

# COVER SHEET

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SEC Registration Number

**S I N O P H I L C O R P O R A T I O N**  
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\_\_\_\_\_  
(Company's Full Name)

**5 F T O W E R A T W O E C O M C E N T E R**  
**P A L M C O A S T M O A P A S A Y C I T Y**  
(Business Address: No. Street City / Town / Province)

**ANNA FRANCESCA C. RESPICIO**

**632-0905**  
Company Telephone Number

**1 2**   **3 1**  
Month   Day  
Fiscal Year

\_\_\_\_ | \_\_\_\_ | \_\_\_\_  
Month   Day  
Annual Meeting

**DEFINITIVE 2015**  
Form Type

\_\_\_\_\_  
Secondary License Type, if applicable

\_\_\_\_\_  
Department Requiring this Doc.

\_\_\_\_\_  
Amended Articles Number/Section

\_\_\_\_\_  
Total No. of Stockholders

\_\_\_\_\_  
Total Amount of Borrowings  
Domestic   Foreign

To be Accomplished by SEC Personnel Concerned

\_\_\_\_\_  
File Number

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LCU

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Document I.D.

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Cashier

**STAMPS**

Remarks = pls. use black ink for scanning purposes



# SINOPHIL CORPORATION

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

**TO: ALL STOCKHOLDERS**

NOTICE is hereby given that the annual meeting of the stockholders of Sinophil Corporation shall be on **Tuesday, 18 June 2013** at 2:00 in the afternoon, at Meeting Rooms 14 and 15, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City, Metro Manila, to consider the following:

### **AGENDA**

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2012 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Decrease in Number of Directors from eleven (11) to seven (7)
8. Decrease in par value of common and preferred shares from One Peso (₱1.00) to Twenty Five Centavos (₱0.25)
9. Election of Directors
10. Appointment of SyCip Gorres Velayo & Co. as External Auditors
11. Other Matters
12. Adjournment

The close of business on **17 May 2013** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 1:30 p.m. and end promptly at 2:00 p.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation at 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City. All proxies should be received by the Corporation **at least three (3) days** before the meeting, or on or before **15 June 2013**. Proxies submitted shall be validated by a Committee of Inspectors on **17 June 2013** at 10:00 a.m. at 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

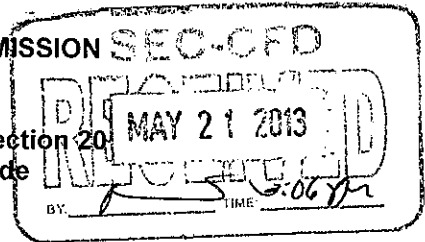
To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or credit card.

City of Pasay, Metro Manila, 20 May 2013.

**ARTHUR A. SY**  
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION SEC-CFD  
SEC FORM 20-IS

Information Statement Pursuant to Section 20  
of the Securities Regulation Code



1. Check the appropriate box  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **SINOPHIL CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization:  
**Philippines**
4. SEC Identification Number: **AS093-009289**
5. BIR Tax Identification Number: **003-457-827**
6. Address of principal office and Postal Code:  
**5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City**
7. Registrant's telephone number, including area code: **(632) 662-8888**
8. Date, time, and place of the meeting of security holders:  
  
**Date : 18 June 2013 (Tuesday)**  
**Time : 2:00 p.m.**  
**Venue : Meeting Rooms 14 and 15, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City, Metro Manila**
9. Approximate date on which the Information Statement is to be sent or given to security holders:  
**27 May 2013**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (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 |
| <b>Common Stock, 1.00 par value</b> | <b>7,927,310,000 (As of 30 April 2013)</b>   |
11. Are any or all of Registrant's securities listed on a Stock Exchange?  

|                  |                                         |                                        |
|------------------|-----------------------------------------|----------------------------------------|
| Common Shares    | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |
| Preferred Shares | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |

If so disclose name of the Exchange: **The Philippine Stock Exchange, Inc.**

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

## GENERAL INFORMATION

### Date, time and place of meeting of security holders

- (a) Date - **18 June 2013 (Tuesday)**
- Time - **2:00 p.m.**
- Place - **Meeting Rooms 14 and 15, SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City, Metro Manila**

The approximate date on which the Information Statement will be sent or given to security holders is on **27 May 2013**.

- (b) The complete mailing address of the principal office of Sinophil Corporation ("the Company") is:

**5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City**

### Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting on **18 June 2013** are not among the instances enumerated in Section 42 and 81, Title X of the Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. 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;
3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and
4. In case of merger or consolidation.

In case the right of appraisal will be exercised, Section 82 of the Corporation Code provides for the appropriate procedure, *viz*:

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested

persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

**Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No person who has been a director or officer or a nominee for election as director of the Company or associate of such persons, has a substantial interest, direct or indirect, in any matter to be acted upon other than the election of directors for the year 2013-2014.
- (b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Registrant during the stockholders' meeting.

**CONTROL AND COMPENSATION INFORMATION**

**Voting Securities and Principal Holders Thereof**

- (a) As of 30 April 2013, the Registrant had 7,927,310,000 common shares outstanding and each share is entitled to one vote.
- (b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **17 May 2013**.
- (c) With respect to the election of eleven (11) directors, each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by eleven (11).
- (d) Security ownership of certain record and beneficial owners and management.

(1) Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 30 April 2013:

| Title of Class | Name and Address of Record Owner and Relationship with Issuer                                                             | Name and Address of Beneficial Owner and Relationship with Record Owner | Citizen-ship | No. of Shares Held | Percent |
|----------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------|--------------------|---------|
| Common         | Belle Corporation<br><br>5/F Tower A, Two E-Com Center<br>Palm Coast Ave., Mall of Asia<br>Complex, CPB-1A Pasay City (a) | Belle Corporation                                                       | Filipino     | 3,492,916,824*     | 44.06*  |
| Common         | PCD Nominee Corp. (Filipino)<br><br>G/F Makati Stock Exchange,<br>6767 Ayala Avenue, Makati City (b)                      | (please see footnote)                                                   | Filipino     | 1,543,632,741      | 19.50%  |

|        |                                                                                               |                       |              |               |        |
|--------|-----------------------------------------------------------------------------------------------|-----------------------|--------------|---------------|--------|
| Common | PCD Nominee Corp. (Other)<br>G/F Makati Stock Exchange,<br>6767 Ayala Avenue, Makati City (b) | (please see footnote) | Non-Filipino | 1,154,347,375 | 14.60% |
|--------|-----------------------------------------------------------------------------------------------|-----------------------|--------------|---------------|--------|

The shares held by Belle Corporation, being a corporate shareholder, shall be voted or disposed of, by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose. The natural person/s that has/have the power to vote on the shares of the foregoing company shall be determined upon the submission of its proxy form to the Company, which is not later than three (3) days before the date of the meeting.

PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in Belle are to be voted. As of 30 April 2013, there are no participants of PCD who own more than 5% of the Company's outstanding capital.

### (2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 30 April 2013:

| Title of Class | Name of Beneficial Owner  | Amount* and Nature of Beneficial Ownership | Citizenship | Percent |
|----------------|---------------------------|--------------------------------------------|-------------|---------|
| Common         | Frederic C. Dybuncio      | 1 Direct                                   | Filipino    | -       |
| Common         | Manuel A. Gana            | 1 Direct                                   | Filipino    | -       |
| Common         | Ricardo Leong             | 2 Direct                                   | Filipino    | -       |
| Common         | Willy N. Ocier            | 1 Direct                                   | Filipino    | -       |
| Common         | Jerry C. Tiu              | 1 Direct                                   | Filipino    | -       |
| Common         | A. Bayani K. Tan          | 1 Direct                                   | Filipino    | -       |
| Common         | Edmundo L. Tan            | 1 Direct                                   | Filipino    | -       |
| Common         | Arthur A. Sy              | 20,001 Direct                              | Filipino    | -       |
| Common         | Virginia A. Yap           | 10,001 Direct                              | Filipino    | -       |
| Common         | Elizabeth Anne C. Uychaco | 10,001 Direct                              | Filipino    | -       |
| Common         | Rogelio R. Cabuñag        | 20,001 Direct                              | Filipino    | -       |

\*Number of shares

### (3) Voting Trust Holders of 5% or More

The Company is not aware of any party which holds any voting trust or any similar agreement for 5% or more of Sinophil's voting securities.

### Changes in Control

There is no arrangement known to the Company which may result in a change in control of the Company.

## Directors and Executive Officers

### Directors and Executive Officers

The names and ages of all the incumbent Directors elected on 23 April 2012 during the Annual Stockholders' Meeting and who are to serve for a term of one (1) year until their successors shall have been duly elected and qualified, and the Executive Officers are:

| Name                      | Citizenship | Age | Position                    | Period            |
|---------------------------|-------------|-----|-----------------------------|-------------------|
| Willy N. Ocier            | Filipino    | 56  | Chairman of the Board       | 6/25/99 - present |
| Manuel A. Gana            | Filipino    | 55  | President, COO & Director   | 7/28/10 - present |
| A. Bayani K. Tan          | Filipino    | 57  | Director & Corporate Sec.   | 6/23/98 - present |
| Frederic C. Dybuncio      | Filipino    | 53  | Director                    | 4/23/12 - present |
| Ricardo Leong             | Filipino    | 78  | Independent Director        | 5/29/99 - present |
| Edmundo L. Tan            | Filipino    | 66  | Director                    | 6/25/99 - present |
| Jerry C. Tiu              | Filipino    | 55  | Independent Director        | 6/08/06 - present |
| Elizabeth Anne C. Uychaco | Filipino    | 57  | Director                    | 7/19/11 - present |
| Virginia A. Yap           | Filipino    | 61  | Director                    | 7/19/11 - present |
| Rogelio R. Cabuñag        | Filipino    | 64  | Director                    | 7/19/11 - present |
| Arthur A. Sy              | Filipino    | 44  | Director & Asst. Corp. Sec. | 7/19/11 - present |
| <i>Other Officers</i>     |             |     |                             |                   |
| Jackson Ongsip            | Filipino    | 39  | Comptroller                 | 4/23/12 - present |

### BOARD OF DIRECTORS

The following are brief descriptions of the business experiences over the past five (5) years of the incumbent members of the Board.

All of the incumbent members of the Board have been nominated for re-election by the Nomination Committee.

#### **Willy N. Ocier**

Mr. Ocier is the Chairman of the Board of Sinophil. He is also the Chairman of the Board and Chief Executive Officer of APC Group, Inc., Tagaytay Midlands Golf Club, Inc. and Sinophil Leisure and Resorts Corporation, and the Chairman and President of Pacific Online Systems Corporation. He is one of the Vice Chairpersons of Belle Corporation and Highlands Prime, Inc. He is also the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. Previously, he was the President and Chief Operating Officer of Eastern Securities Development Corporation.

#### **Manuel A. Gana**

Mr. Gana is a Director, and the President and Chief Operating Officer, of Sinophil. He is also concurrently the Executive Vice President and Chief Financial Officer of Belle, having joined Belle in 1997 as Vice President for Corporate Development and Special Projects. During 1997, Mr. Gana was also assigned to Sinophil, at which time he was appointed as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, a subsidiary of the Company at that time. He is a Director of Tagaytay Highlands International Golf Club, Inc. and Woodland Development Corporation, as well as a Director of Sinophil Leisure and Resorts Corporation.

Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. in New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

#### **A. Bayani K. Tan**

Atty. Tan is a Director and the Corporate Secretary of Sinophil. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation, Coal Asia Holdings, Inc., Destiny Financial Plans, Inc., First Abacus Financial Holdings Corporation, I-Remit, Inc., Pacific Online Systems Corporation, Philequity Balanced Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Resources Fund, Inc., Philequity Strategic Growth Fund, Inc., TKC Steel Corporation, Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Touch Solutions, Inc., Vantage Equities, Inc. and Yehey! Corporation. Atty. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc.. He is also a Director, Corporate Secretary, or both for the following private companies: Destiny LendFund, Inc., Monte Oro Resources & Energy, Inc., Palm Concepcion Power Corporation, Pharex HealthCorp., Southern Visayas Property Holdings, Inc., among others. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez and Managing Director/President of Shamrock Development Corporation. He is currently the legal counsel of Xavier School, Inc.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

#### **Frederic C. Dybuncio**

Mr. DyBuncio a Director of Sinophil. He is currently a Senior Vice President of SM Investments Corporation. Prior to holding this post, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He is concurrently the Vice Chairman of the Board and Chairman of the Executive Committee of Atlas Consolidated Mining and Development Corporation and Carmen Copper Corporation, the Chairman and CEO of Philippine Geothermal Production Company, Inc., the President, CEO and Director of APC Group Inc., Director of Pacific Online Systems Corporation, and Director of Indophil Resources.

#### **Ricardo Leong**

Mr. Leong is an Independent Director of Sinophil. He obtained his Bachelor of Science degree in Mathematics from Fordham University, New York. He is currently a member of the Board of Directors of Flexo Manufacturing Corporation.



### **Jerry C. Tiu**

Mr. Tiu is an Independent Director of Sinophil. He is also the President of Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., The Spa & Lodge at Tagaytay Highlands, Inc., and Tagaytay Highlands Community Condominium Association, Inc. Concurrently, he is the Chairman of Mega Magazine Publishing, Inc., and former Director of the Manila Polo Club. He holds a Bachelor of Science degree in Commerce (Marketing) from the University of British Columbia.

### **Edmundo L. Tan**

Atty. Tan is a Director of Sinophil. He is also the Corporate Secretary of Banco de Oro Unibank, Inc. from 2007 to present. He is currently Chairman of EBC Investments, Inc. He was likewise appointed as Chairman and President of EBC Strategic Holdings Corp. in 2007. He serves as Director and Corporate Secretary of APC Group, Inc. and Philippine Global Communications, Inc. from 2000 to present and Aragorn Power & Energy Corporation from 2005 to date. He concurrently holds directorship in BDO Leasing and Finance Inc. (formerly PCI Leasing and Finance, Inc.) and serves as Corporate Secretary of APC Mining Corp. and Aragorn Coal Corporation. Atty. Tan is the Managing Partner of Tan Acut & Lopez Law Offices. He graduated with a Bachelor of Arts degree from De La Salle College, Bacolod and Bachelor of Laws degree from the University of the Philippines.

### **Rogelio R. Cabuñag**

Mr. Cabuñag is a Director of Sinophil. He is also the President and a Director of Belle Corporation. He was the President and Director of SM Development Corporation and Executive Vice President and Director of SM Synergy Properties Holdings Corporation, prior to his retirement therefrom in 2011. Currently, he serves as a Director of the following companies: Highlands Prime Inc., Keppel Philippines Holdings, PremiumLeisure and Amusement, Inc. and Tagaytay Highlands International Golf Club, Inc. He has 42-years experience in banking, finance and real estate development.

### **Arthur A. Sy**

Atty. Sy is a Director and Assistant Corporate Secretary of the Company. He is also the Vice President, Corporate Legal Affairs of SM Investments Corporation and serves as the Corporate Secretary of various corporations within the SM Group of Companies. He is also the Corporate Secretary of the National University. He holds a Juris Doctor degree from Ateneo de Manila University and is a member of the New York Bar. He has been with the SM Group for the last 12 years.

### **Elizabeth Anne C. Uychaco**

Ms. Uychaco is a Director of Sinophil. She is also one of the Vice Chairpersons of Belle Corporation, and is the Senior Vice President, Corporate Services of SM Investments Corporation. She was formerly Senior Vice President and Chief Marketing Officer of the Philippine American Life Insurance Company. She was also Board Director of the Philamlife Call Center. Prior to that, she was Vice-President of Globe Telecom, Inc. and was responsible for National and International Sales and Distribution as well as Retail Marketing and Management of the Globe Business Centers. She was previously President of Fontana Properties and Executive Vice President of Fontana Resort and Leisure Club. She was Director of Kuok Properties and served as consultant of Shangrila Mall and was seconded as CEO to manage EPRC, a Kuok joint venture company. She also served as Board Director, Vice President and Managing Director of Transnational Diversified Group. Ms. Uychaco graduated from St. Scholastica's College in 1978 with Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the

University of Asia and the Pacific in 1988, and a Master's Degree in Business Administration from the Ateneo Business School in 1992.

### **Virginia A. Yap**

Ms. Yap is a Director of Sinophil. She is also a Director of Belle Corporation and a member of the Belle's Executive and Nomination Committees. Ms. Yap holds key positions in the SM Group of Companies, including being Treasurer of SM Development Corporation and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc. She is also the Treasurer of Highlands Prime Inc. since August 22, 2002, as well as member of the Board of Directors since January 25, 2010, and a member of the Executive, Compensation and Remuneration, and Audit Committees therein. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty-five years.

### **Independent Directors**

Messrs. Ricardo Leong and Jerry C. Tiu were elected as independent directors during the 23 April 2012 annual stockholders meeting to comply with the requirements set forth in Section 38 of the Securities Regulation Code.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws.

The Nomination Committee constituted by the Company's Board of Directors, indorsed their respective nominations for re-election as independent directors given in favor of Messrs. Leong (by Mr. Willy N. Ocier), and Tiu (by Mr. Manuel A. Gana). The Nomination Committee, composed of Willy N. Ocier (Chairman), Ricardo Leong and Manuel A. Gana, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above (Board of Directors section), are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

### **Corporate Officer**

#### **Jackson Ongsip**

Mr. Ongsip is the Comptroller of the Company. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy. He is a Certified Public Accountant. He is currently an Assistant Vice President- Portfolio Investments of SM Investments Corporation. He is also the Comptroller of APC Group, Inc., an affiliate of Sinophil Corporation.

### **Significant Employees**

There are no other significant employees.

## **Family Relationships**

No director and/or executive officer of Sinophil are related up to the fourth degree by affinity or consanguinity.

## **Involvement in Certain Legal Proceedings**

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corporation (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, Mr. A. Bayani K. Tan. The cases filed include a Complaint for Estafa (docketed as I.S. No. 08-K-19713) filed before the City Prosecutor of Manila. A Counter-Affidavit has already been filed before the City Prosecutor seeking to dismiss the Complaint for lack of cause of action.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5 years):

- (a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officers either at the time of the bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any of the above persons;
- (c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
- (d) any finding a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## **Certain Relationships and Related Transactions**

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

As summarized and disclosed in the corporation's consolidated financial statements, in the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances to Belle Corporation and Belle Bay City. The Company's advances for Belle Bay City, a company currently in liquidation, were in payment for cash calls made by the latter to cover payment of real estate taxes and other costs relating to the Company's prospective share in the remaining assets of Belle Bay City; while the advances for Belle Corporation was a result of an off-setting arrangement among the Company, Belle Corporation and the lessor of Belle Corporation's offices. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables. Aside from these transactions, the Company has no other significant transactions that need to be disclosed.

The related party transactions are described in Note 15 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

The Company does not have a parent company.

### **Disagreement with Director**

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the latter's operations, policies, or practices.

### **Compensation of Directors and Executive Officers**

#### **Summary of Annual Compensation**

| <b>Name and Principal Position</b>                                                                               | <b>Year</b> | <b>Salary</b> | <b>Other Annual Compensation</b> | <b>Total Annual Compensation</b> |
|------------------------------------------------------------------------------------------------------------------|-------------|---------------|----------------------------------|----------------------------------|
| Willy N. Ocier, Chairman of the Board<br>Manuel A. Gana, President and COO<br>Margaret Y. Hernando, VP and CFO** |             |               |                                  |                                  |
| All officers and directors as a Group<br>(Unnamed)                                                               | 2013*       | 1,179,878     | 161,607                          | 1,341,485                        |
|                                                                                                                  | 2012        | 1,179,878     | 161,607                          | 1,341,485                        |
|                                                                                                                  | 2011        | 1,294,765     | 143,697                          | 1,438,462                        |

\* Resigned as of April 30, 2012

\*\* 2013 compensation is based on estimates only.

**Except as provided above, there are no other officers of the Company receiving compensation.**

#### **Compensation of Directors**

All independent directors get a per diem of ₱30,000.00 each while other directors get a per diem of ₱5,000.00 each per meeting.

#### **Employment Contracts and Termination of Employment and Change in Control Arrangements**

There was no compensatory plan or arrangement with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change-in-control in the Company.

#### **Warrants and Options Outstanding**

None.

#### **Independent Public Accountants**

- (a) The Company's external auditors for 2012-2013, SyCip, Gorres, Velayo & Co. (SGV) and the partner-in-charge Ms. Claima T. Manangey, will be recommended for re-appointment as such for the current year subject to the rotation of audit partner requirement.
- (b) Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

- (c) There was no event in the past five (5) years where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- (d) In compliance with SRC Rule 68 3 (b) (iv), the assignment of SGV's engagement partner for the Company shall not exceed five (5) consecutive years.
- (e) The aggregate fees paid by the Company for professional services (including Value AddedTax) rendered by the external auditor for the audit of financial statements for the years ended December 31, 2012 and 2011 follow:

|      |                  |
|------|------------------|
|      | (P000's omitted) |
| 2012 | P295             |
| 2011 | P295             |

There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements. The rotation of independent auditors and the two-year cooling off period has been observed in the audit of the Company's financial statements for the period 2012 and 2011.

- (f) The Audit Committee, composed of Jerry C. Tiu (Chairman), Manuel A. Gana, Frederic C. Dybuncio, Virginia A. Yap, and Arthur A. Sy, recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management Committee.

## OTHER MATTERS

### Amendment of Articles of Incorporation

The Articles of Incorporation of the Company, specifically Article Six will be amended to reflect the decrease in the number of directors from eleven (11) to seven (7), conformably with the observation that an 11-man Board may be too big considering the Company's present operations and financial condition.

Likewise, Article Seven of the Company's charter shall be amended to reflect the reduction of the par value of the Company's common and preferred shares of stock from One Peso (P1.00) to Twenty Five Centavos (P0.25) which will have the effect of helping reduce the Company's deficit and shall significantly expedite the Company's ability to declare dividends to its shareholders.

These amendments were approved by the Board of Directors on 9 May 2013 and the approval of the shareholders on record showing at least two-thirds (2/3) of outstanding capital stock shall be solicited pursuant to Section 16 of the Corporation Code.

### Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the 23 April 2012 Stockholders' Meeting during which the following matters were taken up: (1) Call to Order, (2) Proof of Notice of Meeting, (3) Certification of Quorum, (4) Approval of the Minutes of the Previous Stockholders Meeting, (5) Approval of 2011 Operations and Results, (6) Ratification or all Acts of the Board of Directors and Officers (7) Election of Directors, (8) the Appointment of SyCip Gorres Velayo & Co. as External Auditors, (9) Other Matters and (10) Adjournment.

The Company will also seek approval by the stockholders of the 2012 Operations and Reports, contained and discussed in the annual report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

### **Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

### **Other Proposed Actions**

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

1. Minutes of the Previous Meeting of Stockholders;
2. 2012 Operations and Results;
3. Ratification of all Acts of the Board of Directors and Officers;
4. Election of Directors for 2013-2014;
5. Appointment of SyCip Gorres Velayo & Co. as External Auditors;
6. Other Matters.

