philippine Pesos (₱), the Group's functional currency. Values are rounded to the nearest million pesos (₱000,000) unless otherwise indicated.

### Statement of Compliance

The interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

### Basis of Consolidation

#### *Basis of consolidation*

The interim condensed consolidated financial statements include the financial statements of the Parent Company, consolidated financial statements of Fed Land Group and GBP Group and the Group's share in the net assets of the associates plus cost of investment.

The interim condensed consolidated financial statements include the financial statements of the Parent Company and the following domestic subsidiaries of Fed Land and GBP:

|   | <u>Effective Percentages of Ownership</u> |                          |
|---|---|--------------------------|
|   | <u>June 30, 2012</u>                      | <u>December 31, 2011</u> |
| Fed Land <sup>1</sup>                             | <b>100.00%</b>                            | 80.00%                   |
| Subsidiaries of Fed Land:                         |   |                          |
| Southern Horizon Development Corp.                | <b>100.00</b>                             | 80.00                    |
| Federal Land - Management and Consultancy, Inc.   | <b>100.00</b>                             | 80.00                    |
| Fedsales Marketing, Inc.                          | <b>100.00</b>                             | 80.00                    |
| Baywatch Project Management Corporation           | <b>100.00</b>                             | 80.00                    |
| Horizon Land Property and Development Corporation | <b>100.00</b>                             | 80.00                    |
| Omni-Orient Marketing Network, Inc.               | <b>87.80</b>                              | 70.24                    |
| Federal Brent Retail, Inc. (FBRI) <sup>2</sup>    | <b>51.66</b>                              | 41.33                    |
| Top Leader Property Management Corp.              | <b>100.00</b>                             | 80.00                    |
| Central Realty and Development Corp. (CRDC)       | <b>75.80</b>                              | 60.64                    |
| Harbour Land Realty Corporation (HLRC)            | <b>100.00</b>                             | 80.00                    |

<sup>1</sup> Subsidiary

<sup>2</sup> Engaged in trading of petroleum and non-fuel products and food and restaurant services

(Forward)

|   | <b>Effective Percentages of Ownership</b> |                          |
|---|---|--------------------------|
|   | <b>June 30, 2012</b>                      | <b>December 31, 2011</b> |
| GBP   | 51.00%                                    | -                        |
| Subsidiaries of GBP:                        |   |                          |
| ARB Power Ventures, Inc.                    | 51.00                                     | -                        |
| GBH Cebu Limited Duration Company           | 51.00                                     | -                        |
| GBH Power Resources, Inc.                   | 51.00                                     | -                        |
| Global Energy Supply Corporation            | 51.00                                     | -                        |
| Panay Power Holdings Corporation (PPHC)     | 45.54                                     | -                        |
| Global Formosa Power Holdings, Inc. (GFPHI) | 47.43                                     | -                        |

On May 2, 2012, the Parent Company acquired effective ownership of 51% over GBP (see note 3). Also, on May 3, 2012, the Parent Company acquired an additional 20% of Fed Land from the holders of non-controlling interest, thereby increasing the Parent Company's ownership in Fed Land from 80% to 100% (see Note 3).

#### *FBRI*

FBRI is 51.66% owned by Fed Land and was consolidated to the Fed Land Group. Effective ownership of the Parent Company over FBRI through Fed Land is 41.33% and 51.66% as of June 30, 2012 and December 31, 2011, respectively.

#### *Bonifacio Landmark Realty and Development Corporation (BLRDC)*

In 2011, Fed Land and Morano Holdings Corporation (MHC) entered into a Deed of Assignment and Subscription Agreement under a joint venture arrangement with ORIX Risingsun Properties II, Inc. (Orix).

On January 25, 2012, the SEC approved the change in corporate name of MHC from Morano Holdings Corporation to Bonifacio Landmark Realty and Development Corporation (BLRDC).

Effective June 2012, BLRDC was converted from a wholly-owned subsidiary to a joint venture corporation (see note 3).

#### *PPHC and GFPHI*

PPHC and GFPHI are 89.3% and 93% owned by GBP and were consolidated to the GBP Group. Effective ownership of the Parent Company over PPHC and GFPHI through GBP is 45.54% and 47.43%, respectively, as of June 30, 2012.

#### Combinations of Entities Under Common Control

Business combination of entities under common control is accounted for using the uniting of interest method. The combined entities accounted for by the uniting of interests method reports results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PRFS;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as "Effect of uniting of interest" in the consolidated statement of changes in equity. Cash consideration transferred on acquisition of a subsidiary under common control is deducted in the "Retained Earnings" at the time of business combination.

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

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the interim condensed consolidated statement of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity. Any losses attributable to the NCI are allocated even if it results in a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

#### Changes in Accounting Policies

The accounting policies adopted in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2011 except for the adoption of the following amended PAS and PFRS effective as of January 1, 2012. Adoption of these changes did not have any significant impact on the Group's interim condensed consolidated financial statements.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*  
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 will be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

#### Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations and assess their impact when these become effective.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits* (Amendment)

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements* (as revised in 2011)

As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not have significant impact to the financial position of the Group since the Group accounts its jointly controlled under equity method of accounting. This standard becomes effective for annual periods beginning on or after January 1, 2013.



- **PFRS 12, *Disclosure of Involvement with Other Entities***  
 PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 13, *Fair Value Measurement***  
 PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 9, *Financial Instruments: Classification and Measurement***  
 PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities***  
 These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.
- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***  
 The interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue Standard is issued by International Accounting

Standards Board (IASB) and an evaluation of the requirements and guidance of the final Revenue Standard in relation to the practices of the Philippine real estate industry is completed

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

#### *Financial Instruments*

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the interim condensed consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

##### *Initial recognition of financial instruments*

All financial assets are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of June 30, 2012 and December 31, 2011, the Group's financial assets are of the nature of loans and receivables and AFS financial assets while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2012 and 2011.

##### *Determination of fair value*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. These valuation techniques include the net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. This accounting policy relates to the interim condensed consolidated statement of financial position captions "Cash and cash equivalents", "Receivables"(except for advances to contractors and suppliers), "Due from related parties" and "Long term cash investment".

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

#### *AFS financial assets*

AFS financial assets are non-derivative financial assets which are designated as such or do not qualify to be classified as designated as securities of FVPL, HTM investments, or loans and receivables.

They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS financial assets pertain to unquoted equity securities included under the interim condensed consolidated statement of financial position caption "Other noncurrent assets".

These are carried at cost less impairment and approximate fair value because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

#### *Other financial liabilities*

Other financial liabilities are financial liabilities not designated at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group's accounts and other payables, loans payable, liabilities for purchased land, due to related parties and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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### 3. Investments and Advances

#### *Investment in Fed Land*

On May 3, 2012, the Parent Company acquired the remaining 20,000,000 common shares of Fed Land representing 20% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.7 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80% to 100%. The acquisition of 20% of Fed Land also resulted in the recognition of other equity adjustment amounting to ₱513.4 million representing the excess of cost consideration over the carrying amount of the non-controlling interest.

On June 28, 2012, the Parent Company subscribed to 37,947,000 common shares of Fed Land for a total subscription price amounting to ₱3.8 billion to fund the increase in Fed Land's authorized capital stock from ₱10.0 billion to ₱15.0 billion. The funds were used to partially finance Fed Land's ongoing projects in Metro Manila and Cebu.

#### *Acquisition of GBP*

On December 20, 2011, GBP filed an application for the increase in its authorized capital stock and reduction in the par value of its common shares to ₱1.00 per share. Upon application of increase in authorized capital stock, the Parent Company intends to convert the deposit for future stocks subscription (DFS) through issuance of new common shares by GBP. As a result, Parent Company's direct interest will be 21.04% with equivalent subscription of 117,067,800 new common shares (see Note 8). These advances are carried at cost and did not apply equity method of accounting due to pending regulatory approval as of December 31, 2011.

On January 16, 2012, the SEC approved the application of the increase in authorized capital stock of GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with Global Business Holdings, Inc. (GBHI) for the sale and transfer of 35,504,900 and 38,863,000 common shares of GBP, respectively, with GBHI as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.2 billion and ₱1.4 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37 % direct interest of the Parent Company over GBPC.

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBP's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.2 million.

With the result of foregoing transactions, the Parent Company obtained an effective interest of 51.0% over GBP Group, computed as follows:

| <b>Nature</b>  | <b>Effective interest</b> |
|--|---------------------------|
| Direct interest  |                           |
| Conversion of deposit for future stock subscriptions     | 21.0%                     |
| Acquisition of secondary shares from GBHI                | 13.4%                     |
| Exercised option to purchase additional shares from GBHI | 4.6%                      |
| Indirect interest through an associate                   | 12.0%                     |
|  | <u>51.0%</u>              |

As of June 30, 2012, the purchase price allocation relating to the Parent Company's effective acquisition of GBP has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets amounting to ₱280.0 million was initially allocated to goodwill as of June 30, 2012. Given the size and complexity of the transaction, the preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

#### *Toledo Expansion Project*

On May 24, 2012, the Parent Company disbursed ₱507.0 million as its pro-rata share in an equity call from GBP upon its stockholders. The equity call will partially fund GBP's down payment on the Engineering, Procurement and Construction (EPC) contract and initial expenses of the Toledo Expansion Project situated in Toledo City, Cebu.

#### *Fed Land and MHC Omnibus Agreement*

Fed Land, together with ORIX, executed a memorandum of agreement (MOA) dated December 8, 2011 and an Omnibus Subscription Agreement (OSA) dated December 21, 2011. Under the MOA, Fed Land shall make additional capital contributions in the form of cash and property and ORIX shall make capital contributions in the form of cash in exchange for shares of stock of MHC pursuant to the terms and conditions set forth in the Omnibus Subscription Agreement; Orix contributions shall be placed in an escrow account until increase in subscription has been finally made. On January 31, 2012, the Escrow has been released resulting to the increase in deposit for future subscription and APIC of MHC by ₱307.2 million and ₱44.8 million.

Fed Land and Orix intends to (i) develop a residential condominium and a hotel/retail/office building on two (2) parcels of land located in Bonifacio Global City, Fort Bonifacio, Taguig City, Metro Manila, Philippines, with an aggregate area of 12,984 square meters, and (ii) engage in the operations of the hotel.

In June 2012, FLI and ORIX Risingsun Properties, Inc. II (Orix) entered into a contractual arrangement to establish joint control over Bonifacio Landmark Realty Dev't. Corp. (BLRDC), with FLI owning 70% of BLRDC's capital stock and the remaining 30% owned by Orix. Prior to June 2012, BLRDC is a wholly-owned subsidiary of FLI. As a result of the joint venture between FLI and Orix, FLI derecognized the assets and liabilities of BLRDC at their carrying amounts. Thus, the investment retained in BLRDC is carried at its fair value. The difference, between the fair value of the investment retained and the derecognized previously consolidated net assets and the land and cash contributions made to the joint venture was treated as gain amounting ₱1.40 billion. Such gain was recognized as income in the statement of income under the line item "Other income".

#### *Common control business combination*

On October 03, 2011, East West Investment Ltd. (EIL), Great Co. Limited (GCL) and Titan Resources Corporation (TRC) (collectively referred herein as "Seller") and Fed Land entered into a deed of sale agreement to transfer its respective shares of stock held over HLRDC for a total consideration of ₱420.0 million.

On June 23, 2011, Fed Land subscribed to additional common shares issued by CRDC of 400,000 common shares obtaining an effective interest of 75.8% over CRDC after

issuance. Before the acquisition, CRDC was majority owned by City Tower Realty Corporation (CTRC) which resulted to a dilution of its shares to Fed Land.

The two acquisitions were accounted for using the uniting of interest method.

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#### 4. Equity

As of June 30, 2012 and December 31, 2011, this account consists of (amounts in millions except for par value and number of shares):

|   | June 30, 2012 | December 31, 2011 |
|---|---------------|-------------------|
| Common stock - ₱10 par value                  |               |                   |
| Authorized - 500,000,000 shares               |               |                   |
| Issued and outstanding – 158,000,000 shares   |               |                   |
| as of June 30, 2012 and 125,000,000 shares as |               |                   |
| of December 31, 2011                          | ₱1,580        | ₱1,250            |
| Additional Paid-In Capital                    | 36,694        | 23,072            |
|   | ₱38,274       | ₱24,322           |

On April 20, 2012, the Parent Company's common shares were listed on the Philippine Stock Exchange, Inc. raising gross proceeds amounting to ₱15.0 billion based on the primary offering of 33,000,000 new common shares at an offer price of ₱455.00 per share. Total proceeds raised by the Parent Company amounted to ₱14.0 billion, net of direct transaction costs.