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business with those of significance are covered by appropriate disclosures such as: membership in the relevant committees such as the Executive Committee, designation of authorized signatories, financing activities, opening of accounts, appointments in compliance with corporate governance policies and funding support of the projects.

### **Voting Procedures**

- (a) The amendment of the Articles of Incorporation requires the vote of two-thirds (2/3) of the Company's outstanding capital stock while other actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.
- (b) Two inspectors, who shall be officers or employees of the Corporation, shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.
- (c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.
- (d) The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce*.
- (e) With respect to the election of eleven (11) directors, each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by eleven (11).

- (f) Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with.

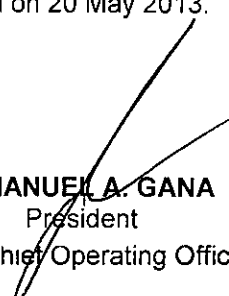
**Omitted Items**

Items 8, 9, 10, 11, 12, 13, 14 and 17 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I hereby certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Pasay, Metro Manila on 20 May 2013.

  
**MANUEL A. GANA**  
President  
And Chief Operating Officer

## MANAGEMENT REPORT

### SINOPHIL CORPORATION

#### BUSINESS AND GENERAL INFORMATION

##### Business

Sinophil Corporation ("Sinophil" or the "Company") was incorporated as Sinophil Exploration Co., Inc. on November 26, 1993. Sinophil was organized with oil and gas exploration and development as its primary purpose. The Company and other companies (Contractors), were participants in several Geophysical Survey and Exploration Contracts and Non-Exclusive Geophysical Permits entered into with the Philippine Government, through the Department of Energy, covering certain petroleum contract areas in various locations. It also had passive equity investments in Dragon Oil Plc (Dragon Oil) and Sinoil Asia Limited (Sinoil). In 1996, with investor interest in oil exploration and mining companies remaining generally soft, the Company's management recommended conversion of Sinophil from an oil exploration company to an investment holding company. In line with the Company's decision to change its primary purpose, the Company assigned its interests in Dragon Oil and Sinoil to Belle Corporation ("Belle") and/or its subsidiaries. To finance the Company's projects, acquisitions and investments in 1997, private placements of Sinophil's shares were made to several investors, both in the country and overseas.

On June 3, 1997, the Securities and Exchange Commission (SEC) approved the Company's application for a change in primary purposes from oil and gas exploration and development to being an investment holding company. As an investment holding firm, it shall engage in the acquisition (by purchase, exchange, assignment or otherwise), ownership and use for investment any and all properties and other assets of every kind and description.

##### Investments

As an investment holding firm, the Company has invested in various companies involved in gaming, property development, pay-per-view entertainment and information systems.

1. 40% equity in Legend International Resorts (H.K.) Limited ("LIR-HK")

Legend International Resorts (H.K.) Limited ("LIR-HK") was the owner and operator of the Subic Legend Resorts & Casinos and The Subic Legenda Hotel, and had a franchise to operate casinos in the Subic Bay Special Economic Zone, prior to 2006. However, in May 2006, the Philippine Amusement and Gaming Corporation (PAGCOR), ordered the immediate discontinuance of LIR-HK's casino operations. In 2009, the Subic Bay Metropolitan Authority (SBMA) revoked LIR-HK's lease on The Subic Legenda Hotel.

In March 1997, the Company entered into a Share Swap Agreement ("Swap Agreement") with Paxell Limited and Metroplex Berhad (Malaysian companies collectively referred to as "Metroplex"). Metroplex is a listed company in Malaysia that was involved in property development and casino operations in the Philippines through its subsidiary, LIR-HK. Through the Swap Agreement with Metroplex, the Company acquired forty (40%) percent equity in LIR-HK and other minority shareholders of LIR-HK, resulting in these investors owning 35.5% of Sinophil. Under the parties' agreement, the Company and Metroplex were to jointly pursue future casino and casino-related activities in the Philippines.

A dispute on the terms of the Swap Agreement ensued, which subsequently caused Metroplex to withhold financial information of LIR-HK from fiscal 1999 onwards. As a result of such dispute, on March 31, 1998, Metroplex advised the Company that it deemed the 1997 Swap Agreement terminated and will cause the cancellation of the shares covering the LIR-



HK shares and the return of the Company's shares, all of which acts Sinophil, together with Belle, objected to at that time. Because of the dispute and the uncertainties related thereto, the Company recorded such investment in LIR-HK at cost in 1997.

On August 4, 1998, the Company, Belle and Metroplex entered into an agreement ("Agreement") to confirm the validity of the aforementioned Swap Agreement. The terms of the Agreement again included among others, an unconditional guarantee by Metroplex that the combined net income after tax of LIR-HK's wholly-owned subsidiaries for the year ended January 31, 1999 will be at least US\$43 million. Further, should the committed net income not be met, Metroplex shall make up for the shortfall by way of a cash payment to LIR-HK or by way of offset against any amount legitimately owed by LIR-HK to Metroplex such that the said payment can be properly booked by LIR-HK as income for said fiscal year. Such payment must be made before the completion of the audit of LIR-HK's financial statements or ninety (90) days after the end of its fiscal year ended January 31, 1999. Consequently, the Company began accounting for its investment in LIR-HK using the equity method.

On August 23, 2001, with respect to Sinophil's investment in 40% of the equity of LIR-HK, a Memorandum of Agreement was entered into by and among the Company, Belle, Metroplex and LIR-HK rescinding the Swap Agreement entered into by them in 1997, cancelling all obligations stated therein, reversing all the relevant transactions, and cancelling or returning all the shares of Sinophil and LIR-HK exchanged thereby (the "LIR-HK Unwinding"). To effect the cancellation of Metroplex Group's investment, Sinophil's shareholders, during their meeting on February 18, 2002 approved the reduction of its capital stock to the extent of 3,870,000,000 shares held by the former. However, due to Metroplex's failure to deliver for cancellation the stock certificates covering 2,000,000,000 shares of their total shareholdings, Sinophil again presented to its shareholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were the shares already delivered by Metroplex pursuant to the LIR-HK Unwinding. The shareholders, during Sinophil's annual meeting on June 3, 2005, approved the capital reduction, and the cancellation and delisting of said shares, with the SEC. A partial LIR-HK Unwinding cancelling the 1,870,000,000 shares was formally approved by the SEC as of March 28, 2006. In view of the LIR-HK Unwinding, Sinophil discontinued using the equity method in accounting for its investments in LIR-HK starting February 1, 1999.

On March 30, 2007, Sinophil acquired the loan obligation (the "Loan") of LIR-HK from Union Bank of the Philippines, which was secured by one billion shares of the Company's stock registered under the name of Metroplex. These shares were cancelled as of June 24, 2008. As of February 28, 2013, the remaining one billion undelivered Sinophil shares were still being held by a creditor of Metroplex. The Company has been negotiating for the release of such shares to be able to carry out the terms of the LIR-HK Unwinding. However, in view of the possibility that the Company may be unable to obtain such remaining one billion undelivered shares, Sinophil booked an impairment loss provision of ₱1,501,521,316 for 2012, representing the remaining net book value of its investment in LIR-HK.

2. 3.75% equity in Metro Manila Turf Club, Inc. ("MMTC")

*MMTC*, incorporated in 1993, has a congressional franchise for horseracing, which was granted in 1995, and is still in its pre-operating stage. Belle and Sinophil owned a combined 100% of *MMTC* as of December 31, 2007. As of December 31, 2009, Belle and Sinophil had sold a combined 87.5% of *MMTC* to a group of investors who are working towards the activation of *MMTC*'s congressional horse racing franchise, and seeking financing for the construction of a race track. Sinophil's ownership interest in *MMTC* was 3.75% as of December 31, 2011. Prior to 2006, *MMTC* was to receive approximately 121 hectares of land in Tanauan, Batangas, which was originally intended as the site for a racetrack (the "Land"). However, the construction activity on the racetrack never commenced and the Land was retained by Belle and Sinophil. Belle and Sinophil plan to use the Land for real estate

projects in the future. In 2010, the new majority shareholders of MMTC unveiled a plan to build a racetrack on another tract of land in Malvar, Batangas.

3. 3.9% equity in Belle Bay City Corporation ("BBCC")

In March 1997, the Company acquired 4.5% interest in BBCC, a landholding company that owned approximately 14 hectares in net land area in a reclaimed seafront site along Roxas Boulevard in Parañaque City, which was intended to be the site of a mixed use real estate project. However, the subsequent Asian Financial Crisis made the plans regarding this project unfeasible, and the shareholders of BBCC thereafter decided to cancel the project. In February 2002, BBCC issued an additional 253,684,622 common shares for P1 per share. The Company did not subscribe to the additional issuance, resulting in the dilution of its equity interest in BBCC from 4.5% to 3.9%.

Land and development costs amounted to P1,490,475,921 as of December 31, 2007. Based on appraisal reports prepared by independent appraisers, the appraised value of such property has always been in excess of the carrying cost.

On June 27, 2003, the Board of Directors of BBCC approved the resolution to amend its articles of incorporation to shorten the corporate term and thus allow BBCC to distribute its land as liquidating dividends to its shareholders. The stockholders of BBCC ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the Company's application for dissolution. BBCC has been in the process of subdividing its undeveloped land and distributing the same and other assets to its shareholders, and it will be formally dissolved after this process has been completed and all assets have been distributed.

On November 2012, the Company received its assigned land, with 4,348 square meters in area valued at P108.7 million, from BBCC as liquidating dividend. The receipt of its land as a liquidating dividend resulted in the cancellation of Sinophil's investments in BBCC and recognition of a gain on the liquidating dividend of P33.3 million.

4. Foundation Capital Resources, Inc. ("FCRI") – 100% subsidiary

FCRI was registered with the SEC on February 8, 1994 primarily to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, securities and other investments as may be permitted by law. It is presently still inactive.

5. Sinophil Leisure and Resorts Corporation ("SLRC") – 100% subsidiary

SLRC was registered with the SEC on December 27, 2007 primarily to conduct, maintain, operate and/or invest in amusement, entertainment and recreation businesses, including games of chance and skills, which may be allowed by law within the territorial jurisdiction of the Philippines. It is presently still inactive.

## Financial Performance

The Company derives its revenues primarily from investment activities, as follows:

|                              | Year ended December 31 |              |
|------------------------------|------------------------|--------------|
|                              | 2012                   | 2011         |
| Interest                     | P1,160                 | P 615        |
| Gain on liquidating dividend | 33,324,175             | -            |
|                              | <b>P 33,325,335</b>    | <b>P 615</b> |

## **Employees**

The Company is a holding company whose business is not manpower intensive; hence, its transactions are extremely manageable through temporary secondment of personnel from its affiliates on an as needed basis. This arrangement is also resorted to in keeping with austerity measures adopted due to present economic conditions. These personnel seconded to the Company are not subject to Collective Bargaining Agreements.

## **Competition**

Sinophil is an investment holding company. In the past, the Company has had past investments in various entities involved in gaming, property development, and pay-per-view entertainment and information systems.

### Gaming:

The Company has been historically involved in gaming and gaming-related activities within the Philippines through certain associates. Its interests include the following:

a) LIR-HK owned and operated Subic Legend Resorts and Casinos, which had a franchise to operate two casinos in the Subic Bay Special Economic Zone prior to 2006. However, on 10 May 2006, the Philippine Amusement and Gaming Corporation ordered the immediate stop to the operation of LIR's casinos, and since then revoked LIR's casino franchises.

b) Metro Manila Turf Club, Inc. ("MMTC") is the owner of a congressional franchise to engage in horse racing operations. It was still in its pre-operating stage as of 31 December 2011. Should MMTC operate its horse racing franchise and/or a racetrack in the future, it will compete with other companies which are presently operating racetracks in the country, such as the Philippine Racing Club and Manila Jockey Club.

## **Properties**

The Company and its subsidiaries have real estate properties recorded as an investment property. These properties are not subject to mortgage, lien and encumbrances. Please refer to Note 10 of Notes to Financial Statements.

## **Legal Proceedings**

To the best of the Company's knowledge, aside from what has already been mentioned in the preceding Item 1 ("Business") and in Item 11.4 ("Change in Control"), neither the Company nor any of its subsidiaries or affiliates is a party to, nor are they involved in, any litigation that will materially affect its interests.

## **Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the calendar year covered by this report.

## OPERATIONAL AND FINANCIAL INFORMATION

### Market for Registrant's Common Equity and Related Stockholder Matters

#### MARKET INFORMATION

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange (PSE). The high and low sales prices for each quarter within the last two fiscal years of the registrant's common shares, as quoted on the PSE, are as follows:

#### STOCK PRICES

|                | HIGH  | LOW   |
|----------------|-------|-------|
| <b>2012</b>    |       |       |
| First Quarter  | 0.420 | 0.335 |
| Second Quarter | 0.365 | 0.300 |
| Third Quarter  | 0.370 | 0.300 |
| Fourth Quarter | 0.375 | 0.310 |
| <b>2011</b>    |       |       |
| First Quarter  | 0.465 | 0.315 |
| Second Quarter | 0.440 | 0.335 |
| Third Quarter  | 0.490 | 0.290 |
| Fourth Quarter | 0.590 | 0.285 |

As of 30 April 2013 Sinophil's market capitalization on 3,410,416,085 shares listed in the PSE amounted to 1,261,853,951.45 based on the closing price of 0.37 per share.

#### SECURITY HOLDERS

The number of shareholders of record as of 30 April 2013 was 584. Common shares outstanding as of 30 April 2013 were 7,927,310,000.

#### Top 20 shareholders as of 30 April 2013:

| Rank | Name                                 | Citizen-ship | Total            | Percentage of Ownership |
|------|--------------------------------------|--------------|------------------|-------------------------|
| 1    | BELLE CORPORATION                    | FILIPINO     | 3,492,916,824.00 | 44.062%                 |
| 2    | PCD NOMINEE CORP. (FILIPINO)         | FILIPINO     | 1,543,632,741.00 | 19.472%                 |
| 3    | PCD NOMINEE CORP. (OTHERS)           | OTHERS       | 1,154,347,375.00 | 14.562%                 |
| 4    | INTEGRATED HOLDINGS, INC.            | FILIPINO     | 320,000,000.00   | 4.037%                  |
| 5    | COMPACT HOLDINGS, INC.               | FILIPINO     | 190,000,000.00   | 2.397%                  |
| 6    | TIMPANI INTERNATIONAL LIMITED        | FILIPINO     | 158,460,000.00   | 1.999%                  |
| 7    | FOUNDATION CAPITAL RESOURCES, INC.   | FILIPINO     | 156,530,000.00   | 1.975%                  |
| 8    | ELITE HOLDINGS, INC.                 | FILIPINO     | 151,400,000.00   | 1.910%                  |
| 9    | INPILCOM, INC.                       | FILIPINO     | 150,000,000.00   | 1.892%                  |
| 10   | SYSMART CORPORATION                  | FILIPINO     | 128,270,000.00   | 1.618%                  |
| 11   | APC GROUP, INC.                      | FILIPINO     | 100,000,000.00   | 1.261%                  |
| 12   | RICHOLD INVESTOR CORPORATION         | FILIPINO     | 100,000,000.00   | 1.261%                  |
| 13   | SYSMART DEVELOPMENT CORP.            | FILIPINO     | 100,000,000.00   | 1.261%                  |
| 14   | EASTERN SEC. DEV. CORP.              | FILIPINO     | 20,932,000.00    | 0.264%                  |
| 15   | EAST PACIFIC CORP. (2)               | FILIPINO     | 16,600,000.00    | 0.209%                  |
| 16   | PARKORAM DEVELOPMENT LIMITED         | FILIPINO     | 14,264,119.00    | 0.180%                  |
| 17   | PHILIPPINE REALTY AND HOLDINGS CORP. | FILIPINO     | 14,264,119.00    | 0.180%                  |
| 18   | PARALLAX RESOURCES, INC.             | FILIPINO     | 13,823,500.00    | 0.174%                  |
| 19   | OSCAR S. CU ITF ANTHONY CU           | FILIPINO     | 10,430,000.00    | 0.132%                  |
| 20   | OSCAR S. CU                          | FILIPINO     | 9,070,000.00     | 0.114%                  |

## DIVIDENDS

No dividends were declared from the date of incorporation to the date of this report. The Company's ability to pay dividends on common equity depends on the existence of unrestricted retained earnings.

## RECENT SALES OF UNREGISTERED SECURITIES

There were no unregistered securities sold within the past three (3) years and there were also no sales of reacquired securities, as well as new issuances of additional shares of stock, securities issued in exchange of property, services, other securities, and new securities resulting from the modification of outstanding securities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING PERFORMANCE AND FINANCIAL CONDITION

### Analysis of Results of Operation and Financial Condition –First Quarter of 2013

| (Amounts in Pesos, except percentages)                                                                     | Three Months Ended March 31 |             | Horizontal Analysis |          | Vertical Analysis |             |
|------------------------------------------------------------------------------------------------------------|-----------------------------|-------------|---------------------|----------|-------------------|-------------|
|                                                                                                            | 2013                        | 2012        | Increase (Decrease) |          | 2013              | 2012        |
|                                                                                                            |                             |             | Amount              | %        |                   |             |
| INTEREST INCOME                                                                                            | 408                         | 191         | 217                 | 113.65%  | 100.00%           | 100.00%     |
| GENERAL AND ADMINISTRATIVE EXPENSES                                                                        | (1,489,947)                 | (1,533,704) | (43,757)            | -2.85%   | -365111.48%       | -802986.39% |
| NET LOSS                                                                                                   | (1,489,539)                 | (1,533,513) | (43,974)            | -2.87%   | -365011.48%       | -802886.39% |
| OTHER COMPREHENSIVE INCOME                                                                                 |                             |             |                     |          |                   |             |
| Unrealized gains arising from changes in market value of available-for-sale investments during the quarter | 78,379,684                  | 4,345,186   | 74,034,498          | 1703.83% | 19206940.71%      | 2274966.49% |
|                                                                                                            | 78,379,684                  | 4,345,186   | 74,034,498          | 1703.83% | 19206940.71%      | 2274966.49% |
| TOTAL COMPREHENSIVE INCOME FOR THE QUARTER                                                                 | 76,890,145                  | 2,811,673   | 74,078,472          | 2634.68% | 18841929.23%      | 1472080.10% |

The consolidated net loss of Sinophil Corporation ("Sinophil" or the "Company,") amounted to ₱1.49 million for the three months ended March 31, 2013, which is lower (by ₱44 thousand) compared to a consolidated net loss of ₱1.53 million for the three months ended March 31, 2012. The lower net loss in 2013 was accounted for by a decrease in general and administrative expenses of ₱44 thousand (3%), to ₱1.49 million in 2013 from ₱1.43 million for 2012. The decrease in operating expenses was mainly due to lower taxes & licenses and professional fees incurred during the period. Sinophil's total comprehensive income for the three months ended March 31, 2013 of ₱76.9 million was significantly above its total comprehensive income for the three months ended March 31, 2012 of ₱4.3 million, due to unrealized mark-to-market gains in available-for-sale investments, primarily its 85.7 million common shares of Belle Corporation ("Belle"). As of the end of March 2013, the price of Belle common shares was ₱5.70/share, compared to ₱4.86/share as of the end of December 2012, which accounted for most of the Company's ₱78.4 million in unrealized mark-to-market gains. In contrast, Belle shares as of the end of March 2012 closed at ₱5.05/share compared to ₱5.08/share as of the end of December 2011, as the Company recognized only ₱4.3 million in unrealized mark-to-market gains in the first quarter of 2012. Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of Sinophil during the three months ended March 31, 2013.

|                                                | March                | December             | Horizontal Analysis |               | Vertical Analysis |                |
|------------------------------------------------|----------------------|----------------------|---------------------|---------------|-------------------|----------------|
|                                                | 2013                 | 2012                 | Increase (Decrease) |               | 2013              | 2012           |
|                                                |                      |                      | Amount              | %             |                   |                |
| <b>ASSETS</b>                                  |                      |                      |                     |               |                   |                |
| Cash                                           | 1,236,341            | 789,884              | 446,457             | 56.52%        | 0.06%             | 0.04%          |
| Receivables and others                         | 36,281,138           | 30,036,723           | 6,244,415           | 20.79%        | 1.67%             | 1.48%          |
| Inventory                                      | 65,501,280           | -                    | 65,501,280          | 0.00%         | 3.01%             | 0.00%          |
| Available-for-sale                             |                      |                      |                     |               |                   |                |
| Investments                                    | 1,680,001,219        | 1,601,621,537        | 78,379,682          | 4.89%         | 77.16%            | 79.03%         |
| Investment Property                            | 394,210,452          | 394,210,452          | (0)                 | 0.00%         | 18.11%            | 19.45%         |
| <b>Total Assets</b>                            | <b>2,177,230,431</b> | <b>2,026,658,596</b> | <b>150,571,835</b>  | <b>7.43%</b>  | <b>100.00%</b>    | <b>100.00%</b> |
| <b>LIABILITIES AND EQUITY</b>                  |                      |                      |                     |               |                   |                |
| <b>Liabilities</b>                             |                      |                      |                     |               |                   |                |
| Accrued expenses and other current liabilities | 53,612,327           | 53,367,070           | 245,257             | 0.46%         | 2.46%             | 2.63%          |
| Income tax payable                             | 2,854,689            | 2,854,689            | -                   | 0.00%         | 0.13%             | 0.14%          |
| Due to Belle                                   | 179,011,579          | 105,650,145          | 73,361,434          | 69.44%        | 8.22%             | 5.21%          |
| <b>Total Liabilities</b>                       | <b>235,478,595</b>   | <b>161,871,904</b>   | <b>73,606,691</b>   | <b>45.47%</b> | <b>10.82%</b>     | <b>7.99%</b>   |
| <b>Equity</b>                                  |                      |                      |                     |               |                   |                |
| Capital stock                                  | 7,927,310,000        | 7,927,310,000        | (0)                 | 100.00%       | 364.10%           | 391.15%        |
| Additional paid-in capital                     | 2,039,727,799        | 2,039,727,799        | (0)                 | 100.00%       | 93.68%            | 100.64%        |
| Subscription receivable                        | (4,962,580,586)      | (4,962,655,586)      | 75,000              | 0.00%         | -227.93%          | -244.87%       |
| Parent Company shares held by a subsidiary     | (512,594,197)        | (512,594,197)        | -                   | 100.00%       | -23.54%           | -25.29%        |
| Other reserves                                 | 415,132,186          | 336,752,502          | 78,379,684          | 23.28%        | 19.07%            | 16.62%         |
| Deficit                                        | (2,965,243,365)      | (2,963,753,826)      | (1,489,539)         | 0.05%         | -136.19%          | -146.24%       |
| <b>Net Equity</b>                              | <b>1,941,751,836</b> | <b>1,864,786,692</b> | <b>76,965,144</b>   | <b>4.13%</b>  | <b>89.18%</b>     | <b>92.01%</b>  |
| <b>Total Liabilities and Equity</b>            | <b>2,177,230,431</b> | <b>2,026,658,596</b> | <b>150,571,835</b>  | <b>7.43%</b>  | <b>100.00%</b>    | <b>100.00%</b> |

Sinophil's total assets amounted to ₱2.177 billion as of March 31, 2013, which is higher by ₱0.15 billion (7.43%) compared to ₱2.027 billion as of December 31, 2012. The Company's total liabilities were also increased at ₱235.48 million as of March 31, 2013, compared to ₱161.87 million as of December 31, 2012 due to the acquisition from Belle Corporation of 17 lots in Belle's Parks at Saratoga Development Hills totaling approximately 7,990 square meters in area and a valuation of approximately ₱73.4 million excluding documentary stamp taxes and registration and transfer costs as of the end of March 2013. The Company's equity increased by ₱77.0 million (4.13%), to ₱1.94 billion as of March 31, 2013 from ₱1.86 billion as of December 31, 2012. The increases in total assets and stockholders' equity were primarily due to ₱78.4 million in unrealized mark-to-market gains on Available-for-Sale investments during the three months ended March 31, 2013. There were no issuances of additional shares of stock, nor payment or declaration of dividends made, during the first quarter of 2013.

On August 23, 2001, with respect to Sinophil's investment in 40% of the equity of Legend International Resorts (HK) Limited ("LIR"), a Memorandum of Agreement was entered into by and among the Company, Belle, Metroplex and LIR rescinding the Swap Agreement entered into by them in 1997, canceling all obligations stated therein, reversing all the relevant transactions, and canceling or returning all the shares of Sinophil and LIR exchanged thereby (the "LIR Unwinding Agreement"). To effect the cancellation of Metroplex's investment under the LIR Unwinding Agreement, Sinophil's shareholders, during their meeting on February 18, 2002, approved the reduction of its capital stock to the extent of 3.87 billion shares held by the former. However, due to Metroplex's failure to fully comply with the LIR Unwinding Agreement in the delivery for cancellation of stock certificates covering 2.0 billion shares of their total shareholdings at that time, Sinophil again presented to its shareholders, during its meeting on June 3, 2005, a reduction in its

authorized capital stock to the extent of 1.87 billion shares (the "Partial LIR Unwinding"). On March 28, 2006, the SEC formally approved the Partial LIR Unwinding and the 1.87 billion cancelled Sinophil shares were then delisted with the Philippine Stock Exchange. The one billion Sinophil shares used as collateral by LIR for their loan from Union Bank of the Philippines ("Union Bank") were delivered by Union Bank to the Company in 2007, and formal approval by the SEC for cancellation thereof was obtained on June 24, 2008. As of March 31, 2013, one billion Sinophil shares still remained outstanding from Metroplex, under the terms of the LIR Unwinding Agreement.

On August 28, 2009, a Memorandum of Agreement (MOA) was executed between Belle and the Company relative to the proposed settlement of the 1 billion Belle Preferred shares held by Sinophil and dividends receivable therefrom. The MOA, as amended, provides for, among other things, the following: (i) the transfer by Belle to Sinophil of 220 shares of Tagaytay Midlands Golf Club, Inc. "TMGC") in 2009 at prevailing market rates; (ii) in consideration of the TMGC shares, Sinophil renounced all past, present and future dividends on Belle preferred shares held by it; (iii) the transfer by Belle to Sinophil of 17 lots in The Parks at Saratoga Hills at prevailing market rates; (iv) the undertaking by Belle to title in Sinophil's name approximately 36 hectares of Sinophil's land currently still under tax declarations in Tanauan, Batangas; (v) the transfer by Belle to Sinophil by August 2019 of saleable lots in a future real estate project in Tanauan, Batangas having an aggregate value of approximately P794 million at prevailing market rates (the "Lots"); and (vi) the eventual cancellation of the Belle preferred shares held by the Company upon receipt by it of the Lots, which are to be completed by Belle by August 2019.

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

|                              | Manner by which the Company calculates the key performance indicators   | March 31, 2013<br>(unaudited) | March 31, 2012<br>(unaudited) | December 31, 2012<br>(audited) |
|------------------------------|-------------------------------------------------------------------------|-------------------------------|-------------------------------|--------------------------------|
| Current ratio                | Current assets over current liabilities                                 | 0.66:1.00                     | 1.64:1.00                     | 0.55:1.00                      |
| Return on assets             | Annualized net loss over average total assets during the period         | (0.15%)                       | (0.20%)                       | (56.78%)                       |
| Return on equity             | Annualized net loss over average stockholders' equity during the period | (0.15%)                       | (0.21%)                       | (60.28%)                       |
| Asset-to-equity ratio        | Total assets over total equity                                          | 1.05:1.00                     | 1.05:1.00                     | 1.09:1.00                      |
| Debt to equity ratio         | Total debt over total equity                                            | Not applicable                | Not applicable                | Not applicable                 |
| Interest rate coverage ratio | Earnings before interest and taxes over interest expense                | Not applicable                | Not applicable                | Not applicable                 |

The Company does not foresee any liquidity problem over the next 12 months. The key performance indicators of the Company have not changed materially as compared to the same period last year.

As of March 31, 2013, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2012 and March 31, 2013, except those mentioned above.

### **Analysis of Results of Operation and Financial Condition - 2012 compared to 2011**

| (Amounts in Pesos, except percentages)                                                         | For the year ended December 31 |                    | Horizontal Analysis    |                  | Vertical Analysis     |                     |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------|------------------------|------------------|-----------------------|---------------------|
|                                                                                                | 2012                           | 2011               | Increase (Decrease)    |                  | 2012                  | 2011                |
|                                                                                                |                                |                    | Amount                 | %                |                       |                     |
| INTEREST INCOME                                                                                | 1,160                          | 615                | 545                    | 88.63%           | 100.00%               | 100.00%             |
| GAIN ON LIQUIDATING DIVIDEND                                                                   | 33,324,175                     | -                  | 33,324,175             | 0.00%            | 100.00%               | 100.00%             |
| GENERAL AND ADMINISTRATIVE EXPENSES                                                            | (6,913,678)                    | (6,437,543)        | 476,135                | 7.40%            | -595955.32%           | -1046754.96%        |
| PROVISION FOR IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS                                     | (1,585,088,316)                | (240,000)          | -                      | 0.00%            | -136633765.69%        | -39024.39%          |
| <b>INCOME (LOSS) BEFORE INCOME TAX</b>                                                         | <b>(1,558,676,659)</b>         | <b>(6,676,928)</b> | <b>1,551,999,731</b>   | <b>23244.22%</b> | <b>-134357095.00%</b> | <b>-1085679.35%</b> |
| TAX                                                                                            | 9,276,530                      | -                  | (9,276,530)            | 0.00%            | 799631.93%            | 0.00%               |
| <b>NET INCOME (LOSS)</b>                                                                       | <b>(1,567,953,189)</b>         | <b>(6,676,928)</b> | <b>1,561,276,261</b>   | <b>23383.15%</b> | <b>-135156726.92%</b> | <b>-1085679.35%</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                              |                                |                    |                        |                  |                       |                     |
| Realized gains (losses) arising from changes in market value of available-for-sale investments | 94,833,460                     | 27,937,804         | 66,895,656             | 239.44%          | 8174593.60%           | 4542732.36%         |
| <b>TOTAL COMPREHENSIVE LOSS</b>                                                                | <b>(1,473,119,729)</b>         | <b>21,260,876</b>  | <b>(1,494,380,605)</b> | <b>-7028.78%</b> | <b>-126982133.32%</b> | <b>3457053.01%</b>  |

Sinophil Corporation ("Sinophil" or the "Company") incurred a consolidated net loss of ₱1,568.0 million for the year ended December 31, 2012, compared to a consolidated net loss of ₱6.7 million for the year ended December 31, 2011. The net loss for 2012 resulted predominantly from a loss provision of ₱1,501.5 million on the remaining net book value of its investment in Legend International Resorts (HK) Limited. The Company also booked an impairment loss provision of ₱85.6 million on its available-for-sale investments in 220 shares of Tagaytay Midlands Golf Club, Inc., as a conservative accounting measure. The foregoing loss of the Company in 2012 was partially offset by gain from the liquidating dividend on its investment in Belle Bay City Corporation amounting to ₱33.3 million. In November 2012, the Company received a parcel of land with an area of 4,348 square meters from Belle Bay City as liquidating dividend. The receipt of the said parcel of land from Belle Bay City cancels the Company's net investments in Belle Bay City amounting to ₱73.2 million as well as its advances amounting to ₱2.2 million. As a result of



the liquidation of investments in and advances to Belle Bay City, the Company received a parcel of land amounting ₱108.7 million and recognized a gain on liquidating dividend amounting to ₱33.3 million.

|                                                    | December             |                      | Horizontal Analysis    |                | Vertical Analysis |                |
|----------------------------------------------------|----------------------|----------------------|------------------------|----------------|-------------------|----------------|
|                                                    | 2012                 | 2011                 | Increase (Decrease)    |                | 2012              | 2011           |
|                                                    |                      |                      | Amount                 | %              |                   |                |
| <b>ASSETS</b>                                      |                      |                      |                        |                |                   |                |
| Cash                                               | 789,884              | 418,612              | 371,272                | 88.69%         | 0.04%             | 0.01%          |
| Receivables and others                             | 30,036,723           | 88,256,346           | (58,219,623)           | -65.97%        | 1.48%             | 2.52%          |
| Available-for-sale                                 |                      |                      |                        |                |                   |                |
| Investments                                        | 1,601,621,537        | 3,122,252,656        | (1,520,631,119)        | -48.70%        | 79.03%            | 89.30%         |
| Investment Property                                | 394,210,452          | 285,510,452          | 108,700,000            | 38.07%         | 19.45%            | 8.17%          |
| <b>Total Assets</b>                                | <b>2,026,658,596</b> | <b>3,496,438,066</b> | <b>(1,469,779,470)</b> | <b>-42.04%</b> | <b>100.00%</b>    | <b>100.00%</b> |
| <b>LIABILITIES AND EQUITY</b>                      |                      |                      |                        |                |                   |                |
| <b>Liabilities</b>                                 |                      |                      |                        |                |                   |                |
| Accrued expenses and other current liabilities     | 53,367,070           | 53,118,841           | 248,229                | 0.47%          | 2.63%             | 1.52%          |
| Income tax liability                               | 2,754,530            | -                    | 2,754,530              | 0.00%          | 0.14%             | 0.00%          |
| Due to Belle                                       | 105,650,145          | 105,650,145          | 0                      | 0.00%          | 5.21%             | 3.02%          |
| <b>Total Liabilities</b>                           | <b>161,771,745</b>   | <b>158,768,986</b>   | <b>3,002,759</b>       | <b>1.89%</b>   | <b>7.98%</b>      | <b>4.54%</b>   |
| <b>Equity</b>                                      |                      |                      |                        |                |                   |                |
| Capital stock                                      | 7,927,310,000        | 7,927,310,000        | (0)                    | 0.00%          | 391.15%           | 226.73%        |
| Additional paid-in capital                         | 2,039,727,799        | 2,039,727,799        | (0)                    | 0.00%          | 100.64%           | 58.34%         |
| Subscription receivable                            | (4,962,656,586)      | (4,962,993,086)      | 337,500                | -0.01%         | -244.87%          | -141.94%       |
| Cost of Parent Company shares held by a subsidiary | (512,594,197)        | (512,594,197)        | -                      | 0.00%          | -25.29%           | -14.66%        |
| Other reserves                                     | 336,752,502          | 241,919,042          | 94,833,460             | 39.20%         | 16.62%            | 6.92%          |
| Deficit                                            | (2,963,653,667)      | (1,395,700,478)      | (1,567,953,189)        | 112.34%        | -146.23%          | -39.92%        |
| <b>Net Equity</b>                                  | <b>1,864,886,851</b> | <b>3,337,669,080</b> | <b>(1,472,782,229)</b> | <b>-44.13%</b> | <b>92.02%</b>     | <b>95.46%</b>  |
| <b>Total Liabilities and Equity</b>                | <b>2,026,658,596</b> | <b>3,496,438,066</b> | <b>(1,469,779,470)</b> | <b>-42.04%</b> | <b>100.00%</b>    | <b>100.00%</b> |

Total assets as of December 31, 2012 were ₱2,026.7 million, with shareholders' equity being ₱1,864.9 million. Comparatively, total assets and shareholders' equity as of December 31, 2011 were ₱3,496.4 million and ₱3,337.7 million, respectively. There was a decrease in the ending balances of assets and equity from 2011 to 2012, due mainly from a decrease in available-for-sale (AFS) investments of ₱1,520.6 million and collection of receivables from related parties and securities broker of ₱58.2 million, from ₱3,122.3 million as of December 31, 2011 to ₱1,601.6 million as of December 31, 2012. The decrease in the AFS investments balance was due to the impairment loss recognized on its AFS investments in LIR- HK and Tagaytay Midlands shares. The decrease in available-for-sale investments was partially offset by the acquisition of additional Belle shares amounting to ₱42.9 million and unrealized mark-to-market gains on Belle shares amounting to ₱94.8 million. During the year, the Company also received land with an area of 4,348 square meters and a valuation of ₱108.7 million, as a gain from the liquidating dividend from its investment in Belle Bay City Corporation. The increase in deficit of 1,568.0 million, from ₱1,395.7 million as of December 31, 2011 to ₱2,963.7 million as of December 31, 2012, was due to the impairment loss recognized on AFS investments in LIR-HK and Tagaytay Midlands shares. The unrealized mark-to-market gains on AFS investments increased by ₱94.8 million due to the increase in market value of its investment in 85.7 million Belle shares. Aside from what has been mentioned in the foregoing, there were no significant elements of income or loss that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations, of Sinophil during 2012.

On August 23, 2001, with respect to Sinophil's investment in 40% of the equity of LIR-HK, the LIR-HK Unwinding was agreed into by and among the Company, Belle, Metroplex and LIR-HK, thereby rescinding the Swap Agreement entered into by them in 1997, canceling all obligations stated therein, reversing all the relevant transactions, and canceling or returning all the shares of Sinophil and LIR exchanged thereby. To effect cancellation of the Metroplex's investment,

Sinophil's shareholders, during their meeting on February 18, 2002, approved the reduction of its capital stock to the extent of 3.87 billion shares held by the former. However, due to Metroplex's failure to deliver for cancellation the stock certificates covering 2.0 billion shares of their total shareholdings at that time, Sinophil again presented to its shareholders on its meeting on June 3, 2005 a reduction in its authorized capital stock to the extent of 1.87 billion shares (the "Partial LIR-HK Unwinding"). On March 28, 2006, the SEC formally approved the Partial LIR-HK Unwinding and the 1.87 billion cancelled Sinophil shares were then delisted with the Philippine Stock Exchange. The one billion Sinophil shares used as collateral by LIR-HK for a loan from Union Bank were delivered by Union Bank to the Company in 2007, and formal approval by the SEC for cancellation thereof was obtained on June 24, 2008. As of December 31, 2012, one billion Sinophil shares still remained outstanding from Metroplex.

On August 28, 2009, a Memorandum of Agreement (MOA) was executed between Belle Corporation and the Company relative to the proposed settlement of the 1 billion Belle Preferred shares held by Sinophil and dividends receivable therefrom. The MOA provides, among others, the following: (i) the transfer by Belle Corporation or its designee to Sinophil of 220 shares of Tagaytay Midlands Golf Club, Inc. (TMGC) and 220 saleable lots in a future project in Tanauan, Batangas at prevailing market rates; (ii) in consideration for the TMGC shares, Sinophil renounced all past, present and future dividends on Belle preferred shares held by it; and (iii) the eventual cancellation of the Belle preferred shares held by the Company upon receipt by it of the saleable lots, which are to be completed by Belle by August 2014.

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

|                              | <b>Manner by which the key performance indicators are computed</b>          | <b>Dec. 31, 2012</b>  | <b>Dec. 31, 2011</b> |
|------------------------------|-----------------------------------------------------------------------------|-----------------------|----------------------|
| Current ratio                | $\frac{\text{Current assets}}{\text{Current Liabilities}}$                  | <b>0.55 : 1.00</b>    | 1.67 : 1.00          |
| Return on assets             | $\frac{\text{Net loss}}{\text{Average Total assets during the period}}$     | <b>(56.78%)</b>       | (0.19%)              |
| Return on equity             | $\frac{\text{Net loss}}{\text{Average equity during the period}}$           | <b>(60.28%)</b>       | (0.20%)              |
| Asset-to-equity ratio        | $\frac{\text{Total Assets}}{\text{Total Equity}}$                           | <b>1.09:1.00</b>      | 1.05:1.00            |
| Debt to equity ratio         | $\frac{\text{Total Debt}}{\text{Total Equity}}$                             | <b>Not applicable</b> | Not applicable       |
| Interest rate coverage ratio | $\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$ | <b>Not applicable</b> | Not applicable       |

The Company does not foresee any cash flow or liquidity problems over the next 12 months. The Company has no borrowings.

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities were created during the year.

As of December 31, 2012, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past

performance, or that would have a material impact on the future operations, in respect of the following:

- (a) Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- (b) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- (c) Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- (d) Significant elements of income or loss that did not arise from the Company's continuing operations;
- (e) Seasonal aspects that had a material impact on the Company's results of operations; and
- (f) Material changes in the financial statements of the Company during the years ended December 31, 2011 and December 31, 2012.

### 2013 Plan of Operation

By virtue of the Settlement Agreement entered into by the Company with Belle Corporation on 28 August 2009, the Company now owns (i) 220 shares in Tagaytay Midlands Golf Club, Inc., and (ii) 235,583 square meters of developed land located in Tanauan, Batangas. The Tagaytay Midlands shares owned by the Company are immediately disposable, while the developed land is planned to be made part of a new subdivision project to be co-developed with Belle Corporation. In addition to the foregoing, the Company also owns property at the Manila Bay Reclamation Area which it is also planning to co-develop with Belle or other third-party property developers.

In addition to continued efforts towards the completion of the full LIR-HK Unwinding, Sinophil's management is considering various opportunities relative to new business ventures, the implementation of which will depend on economic conditions in the future.

### Analysis of Results of Operation and Financial Condition - 2011 compared to 2010

|                                                                  | Years Ended December 31 |             | Horizontal Analysis |        | Vertical Analysis |             |
|------------------------------------------------------------------|-------------------------|-------------|---------------------|--------|-------------------|-------------|
|                                                                  | 2011                    | 2010        | Increase (Decrease) |        | 2011              | 2010        |
| INTEREST INCOME                                                  | 615                     | 314         | 301                 | 95.9%  | 100.0%            | 100.0%      |
| GENERAL AND ADMINISTRATIVE EXPENSES                              | (6,437,543)             | (7,283,773) | 846,230             | -11.6% | -1046755.0%       | -2319672.9% |
| PROVISION FOR IMPAIRMENT<br>OF AVAILABLE-FOR-SALE<br>INVESTMENTS | (240,000)               | (120,000)   | (120,000)           | 100.0% | -39024.4%         | -38216.6%   |
| NET LOSS                                                         | (6,676,928)             | (7,403,459) | 726,531             | -9.8%  | -1085679.3%       | -2357789.5% |

Sinophil Corporation ("Sinophil" or the "Company") incurred a consolidated net loss of ₱6.7 million for the year ended 31 December 2011, compared to a consolidated net loss of ₱7.4 million for the year ended 31 December 2010. The lower net loss during 2011 is due to a decrease in general and administrative expenses by ₱0.8 million (12%), to ₱6.4 million during the 2011 period, from ₱7.3 million for the same period last year, due to lower realty taxes and salaries and wages during 2011.

|                                                | December             |                      | Horizontal Analysis |             | Vertical Analysis |               |
|------------------------------------------------|----------------------|----------------------|---------------------|-------------|-------------------|---------------|
|                                                | 2011                 | 2010                 | Increase (Decrease) |             | 2011              | 2010          |
|                                                |                      |                      | Amount              | %           |                   |               |
| <b>ASSETS</b>                                  |                      |                      |                     |             |                   |               |
| Cash                                           | 418,612              | 253,590              | 165,022             | 65.1%       | 0.0%              | 0.0%          |
| Receivables and others                         | 88,256,346           | 94,220,972           | (5,964,626)         | -6.3%       | 2.5%              | 2.7%          |
| Available-for-sale                             |                      |                      |                     |             |                   |               |
| Investments                                    | 3,122,252,656        | 3,094,554,852        | 27,697,804          | 0.9%        | 89.3%             | 89.1%         |
| Investment Property                            | 285,510,452          | 285,510,452          | -                   | 0.0%        | 8.2%              | 8.2%          |
| <b>Total Assets</b>                            | <b>3,496,438,066</b> | <b>3,474,539,866</b> | <b>21,898,200</b>   | <b>0.6%</b> | <b>100.0%</b>     | <b>100.0%</b> |
| <b>LIABILITIES AND EQUITY</b>                  |                      |                      |                     |             |                   |               |
| <b>Liabilities</b>                             |                      |                      |                     |             |                   |               |
| Accrued expenses and other current liabilities | 53,118,841           | 52,556,517           | 562,324             | 1.1%        | 1.5%              | 1.5%          |
| Due to Belle                                   | 105,650,145          | 105,650,145          | -                   | 0.0%        | 3.0%              | 3.0%          |
| <b>Total Liabilities</b>                       | <b>158,768,986</b>   | <b>158,206,662</b>   | <b>562,324</b>      | <b>0.4%</b> | <b>4.5%</b>       | <b>4.6%</b>   |
| <b>Equity</b>                                  |                      |                      |                     |             |                   |               |
| Capital stock                                  | 7,927,310,000        | 7,927,310,000        | -                   | 100.0%      | 226.7%            | 228.2%        |
| Additional paid-in capital                     | 2,039,727,799        | 2,039,727,799        | -                   | 100.0%      | 58.3%             | 58.7%         |
| Subscription receivable                        | (4,962,993,086)      | (4,963,068,086)      | 75,000              | 0.0%        | -141.9%           | -142.8%       |
| Parent Company shares held by a subsidiary     | (512,594,197)        | (512,594,197)        | -                   | 100.0%      | -14.7%            | -14.8%        |
| Other reserves                                 | 241,919,042          | 213,981,238          | 27,937,804          | 13.1%       | 6.9%              | 6.2%          |
| Deficit                                        | (1,395,700,478)      | (1,389,023,550)      | (6,676,928)         | 0.5%        | -39.9%            | -40.0%        |
| <b>Net Equity</b>                              | <b>3,337,669,080</b> | <b>3,316,333,204</b> | <b>21,335,876</b>   | <b>0.6%</b> | <b>95.5%</b>      | <b>95.4%</b>  |
|                                                | <b>3,496,438,066</b> | <b>3,474,539,866</b> | <b>21,898,200</b>   | <b>0.6%</b> | <b>100.0%</b>     | <b>100.0%</b> |

Total assets as of December 31, 2011 were ₱3,496.4 million, with shareholders' equity being ₱3,337.7 million. Comparatively, total assets and shareholders' equity as of December 31, 2010 were ₱3,474.5 million and ₱3,316.3 million, respectively. There was no significant movement in the ending balances of assets and equity from 2010 to 2011, except for unrealized mark-to-market gains on available-for-sale investments amounting to ₱27.9 million, mainly from the increase in market value of the Company's 85.7 million Belle shares, from ₱4.60 per share as of December 31, 2010 to ₱5.08 per share as of December 31, 2011. Note that, under accounting rules, this mark-to-market gain cannot be recognized in Sinophil's net income until the shares are sold. Thus, the net book value of Sinophil's Belle shares thus remains at ₱0.55 per share due to the loss provision that was booked during 2008. Aside from what has been mentioned in the foregoing, there were no significant elements of income or loss that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations, of Sinophil during 2011.