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#### 5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

As of June 30, 2012 and December 31, 2011, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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## 6. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the periods indicated were computed as follows:

|   | June 30       |        | December 31, |
|---|---------------|--------|--------------|
|   | 2012          | 2011   | 2011         |
|   | Unaudited     |        | Audited      |
| Net income attributable to Parent Company | <b>₱4,016</b> | ₱1,700 | ₱3,324       |
| Weighted average number of shares         | <b>138</b>    | 125    | 125          |
|   | <b>₱29.10</b> | ₱13.61 | ₱26.60       |

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

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## 7. Operating Segments

### Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate segment is engaged in real estate and leasing, development and selling of properties of every kind and description
- Financial institutions are engaged in the banking and insurance industry
- Motor segment is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments.
- Other segments have been aggregated to form a reportable segment are engaged in the following business:
  - a) trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and
  - b) engaged in the food and restaurant service
  - c) to act as a marketing agent for and in behalf of any real estate development company or companies.

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to third parties.

The following tables present revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the period ended June 30, 2012 and as of and for the year ended December 31, 2011.

|  | Real Financial |               |             |              |               | Total         |
|--|----------------|---------------|-------------|--------------|---------------|---------------|
|  | Estate         | Institution   | Motor       | Power        | Others        |               |
| <b>Quarter Ended June 30, 2012 (Unaudited)</b>                               |                |               |             |              |               |               |
| <b>Results of Operations</b>   |                |               |             |              |               |               |
| Revenue  | ₱1,224         | ₱-            | ₱-          | ₱3,778       | ₱437          | ₱5,439        |
| Rentals  | 50             | -             | -           | -            | 62            | 112           |
| Equity in net income of associates   | 72             | 1,944         | 316         | 224          | -             | 2,556         |
|  | 1,346          | 1,944         | 316         | 4,002        | 499           | 8,107         |
| Cost of sales and services   | 1,008          | -             | -           | -            | -             | 1,008         |
| Power plant operation and maintenance (before depreciation and amortization) | -              | -             | -           | 1,194        | -             | 1,194         |
| General and administrative expense (before depreciation and amortization)    | 239            | -             | -           | 198          | 424           | 861           |
|  | 1,247          | 1,944         | 316         | 1,392        | 424           | 3,063         |
| EBITDA   | 99             | 1,944         | 316         | 2,610        | 75            | 5,044         |
| Other income (expenses)  |                |               |             |              |               |               |
| Finance income   | 1,723          | -             | -           | 78           | 59            | 1,860         |
| Finance cost   | (225)          | -             | -           | (499)        | (331)         | (1,055)       |
| Depreciation and amortization  | (14)           | -             | -           | (933)        | (21)          | (968)         |
| Pretax income  | 1,583          | 1,944         | 316         | 1,256        | (218)         | 4,881         |
| Provision for income tax   | 41             | -             | -           | 30           | 16            | 87            |
| <b>Net Income (Loss)</b>   | <b>1,542</b>   | <b>1,944</b>  | <b>316</b>  | <b>1,226</b> | <b>(234)</b>  | <b>4,794</b>  |
| <b>Statement of Financial Position</b>                                       |                |               |             |              |               |               |
| Total Assets   | 29,744         | 32,690        | 1,931       | 59,583       | 2,675         | 126,623       |
| Total Liabilities  | 13,660         | -             | -           | 35,565       | 9,729         | 58,954        |
| <b>Year Ended December 31, 2011 (Audited)</b>                                |                |               |             |              |               |               |
| <b>Results of Operations</b>   |                |               |             |              |               |               |
| Revenue  | ₱ 3,176        | ₱-            | ₱-          | ₱-           | ₱920          | ₱4,096        |
| Rentals  | 118            | -             | -           | -            | 120           | 238           |
| Equity in net income of associates   | 87             | 3,018         | 462         | -            | -             | 3,567         |
|  | 3,381          | 3,018         | 462         | -            | 1040          | 7,901         |
| Cost of sales and services   | 1,554          | -             | -           | -            | 710           | 2,264         |
| General and administrative expense (before depreciation and amortization)    | 545            | -             | -           | -            | 493           | 1,038         |
|  | 2,099          | -             | -           | -            | 1,203         | 3,302         |
| EBITDA   | 1,282          | 3,018         | 462         | -            | (163)         | 4,599         |
| Other income (expenses)  |                |               |             |              |               |               |
| Finance income   | 58             | -             | -           | -            | 7             | 65            |
| Finance cost   | (433)          | -             | -           | -            | (557)         | (990)         |
| Depreciation and amortization  | (29)           | -             | -           | -            | (42)          | (71)          |
| Pretax income  | 878            | 3,018         | 462         | -            | (755)         | 3,603         |
| Provision for income tax   | 138            | -             | -           | -            | 11            | 149           |
| <b>Net Income (Loss)</b>   | <b>₱740</b>    | <b>₱3,018</b> | <b>₱462</b> | <b>₱-</b>    | <b>(₱766)</b> | <b>₱3,454</b> |
| <b>Statement of Financial Position</b>                                       |                |               |             |              |               |               |
| Total Assets   | ₱28,954        | ₱32,197       | ₱2,071      | ₱3,397       | ₱3,444        | ₱70,063       |
| Total Liabilities  | ₱18,299        | ₱-            | ₱-          | ₱-           | ₱14,614       | ₱32,913       |



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## 8. Financial Risk Management and Objectives

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, long-term cash investments, due from related parties, AFS financial assets, accounts and other payables, loans payable and due to related parties. The main purpose of the Group's financial instruments is to provide funding for its business operations and capital expenditures. The Group does not enter into hedging transactions or engage in speculation with respect to financial instruments.

Exposure to credit, liquidity, foreign currency and interest rate risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- a) to identify and monitor such risks on an ongoing basis;
- b) to minimize and mitigate such risks; and
- c) to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

### Credit risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise cash and cash equivalents, receivables, due from related parties and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of post-dated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

The table below shows the maximum exposure to credit risk for the components of the Group's statement of financial position.

|   | Unaudited<br>June 30,<br>2012 | Audited<br>December 31<br>2011 |
|---|-------------------------------|--------------------------------|
|   | (in millions)                 |                                |
| Cash and cash equivalents<br>(excluding cash on hand) | P15,511                       | P452                           |
| Receivables (Note 5)                                  |                               |                                |
| Installment contracts<br>receivable                   | 3,041                         | 1,924                          |
| Dividend receivable                                   | –                             | 157                            |
| Trade receivable                                      | 5,250                         | 179                            |
| Accrued commission income                             | 26                            | 21                             |
| Accrued rent income                                   | 4                             | 5                              |
| Accrued interest receivable                           | 9                             | 2                              |
| Others  | 1,332                         | 161                            |
| Due from related parties                              | 1,257                         | 939                            |
| Long term cash investment                             | –                             | 2,440                          |
| Long term notes receivable                            | 149                           | –                              |
| AFS financial assets                                  | 448                           | 10                             |
| Other noncurrent assets                               | 19                            | –                              |
| <b>Total credit risk exposure</b>                     | <b>P27,046</b>                | <b>P6,290</b>                  |

#### Liquidity risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The table summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

#### **Unaudited June 30, 2012** (Amounts in millions)

|  | < 1 year      | > 1 to < 5 years | > 5 years  | Total         |
|--|---------------|------------------|------------|---------------|
| <b>Financial assets</b>                    |               |                  |            |               |
| Cash and cash equivalents                  | P15,511       | P–               | P–         | P15,511       |
| Receivables                                |               |                  |            |               |
| Installment contracts receivable           | 1,875         | 1,166            | –          | 3,041         |
| Trade receivable                           | 3,640         | 1,610            | –          | 5,250         |
| Accrued commission income                  | 26            | –                | –          | 26            |
| Accrued rent income                        | 4             | –                | –          | 4             |
| Accrued interest receivable                | 9             | –                | –          | 9             |
| Others                                     | 1,297         | 35               | –          | 1,332         |
| Due from related parties                   | 1,257         | –                | –          | 1,257         |
| Long term notes receivable                 | 19            | 130              | –          | 149           |
| AFS financial assets - unquoted            | –             | 4                | 444        | 448           |
| Other noncurrent assets                    | –             | –                | 19         | 19            |
| <b>Total undiscounted financial assets</b> | <b>23,638</b> | <b>2,945</b>     | <b>463</b> | <b>27,046</b> |

(Forward)

|   | < 1 year      | > 1 to < 5 years | > 5 years        | Total            |
|---|---------------|------------------|------------------|------------------|
| <b>Other financial liabilities</b>              |               |                  |                  |                  |
| Accounts and other payables                     |               |                  |                  |                  |
| Trade   | P4,113        | P-               | P-               | P4,113           |
| Retentions payable                              | 223           | -                | -                | 223              |
| Accrued expenses                                | 1,372         | -                | -                | 1,372            |
| Accrued interest                                | 246           | -                | -                | 246              |
| Others  | 543           | -                | -                | 543              |
| Loans payable                                   | 7,683         | 37,949           | 22,426           | 68,058           |
| Due to related parties                          | 400           | -                | -                | 400              |
| Other noncurrent liabilities                    | -             | -                | 578              | 578              |
| <b>Total undiscounted financial liabilities</b> | <b>14,580</b> | <b>37,949</b>    | <b>23,004</b>    | <b>75,533</b>    |
| <b>Liquidity Gap</b>                            | <b>P9,058</b> | <b>(P35,004)</b> | <b>(P22,541)</b> | <b>(P48,487)</b> |

**Audited**  
**December 31, 2011**

| (Amounts in millions)                           | < 1 year        | > 1 to < 5 years | > 5 years | Total            |
|---|-----------------|------------------|-----------|------------------|
| <b>Financial assets</b>                         |                 |                  |           |                  |
| Cash and cash equivalents                       | P452            | P-               | P-        | P452             |
| Receivables                                     |                 |                  |           |                  |
| Installment contracts receivable                | 820             | 1,105            | -         | 1,925            |
| Dividend receivable                             | 157             | -                | -         | 157              |
| Trade receivable                                | 168             | 10               | -         | 178              |
| Accrued commission income                       | 21              | -                | -         | 21               |
| Accrued rent income                             | 5               | -                | -         | 5                |
| Accrued interest receivable                     | 2               | -                | -         | 2                |
| Others  | 157             | -                | 4         | 161              |
| Due from related parties                        | 939             | -                | -         | 939              |
| Long term cash investment                       | -               | 2,440            | -         | 2,440            |
| AFS financial assets - unquoted                 | -               | 10               | -         | 10               |
| <b>Total undiscounted financial assets</b>      | <b>P2,721</b>   | <b>P3,565</b>    | <b>P4</b> | <b>P6,290</b>    |
| <b>Other financial liabilities</b>              |                 |                  |           |                  |
| Accounts and other payables                     |                 |                  |           |                  |
| Trade   | 3,794           | -                | -         | 3,794            |
| Retentions payable                              | 214             | -                | -         | 214              |
| Accrued expenses                                | 109             | -                | -         | 109              |
| Accrued interest                                | 65              | -                | -         | 65               |
| Others  | 75              | -                | -         | 75               |
| Loans payable                                   | 7,649           | 19,600           | -         | 27,249           |
| Due to related parties                          | 404             | -                | -         | 404              |
| <b>Total undiscounted financial liabilities</b> | <b>P12,310</b>  | <b>P19,600</b>   | <b>P-</b> | <b>P31,910</b>   |
| <b>Liquidity Gap</b>                            | <b>(P9,589)</b> | <b>(P16,035)</b> | <b>P4</b> | <b>(P25,620)</b> |

**Foreign currency risk**

Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Pesos. As such, the Group's foreign currency risk is very minimal.

**Interest rate risk**

The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.



108302012001330



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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SEC Registration No. CS200711792  
Company Name GT CAPITAL HOLDINGS, INC.  
Industry Classification Financial Holding Company Activities  
Company Type Stock Corporation

### Document Information

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Document ID 108302012001330  
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
Document Code 17-Q  
Period Covered June 30, 2012  
No. of Days Late 0  
Department CFD  
Remarks Amendment



**GT CAPITAL**  
HOLDINGS, INCORPORATED

August 31, 2012

THE PHILIPPINE STOCK EXCHANGE, INC.  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

*Attention:* Ms. Janet A. Encarnacion  
Head, Disclosure Department

Mr. Norberto T. Moreno  
Assistant Head, Disclosure Department

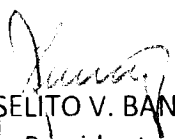
*Subject:* Amended 17Q Report

Gentlemen:

Please see the attached Amended 17Q Report which we submitted to the Securities and Exchange Commission, containing the following minor amendments:

- (1) Additional disclosures on PFRS 9 adoption,
- (2) Inclusion on financial soundness indicators for June 2012 vs. June 2011, and
- (3) Transfer of Use of Proceeds from Other Information to a separate Annex.

Very truly yours,

  
JOSELITO V. BANAAG  
Vice President and Head  
Legal and Compliance Division



**GT CAPITAL**  
HOLDINGS, INCORPORATED

August 30, 2012

**Securities and Exchange Commission**

SEC Building, EDSA,  
Greenhills, Mandaluyong City

Attention: **Atty. Justina F. Callangan**  
Acting Director – Corporation and Finance Department

**Philippine Stock Exchange, Inc.**

Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **Ms. Janet A. Encarnacion**  
Head – Disclosure Department

**Mr. Norberto T. Moreno**  
Assistant Head – Disclosure Department

Subject: **Submission of Amended 17Q Report as of June 30, 2012**

Gentlemen / Mesdames:

In line with the reportorial requirements of the Securities Regulation Code and the Revised Disclosure Rules, we hereby submit the attached Amended 2012 Second Quarter Report on SEC Form 17-Q.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Francisco H. Suarez, Jr.', written over a horizontal line.

**Francisco H. Suarez, Jr.**  
Chief Finance Officer

# COVER SHEET

**C S 2 0 0 7 1 1 7 9 2**

S.E.C. Registration Number

**G T C A P I T A L H O L D I N G S , I N C .**

\_\_\_\_\_

\_\_\_\_\_

(Company's Full Name)

**G T T O W E R I N T E R N A T I O N A L , A Y A L A**

**A V E N U E C O R N E R H . V . D E L A C O S T A**

**S T R E E T , M A K A T I C I T Y**

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

**FH Suarez, Jr. / RP Manon-og**

Contact Person

**836-4500**

Company Telephone Number

**1 2**

Month

**3 1**

Day

Fiscal Year

**Second Quarter Report  
(August 14, 2012)**

FORWTYPE

**Second Monday of  
May of each year**

Month Day

Annual Meeting

**N A**

Secondary License Type, if Applicable

SEC General Accountant &

**C F D**

Dept. Requiring this Doc.

**N A**

Amended Articles Number/Section

**As of 6.30.12  
23**

Total No. of Stockholders

Total Amount of Borrowings)

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

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To be accomplished by SEC Personnel concerned.

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File Number

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SEC Number CS200711792  
File Number \_\_\_\_\_

**GT CAPITAL HOLDINGS, INC.**

\_\_\_\_\_  
(Company's Full Name)

**43<sup>rd</sup> Floor, GT Tower International, Ayala Avenue cor H.V. Dela Costa St, Makati City**

\_\_\_\_\_  
(Company's Address)

**836-4500**

\_\_\_\_\_  
(Telephone Number)

**December 31**

\_\_\_\_\_  
(Fiscal year ending)

**17-Q**

\_\_\_\_\_  
(Form Type)

\_\_\_\_\_  
(Amendment Designation, if applicable)

**June 30, 2012**

\_\_\_\_\_  
(Period Ended Date)

**None**

\_\_\_\_\_  
(Secondary License Type and File Number)



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended: **June 30, 2012**
2. Commission identification number: **CS200711792**
3. BIR Tax Identification No.: **006-806-867**
4. Exact name of issuer as specified in its charter: **GT CAPITAL HOLDINGS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: **43/F GT Tower International, Ayala Avenue  
corner H.V. de la Costa Street, Makati City  
Postal Code: 1227**
8. Issuer's telephone number, including area code: **632 836-4500; Fax No: 632 836-4159**
9. Former name, former address and former fiscal year, if changed since last report: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of Each Class                     | Number of Shares of Outstanding Common Stock | Amount of Debt (Unpaid Subscriptions) |
|---|--|---------------------------------------|
| <b>Common Stock -Php10.00 par value</b> | <b>158,000,000 shares</b>                    | <b>None</b>                           |

11. Are any or all of the securities listed on a Stock Exchange? Yes  No

**Note: The Company was listed on the Philippine Stock Exchange on April 20, 2012.**

12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
- Yes  No
- (b) has been subject to such filing requirements for the past ninety (90) days.
- Yes  No

**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Please see attached Interim Condensed Consolidated Financial Statements and General Notes to Interim Condensed Consolidated Financial Statements (Refer to Annex A), Financial Soundness Indicators (Refer to Annex B), and the Use of Proceeds from the Initial Public Offering (Annex C)

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

*Consolidated Results of Operations-For the Six Months Ended June 30, 2012 and For the Six Months ended June 30, 2011*

| (In millions, except for percentage)                   | Unaudited<br>Six Months Ended June |              | Increase (Decrease) |                |
|--|------------------------------------|--------------|---------------------|----------------|
|  | 2012                               | 2011         | Amount              | Percentage     |
| <b>REVENUE</b>   |                                    |              |                     |                |
| Equity in net income of associates - net               | 2,556                              | 1,903        | 653                 | 34.29%         |
| Net fees   | 3,778                              | --           | 3,778               | 100.00%        |
| Real estate sales                                      | 1,107                              | 748          | 359                 | 47.94%         |
| Sale of goods and services                             | 376                                | 370          | 6                   | 1.49%          |
| Commission income                                      | 61                                 | 58           | 3                   | 3.99%          |
| Interest income on real estate sales                   | 117                                | 82           | 35                  | 42.71%         |
| Rent income  | 112                                | 105          | 7                   | 6.62%          |
| Interest and other income                              | 1,860                              | 194          | 1,666               | 857.33%        |
|  | <b>9,967</b>                       | <b>3,460</b> | <b>6,507</b>        | <b>187.89%</b> |
| <b>COSTS AND EXPENSES</b>                              |                                    |              |                     |                |
| Cost of real estate sales                              | 676                                | 491          | 185                 | 37.75%         |
| Cost of goods and services                             | 332                                | 325          | 7                   | 1.90%          |
| Power plant operation and maintenance                  | 2,127                              | --           | 2,127               | 100.00%        |
| General and administrative expenses                    | 896                                | 473          | 423                 | 89.54%         |
| Interest expense                                       | 1,055                              | 406          | 649                 | 159.79%        |
|  | <b>5,086</b>                       | <b>1,695</b> | <b>3,391</b>        | <b>200.08%</b> |
| <b>INCOME BEFORE INCOME TAX</b>                        | <b>4,881</b>                       | <b>1,765</b> | <b>3,116</b>        | <b>176.20%</b> |
| PROVISION FOR INCOME TAX                               | 87                                 | 21           | 66                  | 312.45%        |
| <b>NET INCOME</b>                                      | <b>4,794</b>                       | <b>1,744</b> | <b>3,050</b>        | <b>174.56%</b> |
| Attributable to:                                       |                                    |              |                     |                |
| <b>Equity holders of the GT Capital Holdings, Inc.</b> | <b>4,016</b>                       | <b>1,700</b> | <b>2,316</b>        | <b>136.07%</b> |
| Non-controlling interest                               | 778                                | 44           | 734                 | 1,627.79%      |
|  | <b>4,794</b>                       | <b>1,744</b> | <b>3,050</b>        | <b>174.56%</b> |

GT Capital Holdings, Inc. ("GT Capital" or the "Company") reported a net income attributable to shareholders of Php4 billion for the six months ended June 30, 2012, representing a 136% growth over the Php1.7 billion registered in the same period last year. The increase in net income was principally due to the 188% improvement in total revenue to Php10 billion from Php3.5 billion.

The revenue growth largely came from the following sources: (1) consolidation of Global Business Power Corporation ("GBP"); (2) higher equity in net income of associates; and (3) non-recurring income realized from Federal Land, Inc. ("FLI").

Excluding the FLI non-recurring income, net income attributable to shareholders amounted to Php2.6 billion, representing a 51% increase from the same period of the previous year.

FLI and GBP are consolidated in the financial statements of the Company. The other component companies namely: Metropolitan Bank and Trust Company ("Metrobank"), Toyota Motor Philippines Corporation ("TMP") and Philippine AXA Life Insurance Corporation ("AXA Life") are reflected through equity accounting.

Of the five (5) component companies, only AXA Life exhibited a 10% decline (a reduction of Php36.7 million) in its net income performance in the first half chiefly due to a 183% surge in regular premium linked sales which resulted in the corresponding front loading of legal policy reserves and commissions and bonuses. The other component companies exhibited double digit growth in net income.

Equity in net income of associates from GT Capital's other component companies amounted to Php2.6 billion in the first half, 34% higher than the Php1.9 billion recorded in the first half of 2011.

Net fees from GBP comprising energy fees for the energy supplied by the generation companies contributed Php3.8 billion in revenues.

Real estate sales rose by 48% year-on-year to Php1.1 billion from Php748 million primarily driven by sales contributions from ongoing high end and middle market development projects situated in Pasay City, Escolta, Binondo, Makati and Marikina.

Commission income reached Php61 million up 4% year-on-year from Php58 million chiefly due to commissions earned from the selling of units in the Grand Midori project in Makati City.

Interest income on real estate sales rose by 43% to Php117 million from Php82 million due to higher accumulation of interest income from unit buyers availing of long term payment schemes.

Rent income, from the Blue Wave malls and the commercial portion of Florida Sun Estates situated in General Trias, Cavite, increased by 7% to Php112 million from Php105 million due to the increase in occupancy levels.

Finance and other income grew 10x to Php1.9 billion from Php194 million as FLI realized a Php1.4 billion non-recurring revaluation gain from the conversion of a wholly-owned subsidiary of FLI into a joint venture corporation. The other income components came from the reimbursement of interest expenses from option money granted to affiliates arising from land purchases and interest income from money market placements.

Consolidated costs and expenses grew by 200% to Php5.1 billion as of the first half of 2012 from Php1.7 billion in the same period of the previous year. GBP contributed Php2.8 billion of costs and expenses comprising power plant operations and maintenance, general and administrative expenses, and interest expenses. FLI contributed Php1.8 billion consisting of cost of real estate sales, cost of goods sold and general and administrative expenses, and interest expenses. GT Capital accounted for the balance of Php491 million, a major portion of which consisted of interest expenses.

Cost of real estate sales increased by 38% to Php676 million from Php491 million due to the increase in real estate sales.

Power plant operations and maintenance expenses from GBP reached Php2.1 billion for the period in review.

General and administrative expenses rose by 90% to Php896 million from Php473 million largely from FLI and GBP amounting to Php534 million and Php198 million, respectively. The balance of Php164 million came from GT Capital Parent Company of which Php109 million were IPO related expenses.

Interest expenses grew 160% to Php1.1 billion from Php406 million with GBP and GT Capital contributing Php499 million and Php327 million. The balance of Php229 million originated from FLI.

Provision for income tax rose 4x to Php87 million from Php21 million in the same period last year with FLI, GBP and GT Capital contributing Php45 million, Php30 million and Php12 million, respectively.

Consolidated net income attributable to shareholders rose by 136% to Php4 billion for the first half of 2012 as compared to Php1.7 billion in the same period last year.

Equity in net unrealized losses on available-for-sale financial assets of associates amounted to Php756 million. Equity in translation adjustments of associates, likewise, recorded a loss of Php165 million. This loss arose principally from mark-to-market losses incurred on available-for-sale financial assets. As a result, other comprehensive income resulted into a loss of Php919 million.