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

|               | Manner by which the key performance indicators are computed | Dec. 31, 2011 | Dec. 31, 2010 |
|---------------|-------------------------------------------------------------|---------------|---------------|
| Current ratio | <u>Current assets</u><br>Current Liabilities                | 1.67 : 1.00   | 1.80 : 1.00   |

|                                 |                                                                   |                |                |
|---------------------------------|-------------------------------------------------------------------|----------------|----------------|
| Return on assets                | <u>Net Loss</u><br>Average Total Assets<br>during the period      | (0.19%)        | (0.22%)        |
| Return on equity                | <u>Net Loss</u><br>average equity<br>during the period            | (0.20%)        | (0.23%)        |
| Asset-to-equity<br>ratio        | <u>Total assets</u><br>Total equity                               | 1.05:1.00      | 1.05:1.00      |
| Debt to equity<br>ratio         | <u>Total Debt</u><br>Total Equity                                 | Not applicable | Not applicable |
| Interest rate<br>coverage ratio | <u>Earnings Before Interest and<br/>Taxes</u><br>Interest Expense | Not applicable | Not applicable |

The Company does not foresee any cash flow or liquidity problems over the next 12 months. The Company has no borrowings.

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities were created during the year.

As of December 31, 2011, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- (a) Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- (b) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- (c) Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- (d) Significant elements of income or loss that did not arise from the Company's continuing operations;
- (e) Seasonal aspects that had a material impact on the Company's results of operations; and
- (f) Material changes in the financial statements of the Company during the years ended December 31, 2010 and December 31, 2011.

### **2012 Plan of Operation**

In addition to continued efforts towards the completion of the full LIR-HK Unwinding, Sinophil's management is considering various opportunities relative to new business ventures, the implementation of which will depend on economic conditions in the future.

### **Key Variables and other Qualitative and Quantitative Factors**

The Company expects no material commitments for capital expenditures and expected funds in 2013. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on sales; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

Sinophil maintains sufficient cash balances to meet minimum operational requirements, as determined by management from time to time. Additional cash requirements are sourced from affiliates. To the best of the Company's knowledge, there are no known trends, events or uncertainties that will have a material impact on its liquidity.

### **Information on Independent Accountant and Other Related Matters**

#### **a. External Audit Fees**

##### **a.1. Audit and Audit-Related Fees**

The aggregate fees paid by the Company for professional services (including Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2012 and 2011 follow:

|      |                  |
|------|------------------|
|      | (P000's omitted) |
| 2012 | P295             |
| 2011 | P295             |

a.2. There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

#### **b. Tax Fees**

There were no professional services rendered by the external auditor for tax accounting compliance, advice, planning and any other form of tax services in each of the last two years.

#### **c. All Other Fees**

There were no other professional services rendered by the external auditors for each of the last two years other than item (a) and (b) above.

#### **d. The Audit Committee's approval policies and procedures for the above services**

The Audit Committee has the oversight responsibility over the audit function and activities of the Company's internal and external auditors. It provides assurance that financial disclosures made by the management as presented in the Auditor's report reasonably reflect (a) the financial condition; the result of operation; and the plans and long-term commitments; and (b) internal controls are operating as intended.

The Audit Committee has the responsibility to recommend an external auditor to be selected and appointed by the stockholders during each annual stockholder's meeting.

It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board of Directors and presented to the stockholder's for approval.

### **DIRECTORS AND EXECUTIVE OFFICERS**

Please refer to the portion of this Information Statement on "Directors and Executive Officers".

### **COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES**

Sinophil Corporation has formalized its commitment to good corporate governance in compliance with the initiative of the Securities and Exchange Commission (SEC). The Company has adopted its Manual on Corporate Governance which provides for, among others, a compliance officer

specifically for corporate governance, the duties and responsibilities of a director and the creation of board committees. These committees are comprised of a nomination committee for selecting directors and passing upon their qualifications, compensation and remuneration committee to look into an appropriate rewards system and an audit committee to review financial and accounting matters. The current members of the aforesaid committees for the calendar year 2012 were appointed on 23 April 2012.

As proof of its compliance with the leading practices and principles in good corporate governance, Sinophil regularly submits to the SEC the Compliance Officer's report on (i) the Corporation's Compliance with its Manual on Corporate Governance, and (ii) the directors' attendance records. It also submits its annual Corporate Governance Self-Rating reports to the SEC and PSE.

Sinophil continues to welcome the nomination and election of independent directors, abiding by the requirements of law, as well as to help guarantee proper decision-making at the board level. The composition of the rest of the board further assures that decisions are based on objective assessments, reasonable appraisals, open discussions and principled consensus, all in the best interest of the corporation and its stakeholders.

The Company is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees. Under the Manual of Corporate Governance of the Company, the Compliance Officer is responsible for monitoring compliance with the provisions and requirements, as well as violations of the Manual of Corporate Governance.

The Company's Manual of Corporate Governance shall be subject to annual review unless the same frequency is amended by the Board.

**UNDERTAKING TO PROVIDE COPIES OF THE INFORMATION STATEMENT  
AND THE ANNUAL REPORT**

**UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:**

THE CORPORATE SECRETARY  
SINOPHIL CORPORATION  
5F TOWER A, TWO E-COM CENTER,  
PALM COAST AVENUE,  
MALL OF ASIA COMPLEX, PASAY CITY





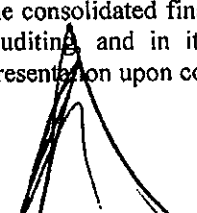
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA Greenhills  
Mandaluyong City, Metro Manila

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

The management of Sinophil Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



**WILLY N. OCIER**  
Chairman of the Board



**MANUEL A. GANA**  
President and Chief Operating Officer




**JACKSON T. ONGSIP**  
Comptroller

Signed this 1<sup>st</sup> day of March, 2013

SUBSCRIBED AND SWORN to before me this **MAY 15 2013** day of **MAKATI CITY** 2013 affiants exhibiting to me their Community Tax Certificates and Tax Identification Numbers, as follows:

| NAME              | COMMUNITY TAX CERTIFICATE NUMBER/<br>TAX IDENTIFICATION NUMBER | DATE OF ISSUE    | PLACE OF ISSUE |
|-------------------|----------------------------------------------------------------|------------------|----------------|
| Willy N. Ocier    | CTC#08932038<br>TIN 101-934-954                                | January 12, 2013 | Manila         |
| Manuel A. Gana    | CTC#06128747<br>TIN 906-105-409                                | January 10, 2013 | Manila         |
| Jackson T. Ongsip | CTC#06128907<br>TIN 178-486-617                                | January 12, 2013 | Manila         |

DOC NO. : 131  
PAGE NO. : 28  
BOOK NO. : J  
SERIES OF : 2013

  
**CHESTER T. BORDEOS**  
Notary Public  
Until 31 December 2014  
Roll No. 41934  
PTR No. 3680764; 01/10/13; Makati City  
IBP LRN 07903; 01/08/09; Albay

COVER SHEET

A S 0 9 3 0 0 9 2 8 9

SEC Registration Number

S I N O P H I L C O R P O R A T I O N A N D S U B S I D I A R I E S

(Company's Full Name)

5 t h F l o o r , T o w e r A , T w o E - C o m C e n t e r , P a l m C o a s t A v e n u e , M a l l o f A s i a C o m p l e x , C B P - I A , P a s a y C i t y

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

Mr. Manuel A. Gana

(Contact Person)

662-8888

(Company Telephone Number)

1 2 3 1

Month Day (Fiscal Year)

1 7 - A

(Form Type)

0 4 2 3

Month Day (Annual Meeting)

-

(Secondary License Type, If Applicable)

-

Dept. Requiring this Doc.

AMENDED

Amended Articles Number/Section

598

Total No. of Stockholders

P-

Domestic

P-

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID

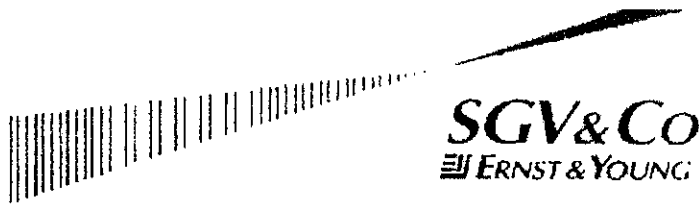
LCU

Cashier

STAMPS

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SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines  
Phone: (632) 891 0307  
Fax: (632) 819 0872  
www.sgv.com.ph

BOA/PRC Reg. No. 0001.  
December 28, 2012, valid until December 31, 2015  
SEC Accreditation No. 0012-FR-3 (Group A).  
November 15, 2012, valid until November 16, 2015

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Sinophil Corporation  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, CBP-1A, Pasay City

We have audited the accompanying consolidated financial statements of Sinophil Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

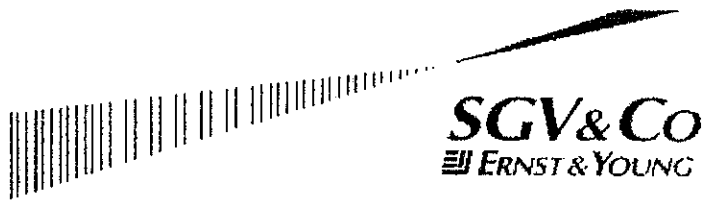
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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



A member firm of Ernst & Young Global Limited



- 2 -

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sinophil Corporation and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Clairma T. Mangangey*

Clairma T. Mangangey

Partner

CPA Certificate No. 86898

SEC Accreditation No. 0779-AR-1 (Group A),

February 2, 2012, valid until February 1, 2015

Tax Identification No. 129-434-867

BIR Accreditation No. 08-001998-67-2012,

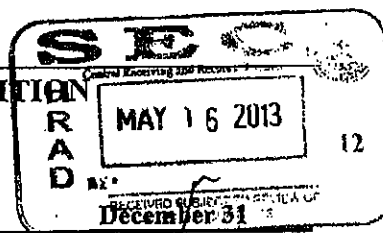
April 11, 2012, valid until April 10, 2015

PTR No. 3669697, January 2, 2013, Makati City

March 1, 2013



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



|                                                                  | 2012                  | 2011                  |
|------------------------------------------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                                    |                       |                       |
| <b>Current Assets</b>                                            |                       |                       |
| Cash (Note 17)                                                   | P789,884              | P418,612              |
| Receivables and others (Notes 2, 8, 9, 15 and 17)                | 30,036,723            | 88,256,346            |
| <b>Total Current Assets</b>                                      | <b>30,826,607</b>     | <b>88,674,958</b>     |
| <b>Noncurrent Assets</b>                                         |                       |                       |
| Available-for-sale financial assets (Notes 2, 9, 15 and 17)      | 1,601,621,537         | 3,122,252,656         |
| Investment properties (Notes 9 and 10)                           | 394,210,452           | 285,510,452           |
| <b>Total Noncurrent Assets</b>                                   | <b>1,995,831,989</b>  | <b>3,407,763,108</b>  |
|                                                                  | <b>P2,026,658,596</b> | <b>P3,496,438,066</b> |
| <b>LIABILITIES AND EQUITY</b>                                    |                       |                       |
| <b>Current Liability</b>                                         |                       |                       |
| Accrued expenses and other current liabilities (Notes 11 and 17) | P53,367,070           | P53,118,841           |
| Income tax payable (Note 14)                                     | 2,854,689             | -                     |
| <b>Total Current Liability</b>                                   | <b>56,221,759</b>     | <b>53,118,841</b>     |
| <b>Noncurrent Liability</b>                                      |                       |                       |
| Due to Belle Corporation (Note 15)                               | 105,650,145           | 105,650,145           |
| <b>Equity</b>                                                    |                       |                       |
| Capital stock (Notes 2, 12 and 17)                               | 7,927,310,000         | 7,927,310,000         |
| Additional paid-in capital (Notes 2 and 17)                      | 2,039,727,799         | 2,039,727,799         |
| Subscription receivable (Notes 12 and 17)                        | (4,962,655,586)       | (4,962,993,086)       |
| Cost of Parent Company shares held by a subsidiary (Note 12)     | (512,594,197)         | (512,594,197)         |
| Other reserves (Notes 2 and 9)                                   | 336,752,502           | 241,919,042           |
| Deficit (Notes 12 and 17)                                        | (2,963,753,826)       | (1,395,700,478)       |
| <b>Net Equity</b>                                                | <b>1,864,786,692</b>  | <b>3,337,669,080</b>  |
|                                                                  | <b>P2,026,658,596</b> | <b>P3,496,438,066</b> |

See accompanying Notes to Consolidated Financial Statements.



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                                                                      | Years Ended December 31 |                    |                     |
|--------------------------------------------------------------------------------------|-------------------------|--------------------|---------------------|
|                                                                                      | 2012                    | 2011               | 2010                |
| <b>INCOME</b>                                                                        |                         |                    |                     |
| Gain on liquidating dividend (Note 9)                                                | P33,324,175             | P-                 | P-                  |
| Interest income from cash in bank                                                    | 1,160                   | 615                | 314                 |
|                                                                                      | <b>33,325,335</b>       | <b>615</b>         | <b>314</b>          |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                                           |                         |                    |                     |
| (Notes 8 and 13)                                                                     | (6,913,678)             | (6,437,543)        | (7,283,773)         |
| <b>PROVISION FOR IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)</b>      |                         |                    |                     |
|                                                                                      | (1,585,088,316)         | (240,000)          | (120,000)           |
| <b>LOSS BEFORE INCOME TAX</b>                                                        |                         |                    |                     |
|                                                                                      | 1,558,676,659           | 6,676,928          | 7,403,459           |
| <b>PROVISION FOR CURRENT INCOME TAX (Note 14)</b>                                    |                         |                    |                     |
|                                                                                      | 9,376,689               | -                  | -                   |
| <b>NET LOSS</b>                                                                      |                         |                    |                     |
|                                                                                      | 1,568,053,348           | 6,676,928          | 7,403,459           |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                    |                         |                    |                     |
| Mark-to-market gains on available-for-sale financial assets during the year (Note 9) | 94,833,460              | 27,937,804         | 239,778,264         |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>                                |                         |                    |                     |
|                                                                                      | <b>(P1,473,219,888)</b> | <b>P21,260,876</b> | <b>P232,374,805</b> |
| <b>Basic/Diluted Loss Per Common Share (Note 16)</b>                                 |                         |                    |                     |
|                                                                                      | <b>(P0.20058)</b>       | <b>(P0.00086)</b>  | <b>(P0.00095)</b>   |

*See accompanying Notes to Consolidated Financial Statements.*



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|                                   | Other Reserves                           |                                                      |                                                     |                                                                             |                                                                                                                 |                                                                                            | Total           |
|-----------------------------------|------------------------------------------|------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------|
|                                   | Capital Stock<br>(Notes 2, 12<br>and 17) | Additional<br>Paid-in<br>Capital<br>(Notes 2 and 17) | Subscriptions<br>Receivable<br>(Notes 12<br>and 17) | Cost of Parent<br>Company<br>Shares<br>Held by a<br>Subsidiary<br>(Note 12) | Cumulative<br>Unrealized<br>Mark-to-Market<br>Gain on<br>Available-for-<br>Sale Financial<br>Assets<br>(Note 9) | Share in<br>Cumulative<br>Translation<br>Adjustments<br>of an Associate<br>(Notes 2 and 9) |                 |
| Balance at December 31, 2011      | P7,927,310,000                           | P2,039,727,799                                       | (P4,962,993,086)                                    | (P512,594,197)                                                              | P300,238,030                                                                                                    | (P58,318,988)                                                                              | P3,337,669,080  |
| Net loss                          | -                                        | -                                                    | -                                                   | -                                                                           | -                                                                                                               | -                                                                                          | (1,568,053,348) |
| Other comprehensive income        | -                                        | -                                                    | -                                                   | -                                                                           | 94,833,460                                                                                                      | -                                                                                          | 94,833,460      |
| Total comprehensive income (loss) | -                                        | -                                                    | -                                                   | -                                                                           | 94,833,460                                                                                                      | -                                                                                          | (1,473,219,888) |
| Subscriptions collected           | -                                        | -                                                    | 337,500                                             | -                                                                           | -                                                                                                               | -                                                                                          | 337,500         |
| Balance at December 31, 2012      | P7,927,310,000                           | P2,039,727,799                                       | (P4,962,655,586)                                    | (P512,594,197)                                                              | P395,071,490                                                                                                    | (P58,318,988)                                                                              | P1,864,786,692  |
| Balance at December 31, 2010      | P7,927,310,000                           | P2,039,727,799                                       | (P4,963,068,086)                                    | (P512,594,197)                                                              | P272,300,226                                                                                                    | (P58,318,988)                                                                              | P3,316,333,204  |
| Net loss                          | -                                        | -                                                    | -                                                   | -                                                                           | -                                                                                                               | -                                                                                          | (6,676,928)     |
| Other comprehensive income        | -                                        | -                                                    | -                                                   | -                                                                           | 27,937,804                                                                                                      | -                                                                                          | 27,937,804      |
| Total comprehensive income (loss) | -                                        | -                                                    | -                                                   | -                                                                           | 27,937,804                                                                                                      | -                                                                                          | (6,676,928)     |
| Subscriptions collected           | -                                        | -                                                    | 75,000                                              | -                                                                           | -                                                                                                               | -                                                                                          | 21,260,876      |
| Balance at December 31, 2011      | P7,927,310,000                           | P2,039,727,799                                       | (P4,962,993,086)                                    | (P512,594,197)                                                              | P300,238,030                                                                                                    | (P58,318,988)                                                                              | P3,337,669,080  |
| Balance at December 31, 2009      | P7,927,310,000                           | P2,039,727,799                                       | (P4,963,068,086)                                    | (P512,594,197)                                                              | P32,521,962                                                                                                     | (P1,381,620,091)                                                                           | P3,083,938,399  |
| Net loss                          | -                                        | -                                                    | -                                                   | -                                                                           | -                                                                                                               | -                                                                                          | (7,403,459)     |
| Other comprehensive income        | -                                        | -                                                    | -                                                   | -                                                                           | 239,778,264                                                                                                     | -                                                                                          | 239,778,264     |
| Total comprehensive income (loss) | -                                        | -                                                    | -                                                   | -                                                                           | 239,778,264                                                                                                     | -                                                                                          | (7,403,459)     |
| Balance at December 31, 2010      | P7,927,310,000                           | P2,039,727,799                                       | (P4,963,068,086)                                    | (P512,594,197)                                                              | P272,300,226                                                                                                    | (P58,318,988)                                                                              | P3,316,333,204  |

See accompanying Notes to Consolidated Financial Statements.





**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                          | Years Ended December 31 |                 |                 |
|--------------------------------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                                          | 2012                    | 2011            | 2010            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                         |                 |                 |
| Loss before income tax                                                   | (¥1,558,676,659)        | (¥6,676,928)    | (¥7,403,459)    |
| Adjustments for:                                                         |                         |                 |                 |
| Provisions for impairment of:                                            |                         |                 |                 |
| Available-for-sale financial assets (Note 9)                             | 1,585,088,316           | 240,000         | 120,000         |
| Receivables and others (Notes 8 and 13)                                  | 141,562                 | 244,477         | 145,040         |
| Gain on liquidating dividend                                             | (33,324,175)            | -               | -               |
| Interest income from cash in bank                                        | (1,160)                 | (615)           | (314)           |
| Working capital adjustments:                                             |                         |                 |                 |
| Decrease in receivables and others                                       | 13,078,499              | 5,720,149       | 7,323,273       |
| Increase (decrease) in accrued expenses<br>and other current liabilities | 248,229                 | 562,324         | (66,918)        |
| Income taxes paid                                                        | (6,522,000)             | -               | -               |
| Interest received                                                        | 1,160                   | 615             | 314             |
| <b>Net cash provided by operating activities</b>                         | <b>33,772</b>           | <b>90,022</b>   | <b>117,936</b>  |
| <b>CASH FLOW FROM A FINANCING ACTIVITY</b>                               |                         |                 |                 |
| Collections of subscription receivable (Note 12)                         | 337,500                 | 75,000          | -               |
| <b>NET INCREASE IN CASH</b>                                              | <b>371,272</b>          | <b>165,022</b>  | <b>117,936</b>  |
| <b>CASH AT BEGINNING OF YEAR</b>                                         | <b>418,612</b>          | <b>253,590</b>  | <b>135,654</b>  |
| <b>CASH AT END OF YEAR</b>                                               | <b>¥789,884</b>         | <b>¥418,612</b> | <b>¥253,590</b> |

*See accompanying Notes to Consolidated Financial Statements.*



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. General Information**

Corporate Information

Sinophil Corporation ("Sinophil" or "Parent Company"), incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved Sinophil's application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. Beginning 1998, Sinophil repositioned itself as an investment holding company. The Parent Company, a publicly-listed company traded in the Philippine Stock Exchange, is 44.1% owned by Belle Corporation ("Belle"), 12.6% owned by Evans Asset Holdings PTE, LTD (a Singaporean company) and the rest by the public.

The accompanying consolidated financial statements include the accounts of the Parent Company and Foundation Capital Resources, Inc. ("FCRI") and Sinophil Leisure and Resorts Corporation ("SLRC"), both wholly owned subsidiaries and incorporated in the Philippines. Sinophil and its subsidiaries (collectively referred to as "the Company") have an investment portfolio consisting of interest in gaming and real estate.

In 2009, Sinophil acquired golf club shares with the aim of retailing these together with farm lots to be acquired five years from 2009 (see Notes 9 and 15).

The registered office address of the Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

Authorization for the Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors ("BOD") on March 1, 2013.

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**2. Share Swap Agreement ("Swap Agreement")**

In 1997, Sinophil together with Belle (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") whereby Sinophil issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of Legend International Resort H.K. Limited ("LIR-HK"), a Hong Kong-based company, which is a subsidiary of Metroplex. Also, Metroplex issued an unconditional guarantee that the combined net income after tax of the wholly owned subsidiaries of LIR-HK will be at least US\$43.0 million for the year ended January 31, 1999. A dispute on the terms of the Swap Agreement which subsequently ensued caused Metroplex to withhold the 1999 and 2000 financial information of LIR-HK.

On March 31, 1998, as a result of such dispute, Metroplex advised Sinophil that it deemed the 1997 Swap Agreement terminated and would cause the cancellation of the shares covering the LIR-HK shares and the return of the Sinophil shares, which Sinophil, together with Belle, objected to.



Because of the dispute and the uncertainties related thereto, Sinophil recorded such investment in LIR-HK at cost in 1997 (see Note 9).