GT Capital Consolidated Results of Operations  
 Second Quarter ended June 30, 2012 vs. Second Quarter ended June 30, 2011

| (In millions, except for percentage)                   | Unaudited     |              | Increase (Decrease) |                |
|--|---------------|--------------|---------------------|----------------|
|  | April to June |              | Amount              | Percentage     |
|  | 2012          | 2011         |                     |                |
| <b>REVENUE</b>   |               |              |                     |                |
| Equity in net income of associates - net               | 1,104         | 944          | 160                 | 16.95%         |
| Net fees   | 3,778         | –            | 3,778               | 100.00%        |
| Real estate sales                                      | 547           | 306          | 241                 | 78.75%         |
| Sale of goods and services                             | 180           | 191          | (11)                | (5.39%)        |
| Commission income                                      | 10            | 14           | (4)                 | (33.83%)       |
| Interest income on real estate sales                   | 63            | 48           | 15                  | 31.14%         |
| Rent income  | 64            | 46           | 18                  | 37.78%         |
| Interest and other income                              | 1,715         | 154          | 1,561               | 1,013.19%      |
|  | <b>7,461</b>  | <b>1,703</b> | <b>5,758</b>        | <b>338.00%</b> |
| <b>COSTS AND EXPENSES</b>                              |               |              |                     |                |
| Cost of real estate sales                              | 309           | 187          | 122                 | 65.43%         |
| Cost of goods and services                             | 149           | 159          | (10)                | (6.26%)        |
| Power plant operation and maintenance                  | 2,127         | –            | 2,127               | 100.00%        |
| General and administrative expenses                    | 546           | 230          | 316                 | 137.46%        |
| Interest expense                                       | 774           | 244          | 530                 | 216.79%        |
|  | <b>3,905</b>  | <b>820</b>   | <b>3,085</b>        | <b>376.02%</b> |
| <b>INCOME BEFORE INCOME TAX</b>                        | <b>3,556</b>  | <b>883</b>   | <b>2,673</b>        | <b>302.66%</b> |
| PROVISION FOR INCOME TAX                               | 62            | 1            | 61                  | 4,875.24%      |
| <b>NET INCOME</b>                                      | <b>3,494</b>  | <b>882</b>   | <b>2,612</b>        | <b>296.23%</b> |
| Attributable to:                                       |               |              |                     |                |
| <b>Equity holders of the GT Capital Holdings, Inc.</b> | <b>2,740</b>  | <b>850</b>   | <b>1,890</b>        | <b>222.60%</b> |
| Non-controlling interest                               | 754           | 32           | 722                 | 2,224.30%      |
|  | <b>3,494</b>  | <b>882</b>   | <b>2,612</b>        | <b>296.23%</b> |

Net income attributable to equity holders of GT Capital grew by 223% to Php2.7 billion for the second quarter ended June 30, 2012 from Php850 million in the second quarter of the previous year. The net income improvement came from the 338% increase in total revenue to Php7.5 billion from Php1.7 billion including a Php1.4 billion non-recurring revaluation gain from FLI.

Excluding this non-recurring revaluation gain, the Company registered a 52% core net income growth to Php1.3 billion.

Equity in net income of associates from GT Capital's other component companies recorded a 17% increase to Php1.1 billion from Php944 million. Only AXA Life registered a drop in its second quarter net income chiefly due to a surge in regular premium linked sales which resulted in the corresponding front loading of legal policy reserves and commissions and bonus expenses. The other component companies posted an improvement in their respective net income.

Net fees from GBP representing energy fees for the energy and supplies supplied by the generation companies contributed Php3.8 billion in revenues.

Real estate sales rose by 79% quarter-on-quarter to Php547 million from Php306 million driven by revenue contributions from ongoing high end and middle market developments of FLI.

Interest income on real estate sales grew by 31% to Php63 million from Php48 million due to higher accumulation of interest income from unit buyers availing of long term payment packages.

Sales of goods and services consisting of the sale of petroleum products, on a wholesale and retail basis, dropped by 5% to Php180 million from Php191 million due to lower fuel sales arising from successive price rollbacks implemented in the quarter.

Commission income declined by 34% to Php10 million from Php14 million due to lower commissions earned from the selling of units in the Grand Midori project in Makati City.

Rent income coming from the Blue Wave malls and the commercial portion of the Florida Sun Estate in General Trias, Cavite and other FLI projects increased by 38% to Php64 million from Php46 million due to higher occupancy levels.

Finance and other income increased 11x to Php1.7 billion from Php154 million as FLI realized a Php1.4 billion revaluation gain from the conversion of a wholly owned subsidiary of FLI into a joint venture corporation.

Consolidated costs and expenses grew more than 5x to Php3.9 billion from Php820 million in the same period of the previous year. GBP accounted for Php2.8 billion comprising power plant operations and maintenance and general and administrative expenses. FLI contributed Php858 million coming from cost of real estate sales, cost of goods and services, and general and administrative expenses. GT Capital accounted for the balance of Php240 million.

Cost of real estate sales increased by 65% to Php309 million from Php187 million due to an increase in real estate sales.

Power plant operations and maintenance expenses from GBP reached Php2.1 billion for the period in review.

Cost of goods and services decreased by 6% to Php149 million from Php159 million chiefly due to a drop in fuel costs from the price rollback implemented for the period.

General and administrative expenses increased by 137% to Php546 million from Php230 million largely accounted for by GBP and FLI contributing Php198 million and Php276 million, respectively.

Interest expenses grew by 217% to Php774 million from Php244 million with GBP, GT Capital and FLI contributing Php499 million, Php152 million and Php123 million, respectively.

Provision for income tax reached Php62 million subdivided among GBP, (Php30 million); FLI, (Php20 million); and GT Capital, (Php12 million).

Equity in net unrealized losses on available-for-sale of associates amounted to Php1.3 billion. Equity in translation adjustments of associates, likewise, recorded a loss of Php90 million. This loss arose principally from mark-to-market losses incurred on available-for-sale financial assets. As a result, other comprehensive income resulted in a loss of Php1.3 billion.

Consolidated Balance Sheet

(In Millions, except for Percentage)

|   | Unaudited      | Audited       | Increase (Decrease) |               |
|---|----------------|---------------|---------------------|---------------|
|   | June 2012      | December 2011 | Amount              | Percentage    |
| <b>ASSETS</b>                                       |                |               |                     |               |
| <b>Current Assets</b>                               |                |               |                     |               |
| Cash and cash equivalents                           | 15,513         | 454           | 15,059              | 3313.7%       |
| Receivables   | 8,819          | 4,864         | 3,955               | 81.3%         |
| Inventories   | 9,924          | 11,338        | (1,414)             | (12.5%)       |
| Due from related parties                            | 1,257          | 939           | 318                 | 33.9%         |
| Prepayments and other current assets                | 2,959          | 975           | 1,984               | 204.2%        |
| <b>Total Current Assets</b>                         | <b>38,472</b>  | <b>18,570</b> | <b>19,902</b>       | <b>107.2%</b> |
| <b>Noncurrent Assets</b>                            |                |               |                     |               |
| Noncurrent installment contracts receivable         | 2,259          | 1,115         | 1,144               | 102.6%        |
| Long term investment                                | –              | 2,440         | (2,440)             | (100.0%)      |
| Deposits  | 3,354          | 4,085         | (731)               | (17.9%)       |
| Investments and advances                            | 38,487         | 38,113        | 374                 | 1.0%          |
| Investment properties                               | 5,260          | 5,228         | 32                  | 0.6%          |
| Property and equipment                              | 36,992         | 396           | 36,596              | 9,232.8%      |
| Deferred tax assets                                 | 163            | 4             | 159                 | 4,182.8%      |
| Other noncurrent assets                             | 1,636          | 112           | 1,524               | 1,360.7%      |
| <b>Total Noncurrent Assets</b>                      | <b>88,151</b>  | <b>51,493</b> | <b>36,658</b>       | <b>71.2%</b>  |
|   | <b>126,623</b> | <b>70,063</b> | <b>56,560</b>       | <b>80.7%</b>  |
| <b>LIABILITIES AND EQUITY</b>                       |                |               |                     |               |
| <b>Current Liabilities</b>                          |                |               |                     |               |
| Accounts and other payables                         | 6,497          | 4,573         | 1,924               | 42.1%         |
| Short term loans payable                            | 4,021          | 7,649         | (3,628)             | (47.4%)       |
| Customers' deposits                                 | 522            | 458           | 64                  | 14.2%         |
| Due to related parties                              | 400            | 403           | (3)                 | (1.0%)        |
| Income tax payable                                  | 26             | –             | 26                  | 100.0%        |
| Other current liabilities                           | 2,224          | 58            | 2,166               | 3691.8%       |
| <b>Total Current Liabilities</b>                    | <b>13,690</b>  | <b>13,141</b> | <b>549</b>          | <b>4.2%</b>   |
| <b>Noncurrent Liabilities</b>                       |                |               |                     |               |
| Pension liabilities                                 | 126            | 28            | 98                  | 348.5%        |
| Loans payable - non-current portion                 | 44,067         | 19,600        | 24,467              | 124.8%        |
| Deferred tax liabilities                            | 370            | 81            | 289                 | 358.7%        |
| Other noncurrent liabilities                        | 701            | 63            | 638                 | 1014.2%       |
| <b>Total Noncurrent Liabilities</b>                 | <b>45,264</b>  | <b>19,772</b> | <b>25,492</b>       | <b>128.9%</b> |
|   | <b>58,954</b>  | <b>32,913</b> | <b>26,041</b>       | <b>79.1%</b>  |
| <b>Equity</b>                                       |                |               |                     |               |
| Equity attributable to equity holders of GT Capital |                |               |                     |               |
| Capital Stock                                       | 1,580          | 1,250         | 330                 | 26.4%         |
| Additional paid-in capital                          | 36,693         | 23,072        | 13,621              | 59.0%         |
| Retained earnings                                   | 11,818         | 7,802         | 4,016               | 51.5%         |
| Other equity adjustments                            | (513)          | –             | (513)               | (100.0%)      |
| Other Comprehensive income                          | 1,886          | 2,805         | (919)               | (32.8%)       |
|   | <b>51,464</b>  | <b>34,929</b> | <b>16,535</b>       | <b>47.3%</b>  |
| Non-controlling interest                            | 16,205         | 2,221         | 13,984              | 629.7%        |
| <b>Total equity</b>                                 | <b>67,669</b>  | <b>37,150</b> | <b>30,519</b>       | <b>82.2%</b>  |
|   | <b>126,623</b> | <b>70,063</b> | <b>56,560</b>       | <b>80.7%</b>  |

The major changes in the balance sheet items of the Company from December 31, 2011 to June 30, 2012 are as follows:

Total assets of the Group significantly increased by 81% or Php57 billion from Php70.1 billion as of December 31, 2011 to Php126.6 billion as of June 30, 2012 as GBP was consolidated. Total liabilities increased by 79% or Php26 billion from Php32.9 billion to Php59 billion while total equity rose by 82% or Php30.5 billion from Php37.2 billion to Php67.7 billion.

Cash and cash equivalents increased by Php15.1 billion reaching Php15.5 billion with GBP, the Company, and FLI accounting for Php11.7 billion, Php2 billion and Php1.8 billion, respectively.

Receivables increased by 81% to Php8.8 billion from Php4.9 billion with GBP accounting for Php5.5 billion representing outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity while the balance of Php3.3 billion came from FLI a majority of which were installment contract receivables, advances to contractors and suppliers and trade receivables.

Inventories declined by 12% or Php1.4 billion to Php9.9 billion from Php11.3 billion. The decrease came from the change in accounting treatment of FLI's investment from investment in subsidiary to investment in a joint venture.

Due from related parties decreased by 34% or Php318 million to Php1.3 billion mainly due to collections received from various FLI subsidiaries.

Prepayments and other current assets increased 3x to Php3 billion largely from GBP with Php1.8 billion and FLI with Php1.2 billion.

Noncurrent installment contract receivables from various electric cooperatives of GBP and from the unit buyers of FLI who availed of long term payment packages for equity build up rose by 103% or Php1.1 billion to Php2.3 billion.

The long term cash investment of FLI amounting to Php2.4 billion was terminated and used to fully settle FLI's short term loans.

Deposit for purchase of land representing option money declined by 18% or Php731 million to Php3.4 billion as FLI opted to purchase the property from a third party.

Property and Equipment grew 37x to Php37 billion from Php396 million with the inclusion of the fixed assets of GBP.

Deferred tax assets coming from GBP reached Php163 million representing provision for retirement benefits.

Other noncurrent assets from GBP amounted to Php1.6 billion representing accumulated deferred input tax on capitalized assets.

Accounts payable increased by 42% or Php1.9 billion to Php6.5 billion with FLI and GBP accounting for Php4 billion and Php2.5 billion, respectively.

Short term loans payable decreased by 47% or Php3.6 billion to Php4 billion as FLI and GT Capital opted to partially prepay its short term loans.

Customer deposits from FLI clients increased by 14% or Php64 million to Php522 million due to an increase in cash payments arising from higher reservation sales generated.

Income tax payable from FLI and GBP increased by 100% to Php26 million.



Other current liabilities amounted to Php2.2 billion representing uncollected output VAT from energy sales from the bilateral customers of GBP.

Pension liabilities increased by Php98 million to Php126 million with the inclusion of GBP.

Long term debt grew by 125% or Php24.5 billion to Php44.1 billion as the Php28.5 billion outstanding project loans of GBP were included which offset the Php4 billion loan prepayment of GT Capital.

Deferred tax liabilities reached Php370 million with GBP and FLI accounting for Php262 million and Php108 million, respectively.

Other noncurrent liabilities reached Php701 million largely from due to holders of non-controlling interest and decommissioning liability accounts aggregating to Php638 million from GBP.

Capital stock increased by 26% or Php330 million to Php1.6 billion representing the new primary shares issued from the recently concluded IPO of the Company.

Additional paid in capital increased by 59% or Php13.6 billion representing the IPO proceeds received, net of direct offer expenses.

Retained earnings increased by 51% or Php4 billion principally due to the consolidated net income realized by the Company in the first half of the year.

Equity adjustment amounted to Php513 million representing the excess of the consideration paid by GT Capital to acquire the 20% non-controlling interests of FLI.

Other comprehensive income declined by 33% or Php920 million to Php1.9 billion due to mark-to-market losses incurred on available-for-sale financial assets.

Equity before non-controlling interests grew by 47% or Php16.5 billion to Php51 billion with GT Capital accounting for Php14 billion of the increase coming from the increase in capital stock, additional paid in capital and the net income realized for the period.

Non-controlling interests increased by Php14 billion to Php16.2 billion representing the reversal of the non-controlling interests in FLI offset by the setup of the non-controlling interests in GBP.

*Key Performance Indicators (In Million Pesos, except %)*

| <b>Income Statement</b>                        | <b>June 30, 2012</b> | <b>June 30, 2011</b>     |
|--|----------------------|--------------------------|
| Total Revenues                                 | 9,967                | 3,462                    |
| Net Income attributable to GT Capital Holdings | 4,016                | 1,700                    |
| <b>Balance Sheet</b>                           | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
| Total Assets                                   | 126,623              | 70,063                   |
| Total Liabilities                              | 58,954               | 32,913                   |
| Equity attributable to GT Capital Holdings     | 51,464               | 34,929                   |
| Return on Equity (%) *                         | 15.2                 | 10.3                     |

- Annualized net income attributable to GT Capital Holdings divided by the average equity; where average equity is the sum of equity attributable to GT Capital Holdings at the beginning and end of the period/year divided by 2.

## *Component Companies Financial Performance*

### **Metrobank**

Metrobank registered 21% growth in consolidated net income attributable to shareholders of Php7.4 billion for the first half of this year from Php6.1 billion realized in the same period last year due to the 30% improvement in non-interest income to Php13.8 billion from Php10.7 billion and 4% increase in net interest income to Php15.3 billion from Php14.7 billion. The growth in non-interest income was driven by fee based income, higher net income contributions from associates and strong treasury and investment activities, and income from trust operations.

### **FLI**

FLI registered total revenue of Php3.6 billion in the first half of this year, up by 123% from Php1.6 billion in the first half of last year. The revenue improvement came from the Php1.4 billion non-recurring income and real estate sales. The non-recurring income is a revaluation gain from the conversion of a wholly-owned subsidiary of FLI into a joint venture corporation. The improvement in real estate sales was driven by booked sales from ongoing high end and middle market development projects. Excluding other income, core revenues increased by 33% to Php2.1 billion. As a result of the increase in total revenue, net income attributable to equity holders increased by 770% from Php201 million to Php1.7 billion.

### **GBPC**

GBP's net income more than doubled from Php575 million in the first half of 2011 to Php1.3 billion in the first half of 2012 as net fees grew by 44% from Php7 billion to Php10.1 billion chiefly due to the full year commercial operations of the Company's Cebu and Panay coal-fired plants.

### **TMP**

TMP's net income increased by 35% from Php1.1 billion as of the first half of 2011 to Php1.5 billion as of the first half of 2012 as revenue increased by 31.5% from Php25.5 billion to Php33.5 billion due to an increase in volume, normalization of vehicle parts and supply, favorable mix and aggressive sales and promotion. For the period in review, TMP's unit sales increased by 17.7% which exceeded the 7.2% increase in industry sales. In May alone, TMP sold 5,977 units, its highest monthly sales since 1989.

### **AXA Life**

AXA Life realized a 46% increase in total sales of Php1.3 billion from January to June 2012, as compared to Php922 million during the same period in 2011. This translates to a 29% increase in premium revenues of Php5.9 billion from Php4.6 billion. The Company's net income amounted to Php321 million for the period, which is 10% lower than the Php358 million realized last year, due to a 183% surge in regular premium linked sales which resulted in the corresponding front loading of legal policy reserves and commissions and bonus expenses.

Except for (i), (iv) and (vii) as discussed below, the Company does not know of:

- (i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way;
- (ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation;

- (iii) Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
- (iv) Any material commitments for capital expenditures, their purpose, and sources of funds for such expenditures;

## PART II - OTHER INFORMATION

### HIGHLIGHTS OF THE ANNUAL STOCKHOLDERS' MEETING

1. The Annual Stockholders Meeting of the Company was held on July 11, 2012.
2. The Company's stockholders approved the amendment of Article II, Section 1 of the Company's Amended By-Laws on the holding of the Annual / Regular Meetings of Stockholders, moving it from the second Monday of June of each year to the second Monday of May of each year.
3. The following directors were elected:

|                             |   |                        |
|-----------------------------|---|------------------------|
| George S.K. Ty              | - | Chairman Emeritus      |
| Arthur V. Ty                | - | Chairman               |
| Alfred V. Ty                | - | Vice Chairman          |
| Carmelo Maria Luza Bautista | - | Director / President   |
| Solomon S. Cua              | - | Director               |
| Manuel Q. Bengson           | - | Director               |
| Roderico V. Puno            | - | Director               |
| Renato C. Valencia          | - | Independent Director * |
| Jaime Miguel G. Belmonte    | - | Independent Director * |

\*As provided under Section 38 of the Securities Regulation Code (Republic Act No. 8799 as amended) and SRC Implementing Rule 38 1.

4. At the Organizational Meeting of the Board of Directors that followed immediately after the Annual Stockholders Meeting, the following officers of the Company were appointed:

|                             |   |  |
|-----------------------------|---|--|
| Carmelo Maria Luza Bautista | - | President  |
| Francisco H. Suarez, Jr.    | - | Senior Vice President and<br>Chief Finance Officer                     |
| Joselito V. Banaag          | - | Vice President and Head,<br>Legal and Compliance                       |
| Susan E. Cornelio           | - | Vice President and Head,<br>Human Resources                            |
| Reyna Rose P. Manon-og      | - | Assistant Vice President and<br>Head, Accounting and Financial Control |

**GT CAPITAL HOLDINGS, INC.  
AGING OF RECEIVABLES  
IN MILLION PESOS  
AS OF JUNE 30, 2012**

| Number of Days                             | Amount     |
|--|------------|
| Less than 30 days                          | Php 690    |
| 30 days to 60 days                         | 97         |
| 61 days to 90 days                         | 77         |
| 91 days to 120 days                        | 43         |
| Over 120 days                              | 2,957      |
| Current (not yet due)                      | 5,238      |
| Noncurrent installment contract receivable | 1,176      |
| Total                                      | Php 10,278 |

**GT CAPITAL HOLDINGS, INC.  
LIST OF STOCKHOLDERS AND PERCENTAGE OF HOLDINGS  
AS OF JUNE 30, 2012**

The following stockholders own more than 5% of the total issued and outstanding shares of the Company as of June 30, 2012:

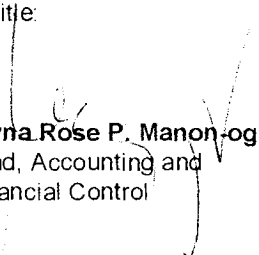
| Name Of Stockholder                | Total Number Of<br>Shares Held | Percent To Total<br>Number Of Shares<br>Issued |
|------------------------------------|--------------------------------|--|
| Grand Titan Capital Holdings, Inc. | 110,095,110                    | 69.68%   |
| PCD Nominee (Non-Filipino)         | 33,255,762                     | 21.05%   |
| PCD Nominee (Filipino)             | 14,102,568                     | 8.93%  |
| Others                             | 546,560                        | 0.34%  |
| Total                              | 158,000,000                    | 100.00%  |

**SIGNATURES**

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

Issuer: **GT Capital Holdings, Inc.**

Signature and Title:



**Reyna Rose P. Manon**, og  
Head, Accounting and  
Financial Control



**Francisco H. Suarez, Jr.**  
Chief Finance Officer

Date: August 30, 2012

# GT Capital Holdings, Inc. and Subsidiaries

## **Interim Condensed Consolidated Financial Statements**

As of June 30, 2012 (Unaudited) and December 31, 2011 (Audited)  
and for the period ended June 30, 2012 and 2011 (Unaudited)

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In Millions)

|  | Unaudited     | Audited           |
|--|---------------|-------------------|
|  | June 30, 2012 | December 31, 2011 |
| <b>ASSETS</b>  |               |                   |
| <b>Current Assets</b>  |               |                   |
| Cash and cash equivalents  | P15,513       | P454              |
| Receivables  | 8,819         | 4,864             |
| Inventories  | 9,924         | 11,338            |
| Due from related parties   | 1,257         | 939               |
| Prepayments and other current assets                               | 2,959         | 975               |
| Total Current Assets   | 38,472        | 18,570            |
| <b>Noncurrent Assets</b>   |               |                   |
| Noncurrent receivables   | 2,259         | 1,115             |
| Long - term cash investments                                       | -             | 2,440             |
| Deposits   | 3,354         | 4,085             |
| Investments and advances   | 38,487        | 38,113            |
| Investment properties  | 5,260         | 5,228             |
| Property and equipment   | 36,992        | 396               |
| Deferred tax assets  | 163           | 4                 |
| Other noncurrent assets  | 1,636         | 112               |
| Total Noncurrent Assets  | 88,151        | 51,493            |
|  | P126,623      | P70,063           |
| <b>LIABILITIES AND EQUITY</b>                                      |               |                   |
| <b>Current Liabilities</b>   |               |                   |
| Accounts and other payables  | P6,497        | P4,573            |
| Short term loans payable   | 4,021         | 7,649             |
| Customers' deposits  | 522           | 458               |
| Due to related parties   | 400           | 403               |
| Income tax payable   | 26            | -                 |
| Other current liabilities  | 2,224         | 58                |
| Total Current Liabilities  | 13,690        | 13,141            |
| <b>Noncurrent Liabilities</b>                                      |               |                   |
| Pension liabilities  | P126          | P28               |
| Long- term loans payable   | 44,067        | 19,600            |
| Deferred tax liabilities   | 370           | 81                |
| Other noncurrent liabilities                                       | 701           | 63                |
| Total Noncurrent Liabilities                                       | 45,264        | 19,772            |
|  | 58,954        | 32,913            |
| <b>Equity</b>  |               |                   |
| Equity attributable to equity holders of GT Capital Holdings, Inc. |               |                   |
| Capital Stock  | 1,580         | 1,250             |
| Additional paid-in capital   | 36,693        | 23,072            |
| Retained earnings  | 11,818        | 7,802             |
| Other equity adjustments   | (513)         | -                 |
| Other comprehensive income   | 1,886         | 2,805             |
|  | 51,464        | 34,929            |
| Non-controlling interests  | 16,205        | 2,221             |
| Total equity   | 67,669        | 37,150            |
|  | P126,623      | P70,063           |

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS OF JUNE 30, 2012 AND 2011 (UNAUDITED)