On August 4, 1998, Sinophil, Belle and Metroplex entered into an agreement (the "Agreement") to confirm the validity of the aforementioned Swap Agreement. The terms of the Agreement again included among others, an unconditional guarantee by Metroplex that the combined net income after tax of LIR-HK's wholly owned subsidiaries will be at least US\$43.0 million for the year ended January 31, 1999. Further, should the committed net income not be met, Metroplex should make up for the shortfall by way of a cash payment to LIR-HK or by way of offset against any amount legitimately owed by LIR-HK to Metroplex such that the said payment can be properly booked by LIR-HK as income for the said fiscal year. Such payment must be made before the completion of the audit of LIR-HK's financial statements or ninety (90) days after the end of the fiscal year ended January 31, 1999. Also, in 1998, LIR-HK advanced ₱524.0 million to Belle as partial payment of the former's subscription to shares of Belle Bay Plaza Corporation ("Belle Bay Plaza"), a subsidiary of Belle. The underlying shares will be issued to LIR-HK upon full payment of subscription.

With the signing of the Agreement, Sinophil, from date of acquisition to January 31, 1999, began accounting for its investment in LIR-HK (which has a January 31 fiscal year-end) under the equity method. Sinophil's share in net income of LIR-HK based on the audited financial statements as at and for the year ended January 31, 1998 amounted to ₱152.2 million (net of amortization of goodwill for the year of ₱220.6 million).

On August 23, 2001, a Memorandum of Agreement ("MOA") was entered into by and among Belle, Sinophil, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

- a. Metroplex shall surrender the certificates of Sinophil shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of Sinophil to the extent constituting the Sinophil shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the Philippine Stock Exchange ("PSE").
- b. Sinophil shall surrender the LIR-HK shares back to Metroplex.

The MOA shall be deemed terminated should the regulatory agencies deny approval of Sinophil's reduction of capital stock and the cancellation and delisting of such shares of stock, in which case the Swap Agreement shall continue to be in full force and effect, and Metroplex shall continue to hold its Sinophil shares, without prejudice to the parties continuing in good faith to explore the other ways to unwind the Swap Agreement.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, Sinophil discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. The Parent Company again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved the Company's application for the capital reduction and cancellation of the



1,870,000,000 Sinophil shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-HK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in capital stock and additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

As further discussed in Note 8, in 2007, the Parent Company acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of Sinophil held by Metroplex for a total consideration of ₱81.6 million. Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 Sinophil shares was filed with SEC after obtaining stockholders' approval (see Note 12).

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 Sinophil shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008 (see Note 9). The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively (see Note 12). In 2009, Metroplex filed before the Court of Appeals ("CA") to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Notes 7 and 19).

In 2009, the Parent Company applied with the SEC for the decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC (see Note 12).

As at March 1, 2013, the remaining 1,000,000,000 undelivered Sinophil shares were transferred to another entity after the said shares have been foreclosed and successfully auctioned by the creditor of Metroplex (see Note 9).

**Unaudited Pro Forma Consolidated Information**

Following is the unaudited pro forma consolidated information assuming the full unwinding of the Swap Agreement with Metroplex, including the return of LIR-HK shares and cancellation of Sinophil shares issued to Metroplex, has been effected as at December 31, 2012:

|                                   | As Reported    | Pro Forma Adjustments | Pro Forma     |
|-----------------------------------|----------------|-----------------------|---------------|
| Statement of financial position - |                |                       |               |
| Investments in LIR-HK *           | ₱1,501,528,316 | (₱1,501,528,316)      | ₱-            |
| Equity:                           |                |                       |               |
| Capital stock                     | 7,927,310,000  | (1,000,000,000)       | 6,927,310,000 |
| Additional paid-in capital        | 2,039,727,799  | (559,847,304)         | 1,479,880,495 |

\* Presented as part of "Available-for-sale Financial Assets" account in the consolidated statements of financial of position (see Note 9).

**3. Basis of Preparation and Consolidation and Statement of Compliance**

**Basis of Preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale ("AFS") financial assets which are measured at fair value (see Note 9). The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.



Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards ("PFRS").

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, FCRI and SLRC (see Note 1).

The subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full upon consolidation.

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**4. Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following amended Philippine Accounting Standards ("PAS"), PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee ("IFRIC") which were adopted starting January 1, 2012. The adoption of the following amended standards did not have any impact on the financial statements of the Company.

- PFRS 7, *Financial Instruments: Disclosures - Transfer of Financial Assets* (Amendment)
- PAS 12, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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**5. Summary of Significant Accounting Policies**

Cash

Cash includes cash in banks which earn interest at the prevailing bank deposit rates.

Financial Assets

*Date of Recognition of Financial Assets.* The Company recognizes financial assets in the 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 a time frame established by regulation or convention in the marketplace are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

*Initial Recognition of Financial Assets.* Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss ("FVPL"), directly attributable transaction costs.

*Categories of Financial Assets.* Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity ("HTM") investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.



As at December 31, 2012 and 2011, the Company has no financial assets at FVPL, HTM investments and derivatives designated as hedging instruments.

- **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

As at December 31, 2012 and 2011, this category includes the Company's cash, receivables and others, except for input VAT and nontrade receivables (see Note 17).

- **AFS Financial Assets**

AFS financial assets are nonderivative financial assets that are designated as available-for-sale or do not qualify to be classified as loans and receivables, financial assets at FVPL or HTM investments. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

As at December 31, 2012 and 2011, this category includes the Company's investments in shares of stock shown under "Available-for-sale financial assets" account in the consolidated statements of financial position (see Note 17).

*Subsequent Measurement.* The subsequent measurement of financial assets depends on their classification as follows:

- **Loans and Receivables**

After initial measurements, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

- **AFS Financial Assets**

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss previously recorded in equity is recognized in profit or loss in the consolidated statement of comprehensive income.

AFS financial assets in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments are measured at cost because its fair value cannot be reliably measured.



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

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a moving average basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized in profit or loss in the consolidated statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the reporting date.

#### Financial Liabilities

*Initial Recognition of Financial Liabilities.* Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

*Categories of Financial Liabilities.* Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2012 and 2011, the Company has no financial liabilities at FVPL and derivatives designated as hedging instruments.

Other financial liabilities are not held for trading or not designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations such as accrued expenses and other current liabilities (see Note 17).

*Subsequent Measurement.* After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

#### Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset



and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Determination of Fair Value and Fair Value Hierarchy of Financial Assets and Financial Liabilities

The fair value for financial assets and financial liabilities traded in active markets at each 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 asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial assets and financial liabilities where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets and financial liabilities by valuation technique:

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

Fair value measurement disclosures are presented in Note 17.

Amortized Cost of Financial Assets and Financial Liabilities

Amortized cost is computed using the effective interest rate method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.





Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

*Assets Carried at Amortized Cost.* For assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues, to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective clients. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation.

However, for those receivables associated to pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

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

*AFS Financial Assets.* For AFS equity investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which



the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income) is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income as part of profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in their fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### Derecognition of Financial Assets and Financial Liabilities

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss in the consolidated statement of comprehensive income.

#### Investment Property

Investment property, which consists of land, is carried at cost less any impairment in value.



Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy for property, plant and equipment up to the date of change in use.

#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the investment property may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less cost to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income either as part of profit or loss for the year or as part of other comprehensive income in the case of asset carried at revalued amount.

#### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.



Deficit represents accumulated net losses.

Subscription receivable represents the unpaid portion of subscription of capital shares by the investors.

Parent Company shares held by a subsidiary are accounted for as equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other reserves.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Gain on Liquidating Dividend.* Revenue is recognized when the right to receive the payment is established.

*Other Income.* Revenue is recognized when there is an incremental economic benefit, other than the usual business operation, that will flow to the Company and the amount of the revenue can be reliably measured.

#### Expense Recognition

Expenses are recognized when these are incurred.

#### Foreign Currency Transactions and Translation

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are taken to net loss in the consolidated statement of comprehensive income with the exception of differences on foreign currency exchange borrowings that provide a hedge against a net investment in a foreign entity. These are recorded as part of other comprehensive income and taken to equity until the disposal of the net investment, at which time they are recognized in net loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange rate differences on those borrowings are also dealt with in equity. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of a foreign operation and translated at the closing exchange rate.



The "Share in cumulative translation adjustments of an associate" account also includes the Company's share in translation adjustments, under the current rate method, on the financial statements of LIR-HK, before the Company discontinued using the equity method in accounting for its investments in LIR-HK (see Notes 2 and 9).

### Income Taxes

*Current Tax.* Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

*Value-Added Tax (VAT).* Revenues, expenses, assets and liabilities are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and



- receivables and payables that are stated with the amount of tax included.

The carrying value of Input VAT is included under "Receivables and others" account in the consolidated statement of financial position.

#### Earnings (Loss) per Share

Earnings (Loss) per share is computed by dividing net income (loss) by the weighted average number of issued and outstanding common shares during the year after deducting treasury shares, if any.

#### Business Segments

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, investment properties under construction and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

*Inter-segment Transactions.* Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated upon consolidation.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### Contingencies

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

#### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.



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## 6. Future Changes in Accounting Policies

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

### New and Amended Standards

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012, with retrospective application)

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. 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 recycled.

- PAS 19, *Employee Benefits (Amendment)* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

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 rewording.

- PAS 27, *Separate Financial Statements* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

As a consequence of the new PFRS 10, *Consolidated Financial Statements*, 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.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

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.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

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 consolidated statement of financial position;
- c) The net amounts presented in the consolidated 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.

- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)

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.

- PFRS 11, *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013)

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.

- PFRS 12, *Disclosure of Involvement with Other Entities* (effective for annual periods beginning on or after January 1, 2013)

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.

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)

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.





- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)

This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014, with retrospective application)

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 Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Company is currently assessing the impact of the amendments to PAS 32.

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)

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, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.



- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs

- **PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*** (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

- **PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*** (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

- **PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*** (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

- **PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*** (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.



- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs* (effective for annual periods beginning on or after January 1, 2013 , with retrospective application)

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2012 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Company's consolidated financial statements when these amendments are adopted.

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## 7. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

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

### Judgments

In the process of applying the accounting policies, management has made judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Determination of Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Company, the Company has determined its functional currency to be Philippine peso. It is the currency of the primary economic environment in which the Company operates and the currency that mainly influences the revenues and expenses.

*Determination of Fair Value of Financial Assets Not Quoted in an Active Market.* The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's-length basis.

The fair values of the Company's investments in unquoted shares cannot be reasonably determined as there is no available reference to its market. There were no recent transactions involving these shares, therefore these investments are carried at cost.

The carrying amount of investments in unquoted shares amounted to ₱1,000.0 million and ₱2,574.8 million as at December 31, 2012 and 2011 (see Note 9).



*Determination of Fair Value of Financial Assets and Financial Liabilities.* PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and liabilities.

The fair value of financial assets amounted to ₱1,632.1 million and ₱3,210.6 million as at December 31, 2012 and 2011, respectively. The fair value of financial liabilities amounted to ₱53.3 million and ₱53.1 million as at December 31, 2012 and 2011, respectively (see Note 17).

*Evaluation of Legal Contingencies.* The Company recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel. As at March 1, 2013, the Company is involved with the case filed by Metroplex before the CA (see Note 19). In the opinion of management and its legal counsel, the eventual liability, if any, that may result from the outcome of this case will not materially affect the Company's financial position and financial performance.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Determination of Impairment of Receivables.* The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the length of relationship with the customers, the customer's payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. Factors considered in individual assessment are payment history, past due status and term. A provision is also established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, changes in counterparty payment terms and other factors that may affect the Company's ability to collect payments.

The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease its current assets.

There was no provision for doubtful accounts on receivables in 2012, 2011 and 2010. Allowance for doubtful accounts amounted to ₱87.0 million as at December 31, 2012 and 2011, respectively. The aggregate carrying values of receivables amounted to ₱30.0 million and ₱88.3 million as at December 31, 2012 and 2011, respectively (see Note 8).

*Evaluation of Impairment of AFS Financial Assets.* The Company determines that a quoted AFS investment is impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what



is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities and the future cash flows and discounted factors for unquoted securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Provision for impairment loss on AFS financial assets amounted to ₱1,585.1 million, ₱0.2 million and ₱0.1 million in 2012, 2011 and 2010, respectively. The aggregate carrying values of AFS financial assets amounted to ₱1,601.6 million and ₱3,122.3 million as at December 31, 2012 and 2011, respectively (see Note 9). Allowance for impairment amounted to ₱2,160.0 million and ₱888.6 million as at December 31, 2012 and 2011, respectively (see Note 9).

*Determination of Impairment of Nonfinancial Assets.* The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investment property is tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the value of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

There was no provision for impairment loss on investment property in 2012, 2011 and 2010. The carrying value of investment property amounted to ₱394.2 million and ₱285.5 million as at December 31, 2012 and 2011 (see Note 10).

*Realizability of Input VAT.* The carrying amount of input VAT is reviewed at each reporting date and reduced to the extent that such input VAT will not be realized as there will be no available output VAT to be applied.

The carrying amount of input VAT is reduced through the use of an allowance account. The allowance, if any, is established by charges to income in the form of provision for probable loss on input VAT. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. An increase in the allowance for probable loss on input VAT would increase the Company's recorded expenses and decrease current assets.

Provision for probable losses on input VAT amounted to ₱0.1 million, ₱0.2 million and ₱0.1 million in 2012, 2011 and 2010, respectively (see Note 13). Allowance for probable loss on input VAT amounted to ₱1.8 million and ₱1.7 million as at December 31, 2012 and 2011, respectively. The carrying value of the input VAT, included under "Receivables and others" account in the consolidated statement of financial position, amounted to nil as at December 31, 2012 and 2011 (see Note 8).

*Recognition of Deferred Tax Assets.* Deferred tax assets are recognized for all deductible temporary differences and unused NOLCO to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Unrecognized deferred tax assets amounted to ₱507.8 million and ₱37.6 million as at December 31, 2012 and 2011, respectively (see Note 14).



**8. Receivables and Others**

Receivables

This account consists of:

|                                                        | 2012               | 2011               |
|--------------------------------------------------------|--------------------|--------------------|
| Loan assets (see Note 2)                               | P81,627,975        | P81,627,975        |
| Advances to related parties (see Note 15)              | 29,700,412         | 51,061,859         |
| Nontrade and others                                    | 7,490,379          | 44,206,993         |
|                                                        | <b>118,818,766</b> | <b>176,896,827</b> |
| Less allowance for doubtful accounts and probable loss | 88,782,043         | 88,640,481         |
|                                                        | <b>P30,036,723</b> | <b>P88,256,346</b> |

Loan assets pertain to the Parent Company's acquisition of LIR-HK's loan from Union Bank of the Philippines for a total consideration of P81.6 million. The loan is secured by 1,000,000,000 Sinophil shares held by Metroplex, which is the subject of the MOA entered into by the Parent Company and Metroplex rescinding the Swap Agreement as discussed in Note 2. The loan asset was fully provided with allowance in prior years.

Nontrade receivables mainly pertain to receivable from a securities broker arising from unremitted proceeds from third party subscription to the Company's common stock. Outstanding receivable amounted to nil and P36.9 million as at December 31, 2012 and 2011, respectively. This was settled by the broker by shouldering Belle's rental charges. The transaction was accounted for by offsetting the advances from Belle against the receivable from broker.

In 2012, Belle and its subsidiaries terminated the services of the securities broker. Upon final settlement, it was determined that the Company has net liability amounting to P7.4 million, due to availment of Belle's stock rights, which was advanced by the broker. The net liability was settled by Belle and was offset against the Company's advances to Belle.

The terms and conditions of advances to related parties are disclosed in Note 15.

Others

Others pertain to Input VAT which is fully provided with allowance for probable loss amounting to P1.8 million and P1.7 million as at December 31, 2012 and 2011, respectively.

Movements of allowance for doubtful accounts and probable loss are as follows:

|                              | 2012               | 2011               |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | P88,640,481        | P88,396,004        |
| Provision (see Note 13)      | 141,562            | 244,477            |
| Balance at end of year       | <b>P88,782,043</b> | <b>P88,640,481</b> |



9. AFS Financial Assets

AFS financial assets consist of the following:

|                                               | 2012                  | 2011                  |
|-----------------------------------------------|-----------------------|-----------------------|
| Quoted shares:                                |                       |                       |
| Belle - common shares                         | P484,940,437          | P435,375,098          |
| Golf club shares (see Note 15)                | 116,600,000           | 112,040,000           |
| Others                                        | 70,000                | 70,000                |
|                                               | <b>601,610,437</b>    | <b>547,485,098</b>    |
| Unquoted shares:                              |                       |                       |
| Belle - preferred shares (see Note 15)        | 1,000,000,000         | 1,000,000,000         |
| LIR-HK (see Note 2)                           | -                     | 1,501,528,316         |
| Belle Bay City Corporation ("Belle Bay City") | -                     | 73,228,142            |
| Others                                        | 11,100                | 11,100                |
|                                               | <b>1,000,011,100</b>  | <b>2,574,767,558</b>  |
|                                               | <b>P1,601,621,537</b> | <b>P3,122,252,656</b> |

Movements of this account are as follows:

|                                                                    | 2012                   | 2011                  |
|--------------------------------------------------------------------|------------------------|-----------------------|
| Cost:                                                              |                        |                       |
| Balance at beginning of year                                       | P3,710,619,470         | P3,710,619,470        |
| Additions during the year                                          | 42,851,879             | -                     |
| Liquidation of investment in Belle Bay City                        | (386,914,511)          | -                     |
| Balance at end of year                                             | <b>3,366,556,838</b>   | <b>3,710,619,470</b>  |
| Cumulative unrealized mark-to-market gain on AFS financial assets: |                        |                       |
| Balance at beginning of year                                       | 300,238,030            | 272,300,226           |
| Transfer of unrealized loss to impairment loss                     | 83,560,000             | -                     |
| Net increase during the year                                       | 11,273,460             | 27,937,804            |
| Subtotal                                                           | <b>94,833,460</b>      | <b>27,937,804</b>     |
| Balance at end of year                                             | <b>395,071,490</b>     | <b>300,238,030</b>    |
| Accumulated impairment loss:                                       |                        |                       |
| Beginning of year                                                  | (888,604,844)          | (888,364,844)         |
| Impairment loss during the year                                    | (1,585,088,316)        | (240,000)             |
| Liquidation of investment in Belle Bay City                        | 313,686,369            | -                     |
| Balance at end of year                                             | <b>(2,160,006,791)</b> | <b>(888,604,844)</b>  |
|                                                                    | <b>P1,601,621,537</b>  | <b>P3,122,252,656</b> |

There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Belle

The investment in common shares of Belle is carried at market value.

The Company's investment in preferred shares is entitled to 9.75% cumulative dividend per annum. This investment and its accumulated unpaid dividend are the subjects of a settlement agreement entered into between Sinophil and Belle on August 28, 2009 (see Note 15).



#### Golf Club Shares

In accordance with the Settlement Agreement executed between Sinophil and Belle in 1997, Sinophil received 220 shares Tagaytay Midland Gold Club, Inc. ("TMGCI") (see Note 15). In 2012, Sinophil recognized provision for impairment on the club shares amounting to ₱83.6 million in the consolidated statement of comprehensive income.

#### Belle Bay City

Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land along Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten the corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the application for dissolution of Belle Bay City. As at December 31, 2011, the Company's proportionate share in the net assets of Belle Bay City exceeds the carrying amount of its investment.

In November 2012, the Company received land with an area of 4,348 square meters from Belle Bay City as liquidating dividend. The receipt of the land from Belle Bay City cancels the Company's net investments in Belle Bay City amounting to ₱73.2 million as well as its advances amounting to ₱2.2 million (see Note 8). As a result of the liquidation of its investments in and advances to Belle Bay City, the Company received a land amounting to ₱108.7 million, presented under "Investment properties" account in the consolidated statement of financial position (see Note 10) and recognized in the consolidated statement of comprehensive income a gain on liquidating dividend amounting to ₱33.3 million. The liquidating dividend received from Belle Bay City is valued based on determinable fair value at the date of distribution.

#### LIR-HK

Consistent with the provisions of the MOA entered into by the Parent Company, Belle, Metroplex and LIR-HK rescinding the Swap Agreement, the Parent Company changed the accounting for its investment in LIR-HK to cost method effective February 1, 1999 (see Note 2).

In 2011, the remaining 1,000,000,000 undelivered Sinophil shares ("the Shares") in the name of Metroplex are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA. However, during 2012, Sinophil was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with Sinophil towards the transfer of the Shares, there is no assurance that Sinophil will be able to acquire the Shares from Evanston. Thus, the Parent Company recognized full impairment loss amounting to ₱1,501.5 million in the consolidated statement of comprehensive income in 2012 representing the remaining book value of its investment in LIR-HK.

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### **10. Investment Properties**

This account consists of the land received from the spin-off of the real estate properties of Metro Manila Turf Club (MMTC), a former associate, and the land received from Belle Bay City as liquidating dividend amounting to ₱285.5 million and ₱108.7 million, respectively (see Note 9). The Company adopted the cost model and continues to carry its investment property in the consolidated statements of financial position at cost less any impairment losses.

The aggregate fair value of the investment property amounted to ₱646.3 million and ₱537.6 million as of December 31, 2012 and 2011, respectively. The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally





qualified appraisers. The fair value represents the amount at which investment property could be exchanged between knowledgeable, willing parties in an arm's-length transaction at the date of valuation.

There are no directly attributable income and costs to the asset in 2012, 2011 and 2010.

As at December 31, 2012, there has been no significant change in the fair value of investment property since the last valuation.

## 11. Accrued Expenses and Other Current Liabilities

This account consists of:

|                       | 2012               | 2011               |
|-----------------------|--------------------|--------------------|
| Accrued expenses      | P53,271,709        | P53,033,914        |
| Statutory liabilities | 44,284             | 34,527             |
| Other payables        | 51,077             | 50,400             |
|                       | <b>P53,367,070</b> | <b>P53,118,841</b> |

Accrued expenses represent mainly accrual for professional fees and other general and administrative expenses. The Company's accrued expenses and other current liabilities are payable on demand.

## 12. Equity

### Preferred Stock

As at December 31, 2012 and 2011, Sinophil has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of P1. Under the provision of the Parent Company's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

### Common Stock

|                              | Number of Shares     |                      |                      |
|------------------------------|----------------------|----------------------|----------------------|
|                              | 2012                 | 2011                 | 2010                 |
| Authorized - P1 par value    | 10,130,000,000       | 10,130,000,000       | 10,130,000,000       |
| Issued:                      |                      |                      |                      |
| Balance at beginning of year | 3,096,440,785        | 3,096,340,785        | 3,096,340,785        |
| Issuance                     | 450,000              | 100,000              | -                    |
| Balance at end of year       | 3,096,890,785        | 3,096,440,785        | 3,096,340,785        |
| Subscribed                   | 4,830,419,215        | 4,830,869,215        | 4,830,969,215        |
|                              | <b>7,927,310,000</b> | <b>7,927,310,000</b> | <b>7,927,310,000</b> |

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from P1,000.0 million, divided into 100,000,000,000 shares at P0.01 par value, to P2,000.0 million, divided into 200,000,000,000 shares with the same par value.



On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 2).

On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares.

On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 2).

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 2).