(In Millions)

|   | Attributable to Equity Holders of GT Capital Holdings, Inc |                            |                   |                         |   |  |   |  |                |                          |                |
|---|--|----------------------------|-------------------|-------------------------|---|--|---|--|----------------|--------------------------|----------------|
|   | Capital stock  | Additional paid-in capital | Retained earnings | Other equity adjustment | Equity in net unrealized gain (loss) on available-for-sale financial assets of associates | Equity in revaluation reserve on investment property of associates | Equity in revaluation increment on property and equipment of associates | Equity in translation adjustment of associates | Total          | Non-controlling interest | Total Equity   |
| At January 1, 2012                      | P1,250   | P23,072                    | P7,802            | P-                      | P2,546  | (P1)   | (P1)  | P261   | P34,929        | P2,221                   | P37,150        |
| Issuance of capital stock               | 330  | 13,621                     | -                 | -                       | -   | -  | -   | -  | 13,951         | -                        | 13,951         |
| Net income                              | -  | -                          | 4,016             | -                       | -   | -  | -   | -  | 4,016          | 778                      | 4,794          |
| Other comprehensive income              | -  | -                          | -                 | -                       | (756)   | 1  | 1   | (165)  | (919)          | -                        | (919)          |
| Effect of acquisition of GBP Group      | -  | -                          | -                 | -                       | -   | -  | -   | -  | -              | 15,393                   | 15,393         |
| Acquisition of non-controlling interest | -  | -                          | -                 | (513)                   | -   | -  | -   | -  | (513)          | (2,187)                  | (2,700)        |
| <b>At June 30, 2012</b>                 | <b>P1,580</b>  | <b>P36,693</b>             | <b>P11,818</b>    | <b>(P513)</b>           | <b>P1,790</b>   | <b>P-</b>  | <b>P-</b>   | <b>P96</b>                                     | <b>P51,464</b> | <b>P16,205</b>           | <b>P67,669</b> |
| At January 1, 2011                      | P1,250   | P23,072                    | P5,377            | P-                      | (P216)  | (P1)   | (P1)  | P128   | 29,609         | P2,211                   | P31,820        |
| Net income                              | -  | -                          | 1,700             | -                       | -   | -  | -   | -  | 1,700          | 44                       | 1,744          |
| Other comprehensive income              | -  | -                          | -                 | -                       | (118)   | -  | -   | 39   | (79)           | -                        | (79)           |
| <b>At June 30, 2011</b>                 | <b>P1,250</b>  | <b>P23,072</b>             | <b>P7,077</b>     | <b>P-</b>               | <b>(P334)</b>   | <b>(P1)</b>  | <b>(P1)</b>   | <b>P167</b>                                    | <b>31,230</b>  | <b>P2,255</b>            | <b>P33,485</b> |



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In Millions, Except Earnings Per Share)

|   | Unaudited     |               |               |               |
|---|---------------|---------------|---------------|---------------|
|   | 2012          |               | 2011          |               |
|   | April to June | Jan to June   | April to June | Jan to June   |
| <b>REVENUE</b>  |               |               |               |               |
| Equity in net income of associates                          | P1,104        | P2,556        | P944          | P1,903        |
| Net fees  | 3,778         | 3,778         | -             | -             |
| Real Estate sales   | 547           | 1,107         | 306           | 748           |
| Interest income on real estate sales                        | 63            | 117           | 48            | 82            |
| Sale of goods and services                                  | 180           | 376           | 191           | 370           |
| Commission income   | 10            | 61            | 14            | 58            |
| Rent income   | 64            | 112           | 46            | 105           |
| Interest and other income                                   | 1,715         | 1,860         | 154           | 194           |
|   | <u>7,461</u>  | <u>9,967</u>  | <u>1,703</u>  | <u>3,460</u>  |
| <b>COSTS AND EXPENSES</b>                                   |               |               |               |               |
| Cost of real estate sales                                   | 309           | 676           | 187           | 491           |
| Cost of goods and services                                  | 149           | 332           | 159           | 325           |
| Power plant operation and maintenance                       | 2,127         | 2,127         | -             | -             |
| General and administrative expenses                         | 546           | 896           | 230           | 473           |
| Interest expense  | 774           | 1,055         | 244           | 406           |
|   | <u>3,905</u>  | <u>5,086</u>  | <u>820</u>    | <u>1,695</u>  |
| <b>INCOME BEFORE INCOME TAX</b>                             | <b>3,556</b>  | <b>4,881</b>  | <b>883</b>    | <b>1,765</b>  |
| <b>PROVISION FOR INCOME TAX</b>                             | <b>62</b>     | <b>87</b>     | <b>1</b>      | <b>21</b>     |
| <b>NET INCOME</b>   | <b>P3,494</b> | <b>P4,794</b> | <b>P882</b>   | <b>P1,744</b> |
| Attributable to:  |               |               |               |               |
| Equity holders of the GT Capital Holdings, Inc.             | P2,740        | P4,016        | P850          | P1,700        |
| Non-controlling interest                                    | 754           | 778           | 32            | 44            |
|   | <u>P3,494</u> | <u>P4,794</u> | <u>P882</u>   | <u>P1,744</u> |
| <b>Basic/Diluted Earnings Per Share</b>                     |               |               |               |               |
| <b>Attributable to Equity Holders of the Parent Company</b> |               | <b>P29.10</b> |               | <b>P13.61</b> |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Millions)

|  | Unaudited      |               |               |               |
|--|----------------|---------------|---------------|---------------|
|  | 2012           |               | 2011          |               |
|  | April to June  | Jan to June   | April to June | Jan to June   |
| <b>NET INCOME</b>  | <b>₱3,494</b>  | <b>₱4,794</b> | <b>₱882</b>   | <b>₱1,744</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                |               |               |               |
| Equity in net unrealized loss on available for sale financial assets of associates | (1,251)        | (756)         | 91            | (118)         |
| Equity in revaluation reserve on investment property of associates                 | 1              | 1             | -             | -             |
| Equity in revaluation increment on property and equipment of associates            | 1              | 1             | -             | -             |
| Equity in translation adjustment of associates                                     | (90)           | (165)         | 22            | 39            |
|  | <b>(1,339)</b> | <b>(919)</b>  | <b>113</b>    | <b>(79)</b>   |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>₱2,155</b>  | <b>₱3,875</b> | <b>₱995</b>   | <b>₱1,665</b> |
| Attributable to:   |                |               |               |               |
| Equity holders of the GT Capital Holdings, Inc.                                    | 1,401          | 3,097         | 963           | 1,621         |
| Non-controlling interest   | 754            | 778           | 32            | 44            |
|  | <b>₱2,155</b>  | <b>₱3,875</b> | <b>₱995</b>   | <b>₱1,665</b> |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Millions)

|   | Unaudited            |                |
|---|----------------------|----------------|
|   | Period Ended June 30 |                |
|   | 2012                 | 2011           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                      |                |
| Income before income tax                                    | P4,881               | P1,765         |
| Adjustments for:  |                      |                |
| Interest expense  | 1,055                | 406            |
| Depreciation and amortization                               | 968                  | 33             |
| Equity in net income of associates and a joint venture      | (2,556)              | (1,903)        |
| Interest income   | (385)                | (17)           |
| Operating income before changes in working capital          | 3,963                | 284            |
| Decrease (increase) in:                                     |                      |                |
| Receivables   | (5,101)              | (815)          |
| Due from related parties                                    | (318)                | (6,745)        |
| Inventories   | 1,414                | 1,657          |
| Prepayments and other current assets                        | (1,980)              | (179)          |
| Increase (decrease) in:                                     |                      |                |
| Accounts and other payables                                 | 2,116                | 293            |
| Customers' deposits   | 64                   | (155)          |
| Other current liabilities                                   | 2,165                | 13             |
| Pension liabilities   | 98                   | -              |
| Cash provided by (used in) operations                       | 2,421                | (5,647)        |
| Interest received   | 387                  | 134            |
| Interest paid   | (1,247)              | (519)          |
| Dividends received  | 988                  | 1,339          |
| Income taxes paid   | (14)                 | -              |
| Net cash provided by (used in) operating activities         | 2,535                | (4,693)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                      |                |
| Proceeds from sales of:                                     |                      |                |
| Long term investment  | 2,440                | -              |
| Additions to:   |                      |                |
| Investment properties                                       | (39)                 | (1,257)        |
| Property and equipment                                      | (37,557)             | (51)           |
| Long term investment  | -                    | -              |
| Decrease (increase) in investments and advances             | 275                  | (2,642)        |
| Increase in other noncurrent asset                          | (791)                | (2)            |
| Net cash used in investing activities                       | (35,672)             | (3,952)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                      |                |
| Proceeds from loan availment                                | 29,895               | 9,204          |
| Payment of loans payable                                    | (9,056)              | (3,217)        |
| Issuance of capital stock                                   | 13,951               | -              |
| Increase (decrease) in:                                     |                      |                |
| Liabilities on purchased land                               | -                    | (517)          |
| Due to related parties                                      | (4)                  | 97             |
| Other noncurrent liabilities                                | 717                  | 1,457          |
| Noncontrolling interest                                     | 12,693               | -              |
| Net cash provided by financing activities                   | 48,196               | 7,024          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>15,059</b>        | <b>(1,621)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>     | <b>454</b>           | <b>3,059</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>           | <b>P15,513</b>       | <b>1,438</b>   |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**

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**1. Corporate Information**

GT Capital Holdings, Inc. (the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned. The ultimate parent is Grand Titan Capital Holdings, Inc.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc.

In 2012, the Parent Company acquired an additional 20% equity interest in Federal Land Inc. (Fed Land). The acquisition increased the Parent Company's interest in Fed Land to 100%. Likewise, the Parent Company's effective interest in Global Business Power Corporation (GBP) increased to 51% as of June 30, 2012.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBT), Toyota Motor Philippines, Inc. (Toyota) and Philippine AXA Life Insurance Corp. (Phil AXA).

Group Activities

The Parent Company, Fed Land and Subsidiaries (Fed Land Group) and GBP and subsidiaries (GBP Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group, is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations. The principal business interests of the Fed Land Group are real estate development and leasing and sell properties and act as a marketing agent for and in behalf of any real estate development company or companies. The Fed Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis; maintaining a petroleum service station and; food and restaurant service.

On the other hand, GBP was registered with the Philippine Securities and Exchange Commission (SEC) on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

The registered office address of the Parent Company is at the 43<sup>rd</sup> Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2011.

The interim condensed financial statements of the Group have been prepared using the historical cost basis and are presented in Philippine Pesos (₱), the Group's functional currency. Values are rounded to the nearest million pesos (₱000,000) unless otherwise indicated.

### Statement of Compliance

The interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

### Basis of Consolidation

#### *Basis of consolidation*

The interim condensed consolidated financial statements include the financial statements of the Parent Company, consolidated financial statements of Fed Land Group and GBP Group and the Group's share in the net assets of the associates plus cost of investment.

The interim condensed consolidated financial statements include the financial statements of the Parent Company and the following domestic subsidiaries of Fed Land and GBP:

|   | <u>Effective Percentages of Ownership</u> |                          |
|---|---|--------------------------|
|   | <u>June 30, 2012</u>                      | <u>December 31, 2011</u> |
| Fed Land <sup>1</sup>                             | 100.00%                                   | 80.00%                   |
| Subsidiaries of Fed Land:                         |   |                          |
| Southern Horizon Development Corp.                | 100.00                                    | 80.00                    |
| Federal Land - Management and Consultancy, Inc.   | 100.00                                    | 80.00                    |
| Fedsales Marketing, Inc.                          | 100.00                                    | 80.00                    |
| Baywatch Project Management Corporation           | 100.00                                    | 80.00                    |
| Horizon Land Property and Development Corporation | 100.00                                    | 80.00                    |
| Omni-Orient Marketing Network, Inc.               | 87.80                                     | 70.24                    |
| Federal Brent Retail, Inc. (FBR) <sup>2</sup>     | 51.66                                     | 41.33                    |
| Top Leader Property Management Corp.              | 100.00                                    | 80.00                    |
| Central Realty and Development Corp. (CRDC)       | 75.80                                     | 60.64                    |
| Harbour Land Realty Corporation (HLRC)            | 100.00                                    | 80.00                    |

<sup>1</sup> Subsidiary

<sup>2</sup> Engaged in trading of petroleum and non-fuel products and food and restaurant services

(Forward)

|   | Effective Percentages of Ownership |                   |
|---|------------------------------------|-------------------|
|   | June 30, 2012                      | December 31, 2011 |
| GBP   | 51.00%                             | -                 |
| Subsidiaries of GBP:                        |                                    |                   |
| ARB Power Ventures, Inc.                    | 51.00                              | -                 |
| GBH Cebu Limited Duration Company           | 51.00                              | -                 |
| GBH Power Resources, Inc.                   | 51.00                              | -                 |
| Global Energy Supply Corporation            | 51.00                              | -                 |
| Panay Power Holdings Corporation (PPHC)     | 45.54                              | -                 |
| Global Formosa Power Holdings, Inc. (GFPHI) | 47.43                              | -                 |

On May 2, 2012, the Parent Company acquired effective ownership of 51% over GBP (see note 3). Also, on May 3, 2012, the Parent Company acquired an additional 20% of Fed Land from the holders of non-controlling interest, thereby increasing the Parent Company's ownership in Fed Land from 80% to 100% (see Note 3).

#### *FBRI*

FBRI is 51.66% owned by Fed Land and was consolidated to the Fed Land Group. Effective ownership of the Parent Company over FBRI through Fed Land is 41.33% and 51.66% as of June 30, 2012 and December 31, 2011, respectively.

#### *Bonifacio Landmark Realty and Development Corporation (BLRDC)*

In 2011, Fed Land and Morano Holdings Corporation (MHC) entered into a Deed of Assignment and Subscription Agreement under a joint venture arrangement with ORIX Risingsun Properties II, Inc. (Orix).

On January 25, 2012, the SEC approved the change in corporate name of MHC from Morano Holdings Corporation to Bonifacio Landmark Realty and Development Corporation (BLRDC).

Effective June 2012, BLRDC was converted from a wholly-owned subsidiary to a joint venture corporation (see note 3).

#### *PPHC and GFPHI*

PPHC and GFPHI are 89.3% and 93% owned by GBP and were consolidated to the GBP Group. Effective ownership of the Parent Company over PPHC and GFPHI through GBP is 45.54% and 47.43%, respectively, as of June 30, 2012.

#### Combinations of Entities Under Common Control

Business combination of entities under common control is accounted for using the uniting of interest method. The combined entities accounted for by the uniting of interests method reports results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PRFS;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as "Effect of uniting of interest" in the consolidated statement of changes in equity. Cash consideration transferred on acquisition of a subsidiary under common control is deducted in the "Retained Earnings" at the time of business combination.

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

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the interim condensed consolidated statement of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity. Any losses attributable to the NCI are allocated even if it results in a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

#### Changes in Accounting Policies

The accounting policies adopted in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2011 except for the adoption of the following amended PAS and PFRS effective as of January 1, 2012. Adoption of these changes did not have any significant impact on the Group's interim condensed consolidated financial statements.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*  
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 will be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*  
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

#### Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations and assess their impact when these become effective.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*  
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 19, *Employee Benefits (Amendment)*  
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 27, *Separate Financial Statements (as revised in 2011)*  
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*  
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.



- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not have significant impact to the financial position of the Group since the Group accounts its jointly controlled under equity method of accounting. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- *PFRS 12, Disclosure of Involvement with Other Entities*  
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *PFRS 13, Fair Value Measurement*  
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- *PFRS 9, Financial Instruments: Classification and Measurement*  
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed.

The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited financial statements as of December 31, 2011 and decided not to early adopt PFRS 9 for its 2012 financial reporting. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*  
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.
- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*  
The interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis

will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue Standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements and guidance of the final Revenue Standard in relation to the practices of the Philippine real estate industry is completed

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

#### *Financial Instruments*

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the interim condensed consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

##### *Initial recognition of financial instruments*

All financial assets are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of June 30, 2012 and December 31, 2011, the Group's financial assets are of the nature of loans and receivables and AFS financial assets while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2012 and 2011.

##### *Determination of fair value*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. These valuation techniques include the net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. This accounting policy relates to the interim condensed consolidated statement of financial position captions "Cash and cash equivalents", "Receivables"(except for advances to contractors and suppliers), "Due from related parties" and "Long term cash investment".

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

#### *AFS financial assets*

AFS financial assets are non-derivative financial assets which are designated as such or do not qualify to be classified as designated as securities of FVPL, HTM investments, or loans and receivables.

They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS financial assets pertain to unquoted equity securities included under the interim condensed consolidated statement of financial position caption "Other noncurrent assets".

These are carried at cost less impairment and approximate fair value because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

#### *Other financial liabilities*

Other financial liabilities are financial liabilities not designated at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group's accounts and other payables, loans payable, liabilities for purchased land, due to related parties and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

### 3. Investments and Advances

#### *Investment in Fed Land*

On May 3, 2012, the Parent Company acquired the remaining 20,000,000 common shares of Fed Land representing 20% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.7 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80% to 100%. The acquisition of 20% of Fed Land also resulted in the recognition of other equity adjustment amounting to ₱513.4 million representing the excess of cost consideration over the carrying amount of the non-controlling interest.

On June 28, 2012, the Parent Company subscribed to 37,947,000 common shares of Fed Land for a total subscription price amounting to ₱3.8 billion to fund the increase in Fed Land's authorized capital stock from ₱10.0 billion to ₱15.0 billion. The funds were used to partially finance Fed Land's ongoing projects in Metro Manila and Cebu.

#### *Acquisition of GBP*

On December 20, 2011, GBP filed an application for the increase in its authorized capital stock and reduction in the par value of its common shares to ₱1.00 per share. Upon application of increase in authorized capital stock, the Parent Company intends to convert the deposit for future stocks subscription (DFS) through issuance of new common shares by GBP. As a result, Parent Company's direct interest will be 21.04% with equivalent subscription of 117,067,800 new common shares (see Note 8). These advances are carried at cost and did not apply equity method of accounting due to pending regulatory approval as of December 31, 2011.

On January 16, 2012, the SEC approved the application of the increase in authorized capital stock of GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with Global Business Holdings, Inc. (GBHI) for the sale and transfer of 35,504,900 and 38,863,000 common shares of GBP, respectively, with GBHI as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.2 billion and ₱1.4 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37 % direct interest of the Parent Company over GBPC.

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBP's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.2 million.

With the result of foregoing transactions, the Parent Company obtained an effective interest of 51.0% over GBP Group, computed as follows:

| <b>Nature</b>  | <b>Effective interest</b> |
|--|---------------------------|
| Direct interest  |                           |
| Conversion of deposit for future stock subscriptions     | 21.0%                     |
| Acquisition of secondary shares from GBHI                | 13.4%                     |
| Exercised option to purchase additional shares from GBHI | 4.6%                      |
| Indirect interest through an associate                   | 12.0%                     |
|  | <u>51.0%</u>              |

As of June 30, 2012, the purchase price allocation relating to the Parent Company's effective acquisition of GBP has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets amounting to ₱280.0 million was initially allocated to goodwill as of June 30, 2012. Given the size and complexity of the transaction, the preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

#### *Toledo Expansion Project*

On May 24, 2012, the Parent Company disbursed ₱507.0 million as its pro-rata share in an equity call from GBP upon its stockholders. The equity call will partially fund GBP's down payment on the Engineering, Procurement and Construction (EPC) contract and initial expenses of the Toledo Expansion Project situated in Toledo City, Cebu.

#### *Fed Land and MHC Omnibus Agreement*

Fed Land, together with ORIX, executed a memorandum of agreement (MOA) dated December 8, 2011 and an Omnibus Subscription Agreement (OSA) dated December 21, 2011. Under the MOA, Fed Land shall make additional capital contributions in the form of cash and property and ORIX shall make capital contributions in the form of cash in exchange for shares of stock of MHC pursuant to the terms and conditions set forth in the Omnibus Subscription Agreement; Orix contributions shall be placed in an escrow account until increase in subscription has been finally made. On January 31, 2012, the Escrow has been released resulting to the increase in deposit for future subscription and APIC of MHC by ₱307.2 million and ₱44.8 million.

Fed Land and Orix intends to (i) develop a residential condominium and a hotel/retail/ office building on two (2) parcels of land located in Bonifacio Global City, Fort Bonifacio, Taguig City, Metro Manila, Philippines, with an aggregate area of 12,984 square meters, and (ii) engage in the operations of the hotel.

In June 2012, FLI and ORIX Risingsun Properties, Inc. II (Orix) entered into a contractual arrangement to establish joint control over Bonifacio Landmark Realty Dev't. Corp. (BLRDC), with FLI owning 70% of BLRDC's capital stock and the remaining 30% owned by Orix. Prior to June 2012, BLRDC is a wholly-owned subsidiary of FLI. As a result of the joint venture between FLI and Orix, FLI derecognized the assets and liabilities of BLRDC at their carrying amounts. Thus, the investment retained in BLRDC is carried at its fair value. The difference, between the fair value of the investment retained and the derecognized previously consolidated net assets and the land and cash contributions made to the joint venture was treated as gain amounting ₱1.40 billion. Such gain was recognized as income in the statement of income under the line item "Other income".

#### *Common control business combination*

On October 03, 2011, East West Investment Ltd. (EIL), Great Co. Limited (GCL) and Titan Resources Corporation (TRC) (collectively referred herein as "Seller") and Fed Land entered into a deed of sale agreement to transfer its respective shares of stock held over HLRDC for a total consideration of ₱420.0 million.

On June 23, 2011, Fed Land subscribed to additional common shares issued by CRDC of 400,000 common shares obtaining an effective interest of 75.8% over CRDC after

issuance. Before the acquisition, CRDC was majority owned by City Tower Realty Corporation (CTRC) which resulted to a dilution of its shares to Fed Land.

The two acquisitions were accounted for using the uniting of interest method.

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#### 4. Equity

As of June 30, 2012 and December 31, 2011, this account consists of (amounts in millions except for par value and number of shares):

|   | <u>June 30, 2012</u> | <u>December 31, 2011</u> |
|---|----------------------|--------------------------|
| Common stock - ₱10 par value                  |                      |                          |
| Authorized - 500,000,000 shares               |                      |                          |
| Issued and outstanding – 158,000,000 shares   |                      |                          |
| as of June 30, 2012 and 125,000,000 shares as |                      |                          |
| of December 31, 2011                          | <b>₱1,580</b>        | ₱1,250                   |
| Additional Paid-In Capital                    | <b>36,694</b>        | 23,072                   |
|   | <b>₱38,274</b>       | <b>₱24,322</b>           |

On April 20, 2012, the Parent Company's common shares were listed on the Philippine Stock Exchange, Inc. raising gross proceeds amounting to ₱15.0 billion based on the primary offering of 33,000,000 new common shares at an offer price of ₱455.00 per share. Total proceeds raised by the Parent Company amounted to ₱14.0 billion, net of direct transaction costs.

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#### 5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

As of June 30, 2012 and December 31, 2011, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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## 6. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the periods indicated were computed as follows:

|   | <u>June 30</u>   |        | December 31,   |
|---|------------------|--------|----------------|
|   | 2012             | 2011   | 2011           |
|   | <u>Unaudited</u> |        | <u>Audited</u> |
| Net income attributable to Parent Company | <b>₱4,016</b>    | ₱1,700 | ₱3,324         |
| Weighted average number of shares         | <b>138</b>       | 125    | 125            |
|   | <b>₱29.10</b>    | ₱13.61 | ₱26.60         |

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

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## 7. Operating Segments

### Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate segment is engaged in real estate and leasing, development and selling of properties of every kind and description
- Financial institutions are engaged in the banking and insurance industry
- Motor segment is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments.
- Other segments have been aggregated to form a reportable segment are engaged in the following business:
  - a) trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and
  - b) engaged in the food and restaurant service
  - c) to act as a marketing agent for and in behalf of any real estate development company or companies.

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to third parties.