Subscribed Shares

The subscription price of 4,830,969,215 shares amounted to ₱6,637.7 million of which ₱4,962.7 million and ₱4,963.0 million is still uncollected as at December 31, 2012 and 2011, respectively. Subscription receivable becomes due and demandable upon approval of the capital call by the Parent Company's BOD.

Parent Company Shares Held by a Subsidiary

FCRI holds 156,530,000 common shares of the Parent Company with a cost of ₱477.3 million as at December 31, 2012 and 2011. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

Deficit

Deficit balance is inclusive of accumulated equity in net losses of an associate amounting to ₱194.2 million as at December 31, 2012 and 2011.

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**13. General and Administrative Expenses**

This account consists of:

|                                                          | 2012              | 2011              | 2010              |
|----------------------------------------------------------|-------------------|-------------------|-------------------|
| Taxes and licenses                                       | ₱2,190,820        | ₱683,685          | ₱2,055,560        |
| Professional fees                                        | 2,025,961         | 3,034,244         | 2,002,104         |
| Salaries and wages                                       | 1,341,485         | 1,438,462         | 1,709,277         |
| Entertainment, amusement and recreation                  | 574,924           | 678,369           | 732,550           |
| Insurance                                                | 498,837           | 201,918           | 381,353           |
| Provision for probable loss on input VAT<br>(see Note 8) | 141,562           | 244,477           | 145,040           |
| Miscellaneous                                            | 140,089           | 156,388           | 257,889           |
|                                                          | <b>₱6,913,678</b> | <b>₱6,437,543</b> | <b>₱7,283,773</b> |



Miscellaneous pertains to office supplies, messengerial and postage services, bank charges and others.

#### 14. Income Taxes

The Company's provision for current income tax amounted to ₱9.4 million and nil for the year ended December 31, 2012 and 2011, respectively. The Company has no provision for current income tax in 2011 since the Company is in a tax loss position and the Company's income items mainly consists of nontaxable income or income already subjected to final tax.

In 2012, provision for income tax includes capital gains tax (CGT) paid by the Company under protest for the transfer of land from Belle Bay City amounting to ₱6.5 million. The payment of CGT was made for the sole purpose of facilitating the prompt transfer of title from Belle Bay City to the Company. The Company believes that the imposition of CGT is improper because the transfer was not made in the ordinary course of business but by operation of law in view of the ongoing liquidation process of Belle Bay City.

The reconciliation of the benefit from income tax computed at statutory income tax rate on loss before income tax to the benefit from income tax as shown in the consolidated statements of comprehensive income is as follows:

|                                                | 2012              | 2011         | 2010         |
|------------------------------------------------|-------------------|--------------|--------------|
| Income tax computed at statutory tax rate      | (₱467,602,998)    | (₱2,003,078) | (₱2,221,038) |
| Income tax effect of:                          |                   |              |              |
| Change in unrecognized deferred tax assets     | 470,224,883       | 234,269      | 224,885      |
| Nondeductible expenses                         | 6,736,946         | 348,854      | 300,777      |
| NOLCO expired                                  | 18,206            | 1,420,140    | 1,695,470    |
| Interest and other income subject to final tax | (348)             | (185)        | (94)         |
|                                                | <b>₱9,376,689</b> | <b>₱-</b>    | <b>₱-</b>    |

The components of the Company's temporary differences and carryforward benefits of NOLCO for which no deferred tax assets were recognized are as follows:

|                                                                                                                      | 2012                  | 2011                |
|----------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|
| Allowance for impairment of investments                                                                              | ₱1,587,088,316        | ₱2,000,000          |
| Allowance for doubtful accounts of receivables and others excluding allowance for input value-added tax (see Note 8) | 86,977,098            | 86,977,098          |
| Allowance for deferred oil exploration and development costs                                                         | 18,377,841            | 18,377,841          |
| NOLCO                                                                                                                | 273,176               | 17,945,215          |
|                                                                                                                      | <b>₱1,692,716,431</b> | <b>₱125,300,154</b> |

Deferred tax assets amounting to ₱507.8 million and ₱37.6 million as at December 31, 2012 and 2011, respectively, were not recognized because management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.



In 2012, NOLCO that was claimed as deductions from normal taxable income by the Parent Company are as follows:

| <u>Year Incurred</u> | <u>Expiry Date</u> | <u>Amount</u>      |
|----------------------|--------------------|--------------------|
| 2009                 | December 31, 2012  | ₱5,968,650         |
| 2010                 | December 31, 2013  | 6,312,245          |
| 2011                 | December 31, 2014  | 5,410,332          |
|                      |                    | <u>₱17,691,227</u> |

As of December 31, 2012, the subsidiaries have the following NOLCO that can be claimed as deductions from normal taxable income:

| <u>Year Incurred</u> | <u>Expiry Date</u> | <u>Amount</u>   |
|----------------------|--------------------|-----------------|
| 2010                 | December 31, 2013  | ₱88,938         |
| 2011                 | December 31, 2014  | 104,365         |
| 2012                 | December 31, 2015  | 79,873          |
|                      |                    | <u>₱273,176</u> |

NOLCO amounting to ₱0.01 million and ₱4.7 million had expired in 2012 and 2011, respectively.

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#### 15. Related Party Transactions

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically comparable market.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

##### Settlement Agreement with Belle

On October 7, 1997, Sinophil subscribed to 1,000,000,000 preferred shares from Belle at ₱1.00 per share, with a coupon rate of 9.75% per annum (see Note 9). The accrued dividends on the preferred shares from 1997 to 1998 of ₱92.3 million were paid in August 2009. Sinophil is entitled to receive dividend out of the net profit of Belle when and as declared by Belle's BOD. No additional dividends have been declared on the preferred shares after 1998 because of the absence of retained earnings in Belle.

On August 28, 2009, a Settlement Agreement (Agreement) was executed between Belle and Sinophil to settle the unpaid accrued dividends and to eventually cancel the preferred shares, subject to the transfer by Belle to Sinophil: (1) 220 shares in TMGCI and (2) a 235,583 square meters of developed Rancho Montana land located in Tanauan, Batangas, completion of which is expected within 5 years from the date of the Agreement. The developed Rancho Montana land together with the 220 TMGCI shares shall be transferred to Sinophil at an aggregate value of at least ₱1,092.3 million.



Immediately after the execution of the Agreement, Belle transferred the 220 TMGCI shares and executed a Deed of Assignment over the said TMGCI shares to Sinophil. Sinophil, on the other hand, executed a Release, Waiver and Quitclaim (1) accepting the payment of dividends in the form of 220 shares in TMGCI; (2) renouncing its rights to all past, present and future dividends; (3) agreeing to the revocation of the coupon rate originally provided for the preferred shares; and, (4) agreeing to the cancellation of all its preferred shares in Belle upon receipt of the developed Rancho Montana land.

The TMGCI shares amounting to P154.0 million (net of P44.0 million decline in fair value as at December 31, 2009) was recorded as "AFS financial assets" in 2009 (see Note 9). The related outstanding payable (after offsetting the outstanding receivable of P92.3 million) as at December 31, 2012 and 2011 amounting to P105.7 million is presented under "Due to Belle Corporation" account in the consolidated statements of financial position.

Other Transactions with Related Parties

In the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables.

The amounts included in these transactions are as follows:

| Related Party                     | Relationship             | Transaction        |      | Transaction Amounts | Outstanding Balance | Terms                                    | Condition                |
|-----------------------------------|--------------------------|--------------------|------|---------------------|---------------------|------------------------------------------|--------------------------|
| <b>Advances to related party:</b> |                          |                    |      |                     |                     |                                          |                          |
| Belle                             | Stockholder              | Advances           | 2012 | (P20,170,318)       | P28,933,528         | Non-interest bearing, due and demandable | Unsecured, no impairment |
|                                   |                          |                    | 2011 | (P5,162,200)        | P49,103,846         | Non-interest bearing, due and demandable | Unsecured, no impairment |
| Parallax                          | Stockholder              | Advances           | 2012 | 766,884             | 766,884             | Non-interest bearing, due and demandable | Unsecured, no impairment |
| Belle Bay City                    | Investee                 | Advances           | 2011 | -                   | -                   | Non-interest bearing, due and demandable | Fully settled            |
|                                   |                          |                    | 2012 | (1,958,013)         | -                   |                                          |                          |
|                                   |                          |                    | 2011 | 198,283             | 1,958,013           | Non-interest bearing, due and demandable | Unsecured, no impairment |
| <b>Total</b>                      |                          |                    | 2012 | (P21,361,447)       | P29,700,412         |                                          |                          |
|                                   |                          |                    | 2011 | (P4,963,917)        | P51,061,859         |                                          |                          |
| Officers                          | Key management personnel | Salaries and wages | 2012 | P1,341,485          | P-                  |                                          | Not applicable           |
|                                   |                          |                    | 2011 | P1,438,462          | P-                  |                                          |                          |

**16. Basic/Diluted Loss Per Common Share Computation**

|                                    | 2012           | 2011          | 2010          |
|------------------------------------|----------------|---------------|---------------|
| Net loss (a)                       | P1,558,676,659 | P6,676,928    | P7,403,459    |
| Weighted average common shares (b) | 7,770,780,000  | 7,770,780,000 | 7,770,780,000 |
| Loss per common share (a/b)        | P0.20058       | P0.00086      | P0.00095      |



## 17. Financial Assets and Financial Liabilities

### Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments comprise cash in bank, receivables and AFS financial assets. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial liabilities such as accrued expenses and other current liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The Company is not exposed to any other type of market risk, such as foreign currency risk and interest rate risk, as the Company has no outstanding foreign currency-denominated accounts and interest-bearing other financial liabilities as at December 31, 2012 and 2011.

The BOD reviews and approves the policies for managing credit, liquidity and equity price risks and they are summarized below:

**Credit Risk.** Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash, receivables and others and AFS financial assets.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's credit risk is concentrated on Belle, a stockholder, of which outstanding balance covers at least 96% and 56% of the Company's total receivables as at December 31, 2012 and 2011, respectively.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking into account of any collateral and other credit enhancements:

|                         | Gross Maximum Exposure |                       | Net Maximum Exposure  |                       |
|-------------------------|------------------------|-----------------------|-----------------------|-----------------------|
|                         | 2012                   | 2011                  | 2012                  | 2011                  |
| Cash                    | ₱789,884               | ₱418,612              | ₱789,884              | ₱418,612              |
| Receivables and others* | 29,723,667             | 87,943,290            | 29,723,667            | 87,943,290            |
| AFS financial assets    | 1,601,621,537          | 3,122,252,656         | 1,601,621,537         | 3,122,252,656         |
|                         | <b>₱1,632,135,088</b>  | <b>₱3,210,614,558</b> | <b>₱1,632,135,088</b> | <b>₱3,210,614,558</b> |

\*This excludes prepayments amounting to ₱313,056 as at December 31, 2012 and 2011.

The table below shows the aging analysis of the Company's financial assets.

|                             | 2012                          |                           |                   |                           |                |                       |                       | Total |
|-----------------------------|-------------------------------|---------------------------|-------------------|---------------------------|----------------|-----------------------|-----------------------|-------|
|                             | Neither Past Due nor Impaired | Past Due but not Impaired |                   |                           |                | Impaired              |                       |       |
|                             |                               | Less than 30 days         | 31 Days to 1 Year | Over 1 Year up to 3 Years | Over 3 Years   |                       |                       |       |
| Cash                        | ₱789,884                      | ₱-                        | ₱-                | ₱-                        | ₱-             | ₱-                    | ₱789,884              |       |
| Receivables and others:     |                               |                           |                   |                           |                |                       |                       |       |
| Loan assets                 | -                             | -                         | -                 | -                         | -              | 81,627,975            | 81,627,975            |       |
| Advances to related parties | 29,700,412                    | -                         | -                 | -                         | -              | -                     | 29,700,412            |       |
| Nontrade and others*        | -                             | -                         | -                 | -                         | 23,255         | 7,154,068             | 7,177,323             |       |
| AFS financial assets        | 1,601,621,537                 | -                         | -                 | -                         | -              | 2,160,006,791         | 3,761,628,328         |       |
|                             | <b>₱1,632,111,833</b>         | <b>₱-</b>                 | <b>₱-</b>         | <b>₱-</b>                 | <b>₱23,255</b> | <b>₱2,248,788,834</b> | <b>₱3,880,923,922</b> |       |

\*This excludes prepayments amounting to ₱313,056 as at December 31, 2012.



| 2011                        |                               |                           |                   |                           |                    |                     |                       |       |
|-----------------------------|-------------------------------|---------------------------|-------------------|---------------------------|--------------------|---------------------|-----------------------|-------|
|                             | Neither Past Due nor Impaired | Past Due but not Impaired |                   |                           |                    |                     | Impaired              | Total |
|                             |                               | Less than 30 days         | 31 Days to 1 Year | Over 1 Year up to 3 Years | Over 3 Years       |                     |                       |       |
| Cash                        | P418,612                      | P-                        | P-                | P-                        | P-                 | P-                  | P418,612              |       |
| Receivables and others:     |                               |                           |                   |                           |                    |                     |                       |       |
| Loan assets                 | -                             | -                         | -                 | -                         | -                  | 81,627,975          | 81,627,975            |       |
| Advances to related parties | 51,061,859                    | -                         | -                 | -                         | -                  | -                   | 51,061,859            |       |
| Nontrade and others         | -                             | -                         | -                 | -                         | 36,881,431         | 7,012,506           | 43,893,937            |       |
| AFS financial assets        | 3,122,252,656                 | -                         | -                 | -                         | -                  | 888,604,844         | 4,010,857,500         |       |
|                             | <b>P3,173,733,127</b>         | <b>P-</b>                 | <b>P-</b>         | <b>P-</b>                 | <b>P36,881,431</b> | <b>P977,245,325</b> | <b>P4,187,859,883</b> |       |

\*This excludes prepayments amounting to P313,636 as of December 31, 2011.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

| 2012                        |                       |                     |                |                       |
|-----------------------------|-----------------------|---------------------|----------------|-----------------------|
|                             | High Grade            | Medium Grade        | Unrated        | Total                 |
| Cash                        | ₱789,884              | ₱-                  | ₱-             | ₱789,884              |
| Receivables and others -    |                       |                     |                |                       |
| Advances to related parties | 29,700,412            | -                   | -              | 29,700,412            |
| AFS financial assets        | 1,484,940,437         | 116,600,000         | 81,100         | 1,601,621,537         |
|                             | <b>₱1,515,430,733</b> | <b>₱116,600,000</b> | <b>₱81,100</b> | <b>₱1,632,111,833</b> |

| 2011                        |                       |                     |                       |                       |
|-----------------------------|-----------------------|---------------------|-----------------------|-----------------------|
|                             | High Grade            | Medium Grade        | Unrated               | Total                 |
| Cash                        | ₱418,612              | ₱-                  | ₱-                    | ₱418,612              |
| Receivables and others -    |                       |                     |                       |                       |
| Advances to related parties | 51,061,859            | -                   | -                     | 51,061,859            |
| AFS financial assets        | 1,435,375,098         | 112,040,000         | 1,574,837,558         | 3,122,252,656         |
|                             | <b>₱1,486,855,569</b> | <b>₱112,040,000</b> | <b>₱1,574,837,558</b> | <b>₱3,173,733,127</b> |

High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection.

The Company assessed its cash as high grade since this is deposited with reputable banks.

Unquoted AFS financial assets in Belle preferred shares is considered as high grade. Quoted AFS financial assets are assessed based on financial status of the counterparty and its current stock price performance in the market. High grade AFS financial assets consistently show increasing stock prices while medium grade AFS financial assets show decline in value of not more than 20%.

**Liquidity Risk.** Liquidity risk arises from the possibility that the Company may encounter difficulties in meeting obligations associated with its accrued expenses and other current liabilities.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To cover its financing requirements, the Company uses internally generated funds.

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted AFS investment decreases as the result of changes in the value of individual stocks. The Company's exposure to equity price risk relates primarily to the Company's quoted AFS financial assets.



The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity. The impact on the Company's of equity already excludes the impact on transactions affecting the consolidated profit or loss before income tax.

|                                                | 2012                     |                          | 2011                     |                          |
|------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                                | Increase in Equity Price | Decrease in Equity Price | Increase in Equity Price | Decrease in Equity Price |
| Percentage increase (decrease) in equity price | 0.39%                    | (0.39%)                  | 2.48%                    | (2.48%)                  |
| Effect on equity                               | ₱230,741                 | (₱230,741)               | ₱1,252,593               | (₱1,252,593)             |

**Capital Management**

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

The Company considers the following as its capital.

|                            | 2012            | 2011            |
|----------------------------|-----------------|-----------------|
| Capital stock              | ₱7,927,310,000  | ₱7,927,310,000  |
| Additional paid-in capital | 2,039,727,799   | 2,039,727,799   |
| Subscriptions receivable   | (4,962,655,586) | (4,962,993,086) |
| Deficit                    | (2,963,753,826) | (1,395,700,478) |
|                            | ₱2,040,628,387  | ₱3,608,344,235  |

**Fair Value of Financial Assets and Financial Liabilities**

Set out below is a comparison by category of carrying values and fair values of all the Company's financial instruments.

|                              | 2012                 |                      | 2011                 |                      |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
|                              | Carrying Value       | Fair Value           | Carrying Value       | Fair Value           |
| <b>Loans and Receivables</b> |                      |                      |                      |                      |
| Cash                         | ₱789,884             | ₱789,884             | ₱418,612             | ₱418,612             |
| Receivables and others:      |                      |                      |                      |                      |
| Advances to related parties  | 29,700,412           | 29,700,412           | 51,061,859           | 51,061,859           |
| Nontrade and others          | 23,255               | 23,255               | 36,881,431           | 36,881,431           |
| <b>Total</b>                 | <b>30,513,551</b>    | <b>30,513,551</b>    | <b>88,361,902</b>    | <b>88,361,902</b>    |
| <b>AFS Financial Assets</b>  |                      |                      |                      |                      |
| Unquoted shares              | 1,000,011,100        | 1,000,011,100        | 2,574,767,558        | 2,574,767,558        |
| Quoted shares                | 601,610,437          | 601,610,437          | 547,485,098          | 547,485,098          |
| <b>Total</b>                 | <b>1,601,621,537</b> | <b>1,601,621,537</b> | <b>3,122,252,656</b> | <b>3,122,252,656</b> |
|                              | ₱1,632,135,088       | ₱1,632,135,088       | ₱3,210,614,558       | ₱3,210,614,558       |





|                                                 | 2012           |             | 2011           |             |
|-------------------------------------------------|----------------|-------------|----------------|-------------|
|                                                 | Carrying Value | Fair Value  | Carrying Value | Fair Value  |
| <b>Other Financial Liabilities</b>              |                |             |                |             |
| Accrued expenses and other current liabilities* | ₱53,322,786    | ₱53,322,786 | ₱53,084,314    | ₱53,084,314 |

\*Exclude statutory payables amounting to ₱44,284 and ₱34,527 as at December 31, 2012 and 2011, respectively.

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying amounts of cash, receivables and others and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of the transactions.

The fair values of AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

**Determination of Fair Value and Fair Value Hierarchy**

The Company has AFS financial assets in equity securities amounting to ₱601.6 million in 2012 and ₱547.5 million in 2011 at Level 1 fair value. These are the only financial assets and financial liabilities carried at fair value. The Company does not have transfers from Level 1 and Level 2 to Level 3 in 2012 and 2011 and there was no movement in the Level 3 hierarchy.

**18. Segment Information**

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company is organized into three business segments, which are investment holding, real estate and public amusement recreation.

Financial information about the Company's business segments are shown below:

|                                                  | 2012               |             |                                 |                           | Consolidated    |
|--------------------------------------------------|--------------------|-------------|---------------------------------|---------------------------|-----------------|
|                                                  | Investment Holding | Real Estate | Public Amusement and Recreation | Eliminations/ Adjustments |                 |
| <i>(In Thousands)</i>                            |                    |             |                                 |                           |                 |
| <b>Earnings Information</b>                      |                    |             |                                 |                           |                 |
| Gain on liquidating dividend                     | ₱33,324,175        | ₱-          | ₱-                              | ₱-                        | ₱33,324,175     |
| Interest income                                  | 1,160              | -           | -                               | -                         | 1,160           |
| Costs and expenses                               | (6,827,962)        | (47,295)    | (38,421)                        | -                         | (6,913,678)     |
| Provision for impairment of AFS financial assets | (1,643,407,304)    | -           | -                               | 58,318,988                | (1,585,088,316) |
| Net loss for the year                            | (1,616,909,931)    | (47,295)    | (38,421)                        | 58,318,988                | (1,558,676,659) |

(Forward)



| 2012                                                    |                       |             |                                       |                              |                |
|---------------------------------------------------------|-----------------------|-------------|---------------------------------------|------------------------------|----------------|
|                                                         | Investment<br>Holding | Real Estate | Public<br>Amusement<br>and Recreation | Eliminations/<br>Adjustments | Consolidated   |
| <i>(In Thousands)</i>                                   |                       |             |                                       |                              |                |
| <b>Other Information</b>                                |                       |             |                                       |                              |                |
| Investments                                             | ₱1,734,261,804        | ₱48,524,300 | ₱1,946,523                            | (₱183,111,090)               | ₱1,601,621,537 |
| Segment assets                                          | 395,336,647           | 766,884     | 29,033,664                            | (100,136)                    | 425,037,059    |
| Segment liabilities                                     | 264,928,625           | 513,622,522 | 1,028,510                             | (617,707,753)                | 161,871,904    |
| Consolidated total assets                               | 2,129,598,451         | 49,291,184  | 30,980,187                            | (183,211,226)                | 2,026,658,596  |
| Consolidated total liabilities                          | 264,928,625           | 513,622,522 | 1,028,510                             | (617,707,753)                | 161,871,904    |
| 2011                                                    |                       |             |                                       |                              |                |
|                                                         | Investment<br>Holding | Real Estate | Public<br>Amusement<br>and Recreation | Eliminations/<br>Adjustments | Consolidated   |
| <i>(In Thousands)</i>                                   |                       |             |                                       |                              |                |
| <b>Earnings Information</b>                             |                       |             |                                       |                              |                |
| Interest income                                         | ₱615                  | ₱-          | ₱-                                    | ₱-                           | ₱615           |
| Costs and expenses                                      | (6,327,406)           | (72,125)    | (38,012)                              | -                            | (6,437,543)    |
| Provision for impairment of<br>advances to subsidiaries | (16,584,011)          | -           | -                                     | 16,584,011                   | -              |
| Provision for impairment of AFS<br>financial assets     | (240,000)             | -           | -                                     | -                            | (240,000)      |
| Net loss for the year                                   | (23,150,802)          | (72,125)    | (38,012)                              | 16,584,011                   | (6,676,928)    |
| <b>Other Information</b>                                |                       |             |                                       |                              |                |
| Investments                                             | 3,313,164,615         | 53,220,200  | 1,946,524                             | (246,078,683)                | 3,122,252,656  |
| Segment assets                                          | 344,346,441           | 766,884     | 29,072,085                            | -                            | 374,185,410    |
| Segment liabilities                                     | 261,725,572           | 513,575,227 | 1,028,510                             | (617,560,323)                | 158,768,986    |
| Consolidated total assets                               | 3,657,511,056         | 53,987,084  | 31,018,609                            | (246,078,683)                | 3,496,438,066  |
| Consolidated total liabilities                          | 261,725,572           | 513,575,227 | 1,028,510                             | (617,560,323)                | 158,768,986    |
| 2010                                                    |                       |             |                                       |                              |                |
|                                                         | Investment<br>Holding | Real Estate | Public<br>Amusement<br>and Recreation | Eliminations/<br>Adjustments | Consolidated   |
| <i>(In Thousands)</i>                                   |                       |             |                                       |                              |                |
| <b>Earnings Information</b>                             |                       |             |                                       |                              |                |
| Interest income                                         | ₱314                  | ₱-          | ₱-                                    | ₱-                           | ₱314           |
| Costs and expenses                                      | (7,194,835)           | (54,382)    | (34,556)                              | -                            | (7,283,773)    |
| Provision for impairment of AFS<br>financial assets     | (120,000)             | -           | -                                     | -                            | (120,000)      |
| Net loss for the year                                   | (7,314,521)           | (54,382)    | (34,556)                              | -                            | (7,403,459)    |
| <b>Other Information</b>                                |                       |             |                                       |                              |                |
| Investments                                             | 3,301,978,697         | 48,524,300  | 1,946,524                             | (257,894,669)                | 3,094,554,852  |
| Segment assets                                          | 350,108,033           | 766,884     | 29,110,097                            | -                            | 379,985,014    |
| Segment liabilities                                     | 261,163,247           | 513,503,103 | 1,028,510                             | (617,488,198)                | 158,206,662    |
| Consolidated total assets                               | 3,652,086,730         | 49,291,184  | 31,056,621                            | (257,894,669)                | 3,474,539,866  |
| Consolidated total liabilities                          | 261,163,247           | 513,503,103 | 1,028,510                             | (617,488,198)                | 158,206,662    |

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

|                                      | 2012             | 2011         | 2010         |
|--------------------------------------|------------------|--------------|--------------|
| <i>(In Thousands)</i>                |                  |              |              |
| <b>Net Profit for the Year</b>       |                  |              |              |
| Total profit for reportable segments | (₱1,616,995,647) | (₱6,676,928) | (₱7,403,459) |
| Elimination for intercompany profits | 58,318,988       | -            | -            |
| Consolidated net profit              | (₱1,558,676,659) | (₱6,676,928) | (₱7,403,459) |



|                                                          | 2012                  | 2011                  | 2010                  |
|----------------------------------------------------------|-----------------------|-----------------------|-----------------------|
|                                                          |                       | <i>(In Thousands)</i> |                       |
| <b>Assets</b>                                            |                       |                       |                       |
| Total assets for reportable segments                     | <b>₱425,037,059</b>   | ₱374,185,410          | ₱379,985,014          |
| Investments and advances                                 | <b>1,784,732,627</b>  | 3,368,331,339         | 3,352,449,521         |
| Elimination for intercompany advances<br>and investments | <b>(183,111,090)</b>  | <b>(246,078,683)</b>  | <b>(257,894,669)</b>  |
| <b>Consolidated assets</b>                               | <b>₱2,026,658,596</b> | <b>₱3,496,438,066</b> | <b>₱3,474,539,866</b> |

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net income or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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#### 19. Contingency

The Parent Company is a party to a civil case filed by Metroplex before the CA to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Notes 2 and 12). As at March 1, 2013, the CA has yet to render its decision on the case.

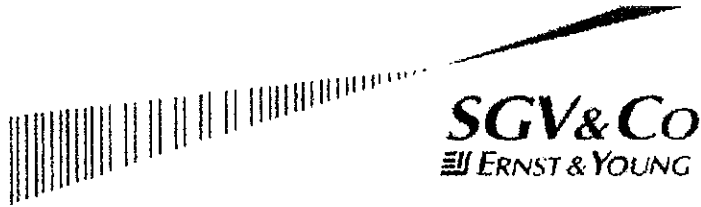
Management and its legal counsel believe that the Parent Company has substantial legal and factual bases for its position and are of the opinion that losses arising from the aforementioned case, if any, will not have a material impact on the Company's consolidated financial statements.

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#### 20. Supplemental Disclosure of Cash Flow Information

In 2012, the principal noncash investing activities include offsetting of subscription payments for Belle shares against advances to Belle amounting to ₱42.8 million (see Note 9), and receipt of liquidating dividend in the form of land valued at ₱108.7 million (see Note 10).





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 www.sgv.com.ph

SOA/PRC Reg. No. 0001.  
 December 28, 2012, valid until December 31, 2015  
 SEC Accreditation No. 0012-FR-3 (Group A),  
 November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT  
 ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
 Sinophil Corporation  
 5th Floor, Tower A  
 Two E-Com Center, Palm Coast Avenue  
 Mall of Asia Complex, CBP-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Sinophil Corporation and Subsidiaries as at and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated March 1, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Clairma T. Mangangay*

Clairma T. Mangangay  
 Partner  
 CPA Certificate No. 86898  
 SEC Accreditation No. 0779-AR-1 (Group A),  
 February 2, 2012, valid until February 1, 2015  
 Tax Identification No. 129-434-867  
 BIR Accreditation No. 08-001998-67-2012,  
 April 11, 2012, valid until April 10, 2015  
 PTR No. 3669697, January 2, 2013, Makati City

March 1, 2013



**Sinophil Corporation and Subsidiaries**  
**Schedule A - Financial Assets**  
**As at December 31, 2012**

|                               | Name of Issuing Entity and Association<br>of each use | Amount shown in the<br>Balance Sheet | Income received and<br>accrued |
|-------------------------------|-------------------------------------------------------|--------------------------------------|--------------------------------|
| <b>Cash</b>                   |                                                       | 789,884                              | 1,160                          |
| <b>Receivables and others</b> |                                                       | 30,513,551                           |                                |
| <b>AFS Investments</b>        |                                                       |                                      |                                |
| Equity Investments            | Legend International Resorts H.K.                     | -                                    | -                              |
| Equity Investments            | Belle Corporation (Preferred Shares)                  | 1,000,000,000                        | -                              |
| Equity Investments            | Tagaytay Midlands Golf Club                           | 115,440,000.00                       | -                              |
| Equity Investments            | Belle Corporation (Common Shares)                     | 484,940,437                          | -                              |
| Equity Investments            | Tagaytay Highlands Int'l Golf Club                    | 1,160,000                            | -                              |
| Equity Investments            | Belle Bay City                                        | -                                    | -                              |
| Equity Investments            | Asian Petroleum                                       | 11,100                               | -                              |
| Equity Investments            | PLDT                                                  | 70,000                               | -                              |
| Equity Investments            | Metro Manila Turf Club                                | -                                    | -                              |
|                               |                                                       | 1,601,621,537                        | -                              |
| <b>Total Financial Assets</b> |                                                       | <b>1,632,924,972</b>                 |                                |

**Sinophil Corporation and Subsidiaries**  
**Schedule B - Amounts of Receivables from Directors, Officers and Employees**  
**As at December 31, 2012**

| Name and Designation of the Debtor | Balance at the Beginning of the Year | Additions      | Amounts Collected | Amounts Written Off | Current | Not Current | Balance at the end of the period |
|------------------------------------|--------------------------------------|----------------|-------------------|---------------------|---------|-------------|----------------------------------|
| Employees<br>Officers<br>Directors |                                      | Not Applicable |                   |                     |         |             |                                  |
|                                    |                                      |                |                   |                     |         |             |                                  |

**Sinophil Corporation and Subsidiaries**  
**Schedule C. Amounts of Receivables from Related Parties**  
**As at December 31, 2012**

| Name of Subsidiary | Balance at<br>January 1, 2012 | Additions | Balance as at<br>December 31, 2012 | Reclassification | Current     | Not current | Amount<br>Eliminated |
|--------------------|-------------------------------|-----------|------------------------------------|------------------|-------------|-------------|----------------------|
| FCRI               | 520,102,290                   | 47,295    | 520,149,585                        | -                | 520,149,585 | -           | 520,149,585          |
| SLRC               | 1,011,510                     | -         | 1,011,510                          | -                | 1,011,510   | -           | 1,011,510            |
|                    | 521,113,800                   | 47,295    | 521,161,095                        | -                | 521,161,095 | -           | 521,161,095          |

**Sinophil Corporation and Subsidiaries**  
**Schedule D. Intangible Assets**  
**As at December 31, 2012**

| Description    | Beginning Balance | Additions at Cost | Charged to cost and expenses | Charged to other Accounts | Other Changes and Additions | Ending Balance |
|----------------|-------------------|-------------------|------------------------------|---------------------------|-----------------------------|----------------|
| Not Applicable |                   |                   |                              |                           |                             |                |
|                |                   |                   |                              |                           |                             |                |



**Sinophil Corporation and Subsidiaries**  
**Schedule E. Long Term Debt**  
**As at December 31, 2012**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture |          | Balance at December 31, 2012 | Current Portion of Long Term Debt |          | Non Current Portion of Long Term Debt |          | Interest Rate | Amount and Number of Periodic Payments |                  |                   | Maturity Date |
|---------------------------------------|--------------------------------|----------|------------------------------|-----------------------------------|----------|---------------------------------------|----------|---------------|----------------------------------------|------------------|-------------------|---------------|
|                                       | (In Original Currency)         | (In PHP) |                              | (In Original Currency)            | (In PHP) | (In Original Currency)                | (In PHP) |               | (In Original Currency)                 | (Approx. In PHP) | Periodic Payments |               |
| Not Applicable                        |                                |          |                              |                                   |          |                                       |          |               |                                        |                  |                   |               |

**Sinophil Corporation and Subsidiaries**  
**Schedule F. Indebtedness to Related Parties**  
**As at December 31, 2012**

| Name of Related Parties | Balance at the Beginning of the Year<br>Noncurrent | Balance at the End of Period<br>Noncurrent |
|-------------------------|----------------------------------------------------|--------------------------------------------|
| Belle Corporation       | 105,650,145                                        | 105,650,145                                |
|                         | 105,650,145                                        | 105,650,145                                |

**Sinophil Corporation and Subsidiaries**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**As at December 31, 2012**

| Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which the Statement is Filed | Nature of Guarantee |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|---------------------|
| Not Applicable                                                                                   |                                                       |                                         |                                                         |                     |

**Sinophil Corporation and Subsidiaries**  
**H. Capital Stocks**  
**As at December 31, 2012**

| Title of Issue                      | Number of Shares Authorized | Number of Shares Issued and Outstanding | Number of Shares Subscribed | Number of Shares reserved for stock rights | Number of Shares Held by Related Parties | Number Directors and Key Executive Officer | Others                   |
|-------------------------------------|-----------------------------|-----------------------------------------|-----------------------------|--------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------|
| Common Stocks<br>Percentage Held    | 10,130,000,000              | 3,096,890,785                           | 4,830,419,215               |                                            | 3,763,330,336<br>47.47%                  | 60,012<br>0.001%                           | 4,163,979,664<br>52.527% |
| Preferred Shares<br>Percentage Held | 6,000,000,000               | -                                       |                             | -                                          | -                                        | -                                          | -                        |

**Sinophil Corporation and Subsidiaries**

**Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration  
As at December 31, 2012**

NOT APPLICABLE

**Sinophil Corporation and Subsidiaries**  
**Schedule J. Key Financial Ratios**  
**As at December 31, 2012 and 2011**

|                              | Manner by which the key performance indicators are computed   | 2012           | 2011           |
|------------------------------|---------------------------------------------------------------|----------------|----------------|
| Current ratio                | <u>Current assets</u><br>Current Liabilities                  | 0.55 : 1.00    | 1.67 : 1.00    |
| Return on assets             | <u>Net loss</u><br>Average Total assets during the period     | (56.78%)       | (0.19%)        |
| Return on equity             | <u>Net loss</u><br>Average equity during the period           | (60.28%)       | (0.20%)        |
| Asset-to-equity ratio        | <u>Total Assets</u><br>Total Equity                           | 1.09:1.00      | 1.05:1.00      |
| Debt to equity ratio         | <u>Total Debt</u><br>Total Equity                             | Not applicable | Not applicable |
| Interest rate coverage ratio | <u>Earnings Before Interest and Taxes</u><br>Interest Expense | Not applicable | Not applicable |

**SINOPHIL CORPORATION AND SUBSIDIARIES**

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS<br/>AND INTERPRETATIONS<br/>Effective as of December 31, 2013</b>                                                    |                                                                                                                      | <b>Adopted</b> | <b>Not<br/>Adopted</b> | <b>Not<br/>Applicable</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------|------------------------|---------------------------|
| <b>Framework for the Preparation and Presentation of<br/>Financial Statements</b><br>Conceptual Framework Phase A: Objectives and qualitative<br>characteristics |                                                                                                                      | ✓              |                        |                           |
| <b>PFRSs Practice Statement Management Commentary</b>                                                                                                            |                                                                                                                      | ✓              |                        |                           |
| <b>Philippine Financial Reporting Standards</b>                                                                                                                  |                                                                                                                      |                |                        |                           |
| <b>PFRS 1<br/>(Revised)</b>                                                                                                                                      | First-time Adoption of Philippine Financial<br>Reporting Standards                                                   |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 1 and PAS 27: Cost of an<br>Investment in a Subsidiary, Jointly Controlled<br>Entity or Associate |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 1: Additional Exemptions<br>for First-time Adopters                                               |                |                        | ✓                         |
|                                                                                                                                                                  | Amendment to PFRS 1: Limited Exemption<br>from Comparative PFRS 7 Disclosures for First-<br>time Adopters            |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 1: Severe Hyperinflation<br>and Removal of Fixed Date for First-time<br>Adopters                  |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 1: Government Loans                                                                               |                |                        | ✓                         |
| <b>PFRS 2</b>                                                                                                                                                    | Share-based Payment                                                                                                  |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 2: Vesting Conditions and<br>Cancellations                                                        |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 2: Group Cash-settled<br>Share-based Payment Transactions                                         |                |                        | ✓                         |
| <b>PFRS 3<br/>(Revised)</b>                                                                                                                                      | Business Combinations                                                                                                |                |                        | ✓                         |
| <b>PFRS 4</b>                                                                                                                                                    | Insurance Contracts                                                                                                  |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PAS 39 and PFRS 4: Financial<br>Guarantee Contracts                                                    |                |                        | ✓                         |
| <b>PFRS 5</b>                                                                                                                                                    | Non-current Assets Held for Sale and<br>Discontinued Operations                                                      |                |                        | ✓                         |
| <b>PFRS 6</b>                                                                                                                                                    | Exploration for and Evaluation of Mineral<br>Resources                                                               |                |                        | ✓                         |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 |                                                                                                       | Adopted | Not Adopted | Not Applicable |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
| <b>PFRS 7</b>                                                                                     | Financial Instruments: Disclosures                                                                    | ✓       |             |                |
|                                                                                                   | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets                                 | ✓       |             |                |
|                                                                                                   | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | ✓       |             |                |
|                                                                                                   | Amendments to PFRS 7: Improving Disclosures about Financial Instruments                               | ✓       |             |                |
|                                                                                                   | Amendments to PFRS 7: Disclosures – Transfers of Financial Assets                                     | ✓       |             |                |
|                                                                                                   | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities             | ✓*      |             |                |
|                                                                                                   | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures                   | ✓*      |             |                |
| <b>PFRS 8</b>                                                                                     | Operating Segments                                                                                    | ✓       |             |                |
| <b>PFRS 9</b>                                                                                     | Financial Instruments                                                                                 | ✓*      |             |                |
|                                                                                                   | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures                   | ✓*      |             |                |
| <b>PFRS 10</b>                                                                                    | Consolidated Financial Statements                                                                     | ✓*      |             |                |
| <b>PFRS 11</b>                                                                                    | Joint Arrangements                                                                                    |         |             | ✓              |
| <b>PFRS 12</b>                                                                                    | Disclosure of Interests in Other Entities                                                             | ✓*      |             |                |
| <b>PFRS 13</b>                                                                                    | Fair Value Measurement                                                                                | ✓*      |             |                |
| <b>Philippine Accounting Standards</b>                                                            |                                                                                                       |         |             |                |
| <b>PAS 1 (Revised)</b>                                                                            | Presentation of Financial Statements                                                                  | ✓       |             |                |
|                                                                                                   | Amendment to PAS 1: Capital Disclosures                                                               | ✓       |             |                |
|                                                                                                   | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | ✓       |             |                |
|                                                                                                   | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income                              | ✓*      |             |                |
| <b>PAS 2</b>                                                                                      | Inventories                                                                                           |         |             | ✓              |
| <b>PAS 7</b>                                                                                      | Statement of Cash Flows                                                                               | ✓       |             |                |
| <b>PAS 8</b>                                                                                      | Accounting Policies, Changes in Accounting Estimates and Errors                                       | ✓       |             |                |



| <b>INTERNATIONAL FINANCIAL REPORTING STANDARDS<br/>AND INTERPRETATIONS</b> |                                                                                  | <b>Adopted</b> | <b>Not<br/>Adopted</b> | <b>Not<br/>Applicable</b> |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------|------------------------|---------------------------|
| <b>Effective as of December 31, 2012</b>                                   |                                                                                  |                |                        |                           |
| <b>PAS 10</b>                                                              | Events after the Reporting Period                                                | ✓              |                        |                           |
| <b>PAS 11</b>                                                              | Construction Contracts                                                           |                |                        | ✓                         |
| <b>PAS 12</b>                                                              | Income Taxes                                                                     | ✓              |                        |                           |
|                                                                            | Amendment to PAS 12 - Deferred Tax:<br>Recovery of Underlying Assets             | ✓              |                        |                           |
| <b>PAS 16</b>                                                              | Property, Plant and Equipment                                                    |                |                        | ✓                         |
| <b>PAS 17</b>                                                              | Leases                                                                           |                |                        | ✓                         |
| <b>PAS 18</b>                                                              | Revenue                                                                          | ✓              |                        |                           |
| <b>PAS 19</b>                                                              | Employee Benefits                                                                | ✓              |                        |                           |
|                                                                            | Amendments to PAS 19: Actuarial Gains and<br>Losses, Group Plans and Disclosures | ✓              |                        |                           |
| <b>PAS 19<br/>(Amended)</b>                                                | Employee Benefits                                                                | ✓*             |                        |                           |
| <b>PAS 20</b>                                                              | Accounting for Government Grants and<br>Disclosure of Government Assistance      |                |                        | ✓                         |
| <b>PAS 21</b>                                                              | The Effects of Changes in Foreign Exchange<br>Rates                              |                |                        | ✓                         |
|                                                                            | Amendment: Net Investment in a Foreign<br>Operation                              |                |                        | ✓                         |
| <b>PAS 23<br/>(Revised)</b>                                                | Borrowing Costs                                                                  |                |                        | ✓                         |
| <b>PAS 24<br/>(Revised)</b>                                                | Related Party Disclosures                                                        | ✓              |                        |                           |
| <b>PAS 26</b>                                                              | Accounting and Reporting by Retirement<br>Benefit Plans                          |                |                        | ✓                         |
| <b>PAS 27</b>                                                              | Consolidated and Separate Financial Statements                                   | ✓              |                        |                           |
| <b>PAS 27<br/>(Amended)*</b>                                               | Separate Financial Statements                                                    | ✓*             |                        |                           |
| <b>PAS 28</b>                                                              | Investments in Associates                                                        | ✓              |                        |                           |
| <b>PAS 28<br/>(Amended)*</b>                                               | Investments in Associates and Joint Ventures                                     | ✓*             |                        |                           |
| <b>PAS 29</b>                                                              | Financial Reporting in Hyperinflationary<br>Economies                            |                |                        | ✓                         |
| <b>PAS 31</b>                                                              | Interests in Joint Ventures                                                      |                |                        | ✓                         |
| <b>PAS 32</b>                                                              | Financial Instruments: Disclosure and<br>Presentation                            | ✓              |                        |                           |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br>Effective as of December 31, 2012 |                                                                                                        | <b>Adopted</b> | <b>Not Adopted</b> | <b>Not Applicable</b> |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------|--------------------|-----------------------|
|                                                                                                          | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation  | ✓              |                    |                       |
|                                                                                                          | Amendment to PAS 32: Classification of Rights Issues                                                   | ✓              |                    |                       |
|                                                                                                          | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities                            | ✓*             |                    |                       |
| <b>PAS 33</b>                                                                                            | Earnings per Share                                                                                     | ✓              |                    |                       |
| <b>PAS 34</b>                                                                                            | Interim Financial Reporting                                                                            | ✓              |                    |                       |
| <b>PAS 36</b>                                                                                            | Impairment of Assets                                                                                   | ✓              |                    |                       |
| <b>PAS 37</b>                                                                                            | Provisions, Contingent Liabilities and Contingent Assets                                               | ✓              |                    |                       |
| <b>PAS 38</b>                                                                                            | Intangible Assets                                                                                      |                |                    | ✓                     |
| <b>PAS 39</b>                                                                                            | Financial Instruments: Recognition and Measurement                                                     | ✓              |                    |                       |
|                                                                                                          | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓              |                    |                       |
|                                                                                                          | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions                   |                |                    | ✓                     |
|                                                                                                          | Amendments to PAS 39: The Fair Value Option                                                            | ✓              |                    |                       |
|                                                                                                          | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts                                         |                |                    | ✓                     |
|                                                                                                          | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets                                  | ✓              |                    |                       |
|                                                                                                          | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition  | ✓              |                    |                       |
|                                                                                                          | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives                       |                |                    | ✓                     |
|                                                                                                          | Amendment to PAS 39: Eligible Hedged Items                                                             |                |                    | ✓                     |
| <b>PAS 40</b>                                                                                            | Investment Property                                                                                    | ✓              |                    |                       |
| <b>PAS 41</b>                                                                                            | Agriculture                                                                                            |                |                    | ✓                     |
| <b>Philippine Interpretations</b>                                                                        |                                                                                                        |                |                    |                       |
| <b>IFRIC 1</b>                                                                                           | Changes in Existing Decommissioning, Restoration and Similar Liabilities                               |                |                    | ✓                     |
| <b>IFRIC 2</b>                                                                                           | Members' Share in Cooperative Entities and                                                             |                |                    | ✓                     |

| INTERNATIONAL FINANCIAL REPORTING STANDARDS<br>AND INTERPRETATIONS<br>as of December 31, 2012 |                                                                                                                | Adopted | Not<br>Adopted | Not<br>Applicable |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------|----------------|-------------------|
|                                                                                               | Similar Instruments                                                                                            |         |                |                   |
| <b>IFRIC 4</b>                                                                                | <i>Determining Whether an Arrangement Contains a Lease</i>                                                     | ✓       |                |                   |
| <b>IFRIC 5</b>                                                                                | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds           |         |                | ✓                 |
| <b>IFRIC 6</b>                                                                                | <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> |         |                | ✓                 |
| <b>IFRIC 7</b>                                                                                | <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>       |         |                | ✓                 |
| <b>IFRIC 8</b>                                                                                | <i>Scope of PFRS 2</i>                                                                                         |         |                | ✓                 |
| <b>IFRIC 9</b>                                                                                | Reassessment of Embedded Derivatives                                                                           |         |                | ✓                 |
|                                                                                               | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives                               |         |                | ✓                 |
| <b>IFRIC 10</b>                                                                               | <i>Interim Financial Reporting and Impairment</i>                                                              | ✓       |                |                   |
| <b>IFRIC 11</b>                                                                               | PFRS 2- Group and Treasury Share Transactions                                                                  |         |                | ✓                 |
| <b>IFRIC 12</b>                                                                               | Service Concession Arrangements                                                                                |         |                | ✓                 |
| <b>IFRIC 13</b>                                                                               | Customer Loyalty Programmes                                                                                    |         |                | ✓                 |
| <b>IFRIC 14</b>                                                                               | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction                       |         |                | ✓                 |
|                                                                                               | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement               |         |                | ✓                 |
| <b>IFRIC 16</b>                                                                               | Hedges of a Net Investment in a Foreign Operation                                                              |         |                | ✓                 |
| <b>IFRIC 17</b>                                                                               | Distributions of Non-cash Assets to Owners                                                                     |         |                | ✓                 |
| <b>IFRIC 18</b>                                                                               | Transfers of Assets from Customers                                                                             |         |                | ✓                 |
| <b>IFRIC 19</b>                                                                               | Extinguishing Financial Liabilities with Equity Instruments                                                    |         |                | ✓                 |
| <b>IFRIC 20</b>                                                                               | Stripping Costs in the Production Phase of a Surface Mine                                                      |         |                | ✓                 |
| <b>SIC-7</b>                                                                                  | Introduction of the Euro                                                                                       |         |                | ✓                 |
| <b>SIC-10</b>                                                                                 | Government Assistance - No Specific Relation to Operating Activities                                           |         |                | ✓                 |
| <b>SIC-12</b>                                                                                 | Consolidation - Special Purpose Entities                                                                       |         |                | ✓                 |

| <b>FINANCIAL REPORTING STANDARDS<br/>AND INTERPRETATIONS<br/>Effective as of December 31, 2012</b> |                                                                              | <b>Adopted</b> | <b>Not<br/>Adopted</b> | <b>Not<br/>Applicable</b> |
|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------|------------------------|---------------------------|
|                                                                                                    | Amendment to SIC - 12: Scope of SIC 12                                       |                |                        | ✓                         |
| <b>SIC-13</b>                                                                                      | Jointly Controlled Entities - Non-Monetary Contributions by Venturers        |                |                        | ✓                         |
| <b>SIC-15</b>                                                                                      | Operating Leases - Incentives                                                |                |                        | ✓                         |
| <b>SIC-25</b>                                                                                      | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders    |                |                        | ✓                         |
| <b>SIC-27</b>                                                                                      | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |                |                        | ✓                         |
| <b>SIC-29</b>                                                                                      | Service Concession Arrangements: Disclosures.                                |                |                        | ✓                         |
| <b>SIC-31</b>                                                                                      | Revenue - Barter Transactions Involving Advertising Services                 |                |                        | ✓                         |
| <b>SIC-32</b>                                                                                      | Intangible Assets - Web Site Costs                                           |                |                        | ✓                         |