The following tables present revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the period ended June 30, 2012 and as of and for the year ended December 31, 2011.

|  | Real Estate  | Financial Institution | Motor       | Power        | Others        | Total         |
|--|--------------|-----------------------|-------------|--------------|---------------|---------------|
| <b>Quarter Ended June 30, 2012 (Unaudited)</b>                               |              |                       |             |              |               |               |
| <b>Results of Operations</b>   |              |                       |             |              |               |               |
| Revenue  | ₱1,224       | ₱-                    | ₱-          | ₱3,778       | ₱437          | ₱5,439        |
| Rentals  | 50           | -                     | -           | -            | 62            | 112           |
| Equity in net income of associates   | 72           | 1,944                 | 316         | 224          | -             | 2,556         |
|  | 1,346        | 1,944                 | 316         | 4,002        | 499           | 8,107         |
| Cost of sales and services   | 1,008        | -                     | -           | -            | -             | 1,008         |
| Power plant operation and maintenance (before depreciation and amortization) | -            | -                     | -           | 1,194        | -             | 1,194         |
| General and administrative expense (before depreciation and amortization)    | 239          | -                     | -           | 198          | 424           | 861           |
|  | 1,247        | 1,944                 | 316         | 1,392        | 424           | 3,063         |
| EBITDA   | 99           | 1,944                 | 316         | 2,610        | 75            | 5,044         |
| Other income (expenses)  |              |                       |             |              |               |               |
| Finance income   | 1,723        | -                     | -           | 78           | 59            | 1,860         |
| Finance cost   | (225)        | -                     | -           | (499)        | (331)         | (1,055)       |
| Depreciation and amortization  | (14)         | -                     | -           | (933)        | (21)          | (968)         |
| Pretax income  | 1,583        | 1,944                 | 316         | 1,256        | (218)         | 4,881         |
| Provision for income tax   | 41           | -                     | -           | 30           | 16            | 87            |
| <b>Net Income (Loss)</b>   | <b>1,542</b> | <b>1,944</b>          | <b>316</b>  | <b>1,226</b> | <b>(234)</b>  | <b>4,794</b>  |
| <b>Statement of Financial Position</b>                                       |              |                       |             |              |               |               |
| Total Assets   | 29,744       | 32,690                | 1,931       | 59,583       | 2,675         | 126,623       |
| Total Liabilities  | 13,660       | -                     | -           | 35,565       | 9,729         | 58,954        |
| <b>Year Ended December 31, 2011 (Audited)</b>                                |              |                       |             |              |               |               |
| <b>Results of Operations</b>   |              |                       |             |              |               |               |
| Revenue  | ₱ 3,176      | ₱-                    | ₱-          | ₱-           | ₱920          | ₱4,096        |
| Rentals  | 118          | -                     | -           | -            | 120           | 238           |
| Equity in net income of associates   | 87           | 3,018                 | 462         | -            | -             | 3,567         |
|  | 3,381        | 3,018                 | 462         | -            | 1,040         | 7,901         |
| Cost of sales and services   | 1,554        | -                     | -           | -            | 710           | 2,264         |
| General and administrative expense (before depreciation and amortization)    | 545          | -                     | -           | -            | 493           | 1,038         |
|  | 2,099        | -                     | -           | -            | 1,203         | 3,302         |
| EBITDA   | 1,282        | 3,018                 | 462         | -            | (163)         | 4,599         |
| Other income (expenses)  |              |                       |             |              |               |               |
| Finance income   | 58           | -                     | -           | -            | 7             | 65            |
| Finance cost   | (433)        | -                     | -           | -            | (557)         | (990)         |
| Depreciation and amortization  | (29)         | -                     | -           | -            | (42)          | (71)          |
| Pretax income  | 878          | 3,018                 | 462         | -            | (755)         | 3,603         |
| Provision for income tax   | 138          | -                     | -           | -            | 11            | 149           |
| <b>Net Income (Loss)</b>   | <b>₱740</b>  | <b>₱3,018</b>         | <b>₱462</b> | <b>₱-</b>    | <b>(₱766)</b> | <b>₱3,454</b> |
| <b>Statement of Financial Position</b>                                       |              |                       |             |              |               |               |
| Total Assets   | ₱28,954      | ₱32,197               | ₱2,071      | ₱3,397       | ₱3,444        | ₱70,063       |
| Total Liabilities  | ₱18,299      | ₱-                    | ₱-          | ₱-           | ₱14,614       | ₱32,913       |

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## 8. Financial Risk Management and Objectives

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, long-term cash investments, due from related parties, AFS financial assets, accounts and other payables, loans payable and due to related parties. The main purpose of the Group's financial instruments is to provide funding for its business operations and capital expenditures. The Group does not enter into hedging transactions or engage in speculation with respect to financial instruments.

Exposure to credit, liquidity, foreign currency and interest rate risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- a) to identify and monitor such risks on an ongoing basis;
- b) to minimize and mitigate such risks; and
- c) to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

### Credit risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise cash and cash equivalents, receivables, due from related parties and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of post-dated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

The table below shows the maximum exposure to credit risk for the components of the Group's statement of financial position.

|   | Unaudited<br>June 30,<br>2012 | Audited<br>December 31<br>2011 |
|---|-------------------------------|--------------------------------|
| (in millions)   |                               |                                |
| Cash and cash equivalents<br>(excluding cash on hand) | P15,511                       | P452                           |
| Receivables (Note 5)                                  |                               |                                |
| Installment contracts receivable                      | 3,041                         | 1,924                          |
| Dividend receivable                                   | -                             | 157                            |
| Trade receivable                                      | 5,250                         | 179                            |
| Accrued commission income                             | 26                            | 21                             |
| Accrued rent income                                   | 4                             | 5                              |
| Accrued interest receivable                           | 9                             | 2                              |
| Others  | 1,332                         | 161                            |
| Due from related parties                              | 1,257                         | 939                            |
| Long term cash investment                             | -                             | 2,440                          |
| Long term notes receivable                            | 149                           | -                              |
| AFS financial assets                                  | 448                           | 10                             |
| Other noncurrent assets                               | 19                            | -                              |
| <b>Total credit risk exposure</b>                     | <b>P27,046</b>                | <b>P6,290</b>                  |

#### Liquidity risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The table summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

#### **Unaudited June 30, 2012**

(Amounts in millions)

|  | < 1 year      | > 1 to < 5 years | > 5 years  | Total         |
|--|---------------|------------------|------------|---------------|
| <b>Financial assets</b>                    |               |                  |            |               |
| Cash and cash equivalents                  | P15,511       | P-               | P-         | P15,511       |
| Receivables                                |               |                  |            |               |
| Installment contracts receivable           | 1,875         | 1,166            | -          | 3,041         |
| Trade receivable                           | 3,640         | 1,610            | -          | 5,250         |
| Accrued commission income                  | 26            | -                | -          | 26            |
| Accrued rent income                        | 4             | -                | -          | 4             |
| Accrued interest receivable                | 9             | -                | -          | 9             |
| Others                                     | 1,297         | 35               | -          | 1,332         |
| Due from related parties                   | 1,257         | -                | -          | 1,257         |
| Long term notes receivable                 | 19            | 130              | -          | 149           |
| AFS financial assets - unquoted            | -             | 4                | 444        | 448           |
| Other noncurrent assets                    | -             | -                | 19         | 19            |
| <b>Total undiscounted financial assets</b> | <b>23,638</b> | <b>2,945</b>     | <b>463</b> | <b>27,046</b> |

(Forward)

|   | < 1 year      | > 1 to < 5 years | > 5 years        | Total            |
|---|---------------|------------------|------------------|------------------|
| <b>Other financial liabilities</b>              |               |                  |                  |                  |
| Accounts and other payables                     |               |                  |                  |                  |
| Trade   | P4,113        | P-               | P-               | P4,113           |
| Retentions payable                              | 223           | -                | -                | 223              |
| Accrued expenses                                | 1,372         | -                | -                | 1,372            |
| Accrued interest                                | 246           | -                | -                | 246              |
| Others  | 543           | -                | -                | 543              |
| Loans payable                                   | 7,683         | 37,949           | 22,426           | 68,058           |
| Due to related parties                          | 400           | -                | -                | 400              |
| Other noncurrent liabilities                    | -             | -                | 578              | 578              |
| <b>Total undiscounted financial liabilities</b> | <b>14,580</b> | <b>37,949</b>    | <b>23,004</b>    | <b>75,533</b>    |
| <b>Liquidity Gap</b>                            | <b>P9,058</b> | <b>(P35,004)</b> | <b>(P22,541)</b> | <b>(P48,487)</b> |

**Audited**  
**December 31, 2011**

| (Amounts in millions)                           | < 1 year        | > 1 to < 5 years | > 5 years | Total            |
|---|-----------------|------------------|-----------|------------------|
| <b>Financial assets</b>                         |                 |                  |           |                  |
| Cash and cash equivalents                       | P452            | P-               | P-        | P452             |
| Receivables                                     |                 |                  |           |                  |
| Installment contracts receivable                | 820             | 1,105            | -         | 1,925            |
| Dividend receivable                             | 157             | -                | -         | 157              |
| Trade receivable                                | 168             | 10               | -         | 178              |
| Accrued commission income                       | 21              | -                | -         | 21               |
| Accrued rent income                             | 5               | -                | -         | 5                |
| Accrued interest receivable                     | 2               | -                | -         | 2                |
| Others  | 157             | -                | 4         | 161              |
| Due from related parties                        | 939             | -                | -         | 939              |
| Long term cash investment                       | -               | 2,440            | -         | 2,440            |
| AFS financial assets - unquoted                 | -               | 10               | -         | 10               |
| <b>Total undiscounted financial assets</b>      | <b>P2,721</b>   | <b>P3,565</b>    | <b>P4</b> | <b>P6,290</b>    |
| <b>Other financial liabilities</b>              |                 |                  |           |                  |
| Accounts and other payables                     |                 |                  |           |                  |
| Trade   | 3,794           | -                | -         | 3,794            |
| Retentions payable                              | 214             | -                | -         | 214              |
| Accrued expenses                                | 109             | -                | -         | 109              |
| Accrued interest                                | 65              | -                | -         | 65               |
| Others  | 75              | -                | -         | 75               |
| Loans payable                                   | 7,649           | 19,600           | -         | 27,249           |
| Due to related parties                          | 404             | -                | -         | 404              |
| <b>Total undiscounted financial liabilities</b> | <b>P12,310</b>  | <b>P19,600</b>   | <b>P-</b> | <b>P31,910</b>   |
| <b>Liquidity Gap</b>                            | <b>(P9,589)</b> | <b>(P16,035)</b> | <b>P4</b> | <b>(P25,620)</b> |

**Foreign currency risk**

Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Pesos. As such, the Group's foreign currency risk is very minimal.

**Interest rate risk**

The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**AS OF AND FOR THE PERIOD ENDED JUNE 30, 2012 AND 2011**

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|   | 2012  | 2011  |
|---|-------|-------|
| <b>1. Liquidity Ratio</b>               |       |       |
| Current Ratio                           | 2.81  | 1.38  |
| <b>2. Solvency Ratio</b>                |       |       |
| Debt to Equity Ratio                    | 0.87  | 0.75  |
| <b>3. Asset-to-Equity Ratio</b>         |       |       |
| Assets to Equity Ratio                  | 2.46  | 1.87  |
| <b>4. Interest Rate Coverage Ratio*</b> |       |       |
| Interest Rate Coverage Ratio            | 5.63  | 5.36  |
| <b>5. Profitability Ratios</b>          |       |       |
| Return on Assets                        | 6.7%  | 6.2%  |
| Return on Equity                        | 15.2% | 11.2% |

\*computed as Earnings before Interest Expense and Taxes/Interest Expense

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**  
**AS OF JUNE 30, 2012**

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The details of disbursement of Initial Public Offering (IPO) proceeds from listing date of April 20, 2012 up to June 30, 2012 are presented below.

As disclosed in the Company's prospectus, gross and net proceeds were estimated at Php15 billion and Php14.2 billion, respectively.

The Company received Php15 billion gross proceeds from the primary offering of 33,000,000 million common shares on April 20, 2012 and incurred Php1.2 billion IPO related expenses.

The Php13.9 billion net proceeds were disbursed as follows: (1) Php0.9 billion for the acquisition of 4.6% of GBP from Global Business Holdings, Inc.; (2) Php2.7 billion for the acquisition of an additional 20% stake in FLI; (3) Php2.8 billion originally earmarked for the pre-payment of the Php2 billion Union Bank term loan and Php0.8 billion partial payment of the Company's Php5 billion notes facility maturing in 2013 was re-allocated and used to fully settle the Php4 billion five-year term loan with Metrobank as approved by the Company's Board of Directors on May 30, 2012 in order to save on the annual guarantee fee amounting to Php31.5 million due on June 25, 2012; (4) Php507 million for GBP's first equity call to fund the Toledo plant expansion; (5) Php3.8 billion for capital expenditures to finance the acceleration of key growth projects of FLI; while the remaining balance of Php1.9 billion will be used for subsequent equity calls of GBP for the plant expansion and increase in direct equity stake in GBP within 2012 up to 2014 as stated in the Company's prospectus.