*\*Not early adopted.*



# COVER SHEET

A S 0 9 3 0 0 9 2 8 9

S.E.C. Registration Number

S I N O P H I L C O R P O R A T I O N A N D S U B S I -  
D I A R I E S

(Company's Full Name)

5 t h F l o o r , T o w e r A , T w o E - C o m  
C e n t e r , P a l m C o a s t A v e n u e , M a i l  
o f A s i a C o m p l e x , C B P - 1 A , P a s a y  
C i t y

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

MANUEL A. GANA  
Contact Person

(632) 662-8888  
Company Telephone Number

1 2 3 1  
Month Day

1 7 - Q  
FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

591  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be Accomplished by SEC Personnel concerned

File Number

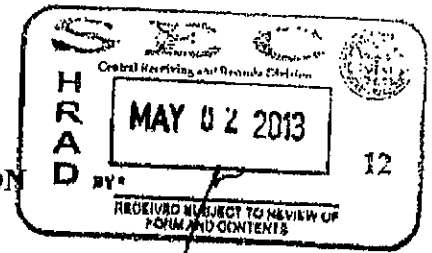
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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q



QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE

1. For quarterly period ended March 31, 2013
2. SEC Identification Number AS093-009289
3. BIR Tax Identification No. 003-457-827
4. Exact name of registrant as specified in its charter: **SINOPHIL CORPORATION**
5. Province, Country or other jurisdiction of incorporation/organization : Philippines
6.  (SEC Use Only)
7. Address of Principal Office: 5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue,  
Mall of Asia Complex, CBP-1A, Pasay City
8. Registrant's telephone number, including area code: (632) 662-8888
9. Former name, former address, and former fiscal year, if changed since last report.  
Not applicable
10. Securities registered pursuant to Sections 4 and 8 of the SRC

| Title of Each Class                        | Number of Shares of Common Stock<br>Outstanding |
|--------------------------------------------|-------------------------------------------------|
| Common Stock, P1.00 <sup>1</sup> par value | 7,927,310,000                                   |

On June 3, 1997, the Securities and Exchange Commission (SEC) approved the Company's application for an increase in authorized capital stock from P2 billion, divided into 200 billion shares at P0.01 par value a share, to P20 billion, divided into 14 billion common shares and 6 billion preferred shares both with par value of P1.

Subscriptions receivable on the 7,927,310,000 outstanding shares amounted to P4,962,580,586.

11. Are any or all of these securities listed on the Philippine Stock Exchange (PSE).  
Yes [] No []

Out of a total of 7,927,310,000 outstanding shares, only 4,410,416,085 shares are listed on the PSE. With the exception of shares initially offered to the public in August 1995, only fully paid shares were allowed to be listed in the PSE under PSE Circular No. 562 dated November 27, 1995.

<sup>1</sup>New par value of P1.00 was implemented in the Philippine Stock Exchange on December 8, 1997.

12. Check whether the issuer:

- a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and under Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes  No

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

Yes  No

## PART 1- FINANCIAL INFORMATION

### Item 1. Financial Statements

The following unaudited financial statements are submitted as part of this report:

- Consolidated Statements of Financial Position as of March 31, 2013 and December 31, 2012;
- Consolidated Statements of Comprehensive Income for the Nine Months ended March 31, 2013 and March 31, 2012;
- Consolidated Statements of Changes in Equity for the Nine Months Ended March 31, 2013 and March 31, 2012;
- Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2013 and March 31, 2012.

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

| (Amounts in Pesos, except percentages)                                                                     | Three Months Ended March 31 |             | Horizontal Analysis |          | Vertical Analysis |             |
|------------------------------------------------------------------------------------------------------------|-----------------------------|-------------|---------------------|----------|-------------------|-------------|
|                                                                                                            | 2013                        | 2012        | Increase (Decrease) |          | 2013              | 2012        |
|                                                                                                            |                             |             | Amount              | %        |                   |             |
| INTEREST INCOME                                                                                            | 408                         | 181         | 217                 | 113.65%  | 100.00%           | 100.00%     |
| GENERAL AND ADMINISTRATIVE EXPENSES                                                                        | (1,489,947)                 | (1,533,704) | (43,757)            | -2.85%   | -36511.48%        | -802986.39% |
| NET LOSS                                                                                                   | (1,489,539)                 | (1,533,513) | (43,974)            | -2.87%   | -365011.48%       | -802888.39% |
| OTHER COMPREHENSIVE INCOME                                                                                 |                             |             |                     |          |                   |             |
| Unrealized gains arising from changes in market value of available-for-sale investments during the quarter | 78,379,684                  | 4,345,186   | 74,034,498          | 1703.83% | 19206940.71%      | 2274966.49% |
|                                                                                                            | 78,379,684                  | 4,345,186   | 74,034,498          | 1703.83% | 19206940.71%      | 2274966.49% |
| TOTAL COMPREHENSIVE INCOME FOR THE QUARTER                                                                 | 76,890,145                  | 2,811,673   | 74,078,472          | 2634.68% | 18841929.23%      | 1472080.10% |

The consolidated net loss of Sinophil Corporation ("Sinophil" or the "Company,") amounted to ₱1.49 million for the three months ended March 31, 2013, which is lower (by ₱44 thousand) compared to a consolidated net loss of ₱1.53 million for the three months ended March 31, 2012. The lower net loss in 2013 was accounted for by a decrease in general and administrative expenses of ₱44 thousand (3%), to ₱1.49 million in 2013 from ₱1.43 million for 2012. The decrease in operating expenses was mainly due to lower taxes & licenses and professional fees incurred during the period. Sinophil's total comprehensive income for the three months ended March 31, 2013 of ₱76.9 million was significantly above its total comprehensive income for the three months ended March 31, 2012 of ₱4.3 million, due to unrealized mark-to-market gains in available-for-sale investments, primarily its 85.7 million common shares of Belle Corporation ("Belle"). As of the end of March 2013, the price of Belle common shares was ₱5.70/share, compared to ₱4.86/share as of the end of December 2012, which accounted for most of the Company's ₱78.4 million in unrealized mark-to-market gains. In contrast, Belle shares as of the end of March 2012 closed at ₱5.05/share compared to ₱5.08/share as of the end of December 2011, as the Company recognized only ₱4.3 million in unrealized mark-to-market gains in the first quarter of 2012. Aside from



what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of Sinophil during the three months ended March 31, 2013.

|                                                | March                | December             | Horizontal Analysis |               | Vertical Analysis |                |
|------------------------------------------------|----------------------|----------------------|---------------------|---------------|-------------------|----------------|
|                                                | 2013                 | 2012                 | Increase (Decrease) |               | 2013              | 2012           |
|                                                |                      |                      | Amount              | %             |                   |                |
| <b>ASSETS</b>                                  |                      |                      |                     |               |                   |                |
| Cash                                           | 1,236,341            | 789,884              | 446,457             | 56.52%        | 0.06%             | 0.04%          |
| Receivables and others                         | 36,281,138           | 30,036,723           | 6,244,415           | 20.79%        | 1.67%             | 1.48%          |
| Inventory                                      | 65,501,280           | -                    | 65,501,280          | 0.00%         | 3.01%             | 0.00%          |
| Available-for-sale                             |                      |                      |                     |               |                   |                |
| Investments                                    | 1,680,001,218        | 1,601,621,537        | 78,379,682          | 4.89%         | 77.16%            | 79.03%         |
| Investment Property                            | 394,210,452          | 394,210,452          | (0)                 | 0.00%         | 18.11%            | 19.45%         |
| <b>Total Assets</b>                            | <b>2,177,230,431</b> | <b>2,026,658,696</b> | <b>150,571,835</b>  | <b>7.43%</b>  | <b>100.00%</b>    | <b>100.00%</b> |
| <b>LIABILITIES AND EQUITY</b>                  |                      |                      |                     |               |                   |                |
| <b>Liabilities</b>                             |                      |                      |                     |               |                   |                |
| Accrued expenses and other current liabilities | 53,612,327           | 53,367,070           | 245,257             | 0.46%         | 2.46%             | 2.63%          |
| Income tax payable                             | 2,854,689            | 2,854,689            | -                   | 0.00%         | 0.13%             | 0.14%          |
| Due to Belle                                   | 179,011,579          | 105,650,145          | 73,361,434          | 69.44%        | 8.22%             | 5.21%          |
| <b>Total Liabilities</b>                       | <b>235,478,595</b>   | <b>161,871,904</b>   | <b>73,606,691</b>   | <b>45.47%</b> | <b>10.82%</b>     | <b>7.99%</b>   |
| <b>Equity</b>                                  |                      |                      |                     |               |                   |                |
| Capital stock                                  | 7,927,310,000        | 7,927,310,000        | (0)                 | 100.00%       | 364.10%           | 391.15%        |
| Additional paid-in capital                     | 2,039,727,799        | 2,039,727,799        | (0)                 | 100.00%       | 93.68%            | 100.64%        |
| Subscription receivable                        | (4,962,580,586)      | (4,962,655,586)      | 75,000              | 0.00%         | -227.93%          | -244.87%       |
| Parent Company shares held by a subsidiary     | (512,594,197)        | (512,594,197)        | -                   | 100.00%       | -23.54%           | -25.29%        |
| Other reserves                                 | 415,132,186          | 336,752,502          | 78,379,684          | 23.28%        | 19.07%            | 16.62%         |
| Deficit                                        | (2,965,243,365)      | (2,963,753,826)      | (1,489,539)         | 0.05%         | -136.19%          | -146.24%       |
| <b>Net Equity</b>                              | <b>1,941,751,836</b> | <b>1,864,786,692</b> | <b>76,965,144</b>   | <b>4.13%</b>  | <b>89.18%</b>     | <b>92.01%</b>  |
| <b>Total Liabilities and Equity</b>            | <b>2,177,230,431</b> | <b>2,026,658,696</b> | <b>150,571,835</b>  | <b>7.43%</b>  | <b>100.00%</b>    | <b>100.00%</b> |

Sinophil's total assets amounted to P2.177 billion as of March 31, 2013, which is higher by P0.15 billion (7.43%) compared to P2.027 billion as of December 31, 2012. The Company's total liabilities were also increased at P235.48 million as of March 31, 2013, compared to P161.87 million as of December 31, 2012 due to the acquisition from Belle Corporation of 17 lots in Belle's Parks at Saratoga Development Hills totaling approximately 7,990 square meters in area and a valuation of approximately P73.4 million excluding documentary stamp taxes and registration and transfer costs as of the end of March 2013. The Company's equity increased by P77.0 million (4.13%), to P1.94 billion as of March 31, 2013 from P1.86 billion as of December 31, 2012. The increases in total assets and stockholders' equity were primarily due to P78.4 million in unrealized mark-to-market gains on Available-for-Sale investments during the three months ended March 31, 2013. There were no issuances of additional shares of stock, nor payment or declaration of dividends made, during the first quarter of 2013.

On August 23, 2001, with respect to Sinophil's investment in 40% of the equity of Legend International Resorts (HK) Limited ("LIR"), a Memorandum of Agreement was entered into by and among the Company, Belle, Metroplex and LIR rescinding the Swap Agreement entered into by them in 1997, canceling all obligations stated therein, reversing all the relevant transactions, and canceling or returning all the shares of Sinophil and LIR exchanged thereby (the "LIR Unwinding Agreement"). To effect the cancellation of Metroplex's investment under the LIR Unwinding Agreement, Sinophil's shareholders, during their meeting on February 18, 2002, approved the reduction of its capital stock to the extent of 3.87 billion shares held by the former. However, due to Metroplex's failure to fully comply with the LIR Unwinding Agreement in the delivery for cancellation of stock certificates covering 2.0 billion shares of their total shareholdings at that time, Sinophil again presented to its shareholders, during its meeting on June 3, 2005, a reduction in its authorized capital stock to the extent of 1.87 billion shares (the "Partial LIR Unwinding"). On March 28, 2006, the SEC formally approved the Partial LIR Unwinding and the 1.87 billion cancelled Sinophil shares were then delisted with the Philippine Stock Exchange. The one billion Sinophil shares used as collateral by LIR for their loan from Union Bank of the Philippines ("Union Bank")

were delivered by Union Bank to the Company in 2007, and formal approval by the SEC for cancellation thereof was obtained on June 24, 2008. As of March 31, 2013, one billion Sinophil shares still remained outstanding from Metroplex, under the terms of the LIR Unwinding Agreement.

On August 28, 2009, a Memorandum of Agreement (MOA) was executed between Belle and the Company relative to the proposed settlement of the 1 billion Belle Preferred shares held by Sinophil and dividends receivable therefrom. The MOA, as amended, provides for, among other things, the following: (i) the transfer by Belle to Sinophil of 220 shares of Tagaytay Midlands Golf Club, Inc. "TMGC") in 2009 at prevailing market rates; (ii) in consideration of the TMGC shares, Sinophil renounced all past, present and future dividends on Belle preferred shares held by it; (iii) the transfer by Belle to Sinophil of 17 lots in The Parks at Saratoga Hills at prevailing market rates; (iv) the undertaking by Belle to title in Sinophil's name approximately 36 hectares of Sinophil's land currently still under tax declarations in Tanauan, Batangas; (v) the transfer by Belle to Sinophil by August 2019 of saleable lots in a future real estate project in Tanauan, Batangas having an aggregate value of approximately P794 million at prevailing market rates (the "Lots"); and (vi) the eventual cancellation of the Belle preferred shares held by the Company upon receipt by it of the Lots, which are to be completed by Belle by August 2019.

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

|                              | Manner by which the Company calculates the key performance indicators   | March 31, 2013<br>(unaudited) | March 31, 2012<br>(unaudited) | December 31, 2012<br>(audited) |
|------------------------------|-------------------------------------------------------------------------|-------------------------------|-------------------------------|--------------------------------|
| Current ratio                | Current assets over current liabilities                                 | 0.66:1.00                     | 1.64:1.00                     | 0.55:1.00                      |
| Return on assets             | Annualized net loss over average total assets during the period         | (0.15%)                       | (0.20%)                       | (56.78%)                       |
| Return on equity             | Annualized net loss over average stockholders' equity during the period | (0.15%)                       | (0.21%)                       | (60.28%)                       |
| Asset-to-equity ratio        | Total assets over total equity                                          | 1.05:1.00                     | 1.05:1.00                     | 1.09:1.00                      |
| Debt to equity ratio         | Total debt over total equity                                            | Not applicable                | Not applicable                | Not applicable                 |
| Interest rate coverage ratio | Earnings before interest and taxes over interest expense                | Not applicable                | Not applicable                | Not applicable                 |

The Company does not foresee any liquidity problem over the next 12 months. The key performance indicators of the Company have not changed materially as compared to the same period last year.

As of March 31, 2013, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

- Material changes in the financial statements of the Company for the periods ended December 31, 2012 and March 31, 2013, except those mentioned above.

## PART II - OTHER INFORMATION

### Financial Risk Management

The Company's principal financial instruments comprise cash and AFS investments. The main purpose of these financial instruments is to help finance the Company's operations. The Company has other financial assets and liabilities such as receivables and accrued expenses and other current liabilities, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The Company is not exposed to any other type of market risk as the Company has no outstanding foreign currency-denominated accounts and interest-bearing loans and borrowings as of March 31, 2013 and December 31, 2012.

The Board of Directors reviews and approves the policies for managing credit, liquidity and equity price risks and they are summarized below:

*Credit Risk.* Credit risk arises from the Company's financial assets which are composed of cash, receivables and AFS investments. It is the Company's policy that all credit terms are subject to credit verification and/or approval procedures. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's credit risk is primarily with Belle, a major stockholder, of which outstanding balance covers at least 75% and 96% of the Company's total receivables as of March 31, 2013 and December 31, 2012, respectively.

*Liquidity Risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in meeting obligations associated with its accrued expenses and other current liabilities.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To cover its financing requirements, the Company uses internally generated funds.

The Company's accrued expenses and other current liabilities are payable on demand.

### Fair Value of Financial Instruments

Set out below is a comparison by category of carrying values and fair values of all the Company's financial instruments.

|                              | March 31, 2013        |                       | December 31, 2012     |                       |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                              | Carrying Value        | Fair Value            | Carrying Value        | Fair Value            |
| <b>Loans and Receivables</b> |                       |                       |                       |                       |
| Cash                         | ₱1,236,341            | ₱1,236,341            | ₱789,884              | ₱789,884              |
| Receivables and others:      |                       |                       |                       |                       |
| Advances to related parties  | 28,033,247            | 28,033,247            | 29,700,412            | 29,700,412            |
| Nontrade and others          | 23,255                | 23,255                | 23,255                | 23,255                |
|                              | <b>₱29,292,843</b>    | <b>₱29,292,843</b>    | <b>₱30,513,551</b>    | <b>₱30,513,551</b>    |
| <b>AFS Investments</b>       |                       |                       |                       |                       |
| Unquoted shares              | ₱1,000,011,099        | ₱1,000,011,099        | ₱1,000,011,100        | ₱1,000,011,100        |
| Quoted shares                | 679,990,121           | 679,990,121           | 601,610,437           | 601,610,437           |
|                              | <b>1,680,001,219</b>  | <b>1,680,001,219</b>  | <b>1,601,621,537</b>  | <b>1,601,621,537</b>  |
|                              | <b>₱1,709,294,062</b> | <b>₱1,709,294,062</b> | <b>₱1,632,135,088</b> | <b>₱1,632,135,088</b> |

|                                                 | March 31, 2013     |                    | December 31, 2012  |                    |
|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                 | Carrying Value     | Fair Value         | Carrying Value     | Fair Value         |
| <b>Loans and Borrowings</b>                     |                    |                    |                    |                    |
| Accrued expenses and other current liabilities* | <b>P53,564,000</b> | <b>P53,564,000</b> | <b>P53,322,786</b> | <b>P53,322,786</b> |

\*Excluding statutory payables amounting to P48,327 and P44,284 as at March 31, 2013 and December 31, 2012, respectively.

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

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

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

The carrying amounts of cash, receivables and others and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of the transactions.

The fair values of AFS investments in quoted equity shares are based on quoted prices in the Philippine Stock Exchange as of reporting date. There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

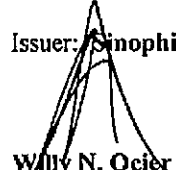
#### Other Required Disclosures

- A.) The attached Interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2012. The adoption of PFRS 9, Financial Instruments: *Classification and Measurement*, will have an effect on the classification and measurement of financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases when issued, to present a comprehensive picture. As of March 31, 2013, the Company has decided not to early adopt PFRS 9 on its consolidated financial statements.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
- D.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.
- E.) There were no material events that occurred subsequent to March 31, 2013 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
- G.) There were no changes in contingent liabilities or contingent assets since December 31, 2012.
- H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

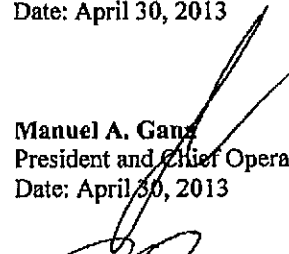
**SIGNATURE**

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.

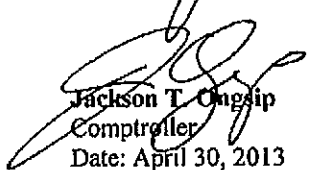
Issuer: **Sinophil Corporation**



**Willy N. Ocier**  
Chairman of the Board  
Date: April 30, 2013



**Manuel A. Ganz**  
President and Chief Operating Officer  
Date: April 30, 2013



**Jackson T. Ongsip**  
Comptroller  
Date: April 30, 2013

**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

|                                                    | March 31, 2013<br>(Unaudited) | December 31, 2012<br>(Audited) |
|----------------------------------------------------|-------------------------------|--------------------------------|
| <b>ASSETS</b>                                      |                               |                                |
| <b>Current Assets</b>                              |                               |                                |
| Cash                                               | P 1,236,341                   | P 789,884                      |
| Receivables and others                             | 36,281,138                    | 30,036,723                     |
| Inventory                                          | 65,501,280                    | -                              |
| Total Current Assets                               | 103,018,760                   | 30,826,607                     |
| <b>Noncurrent Assets</b>                           |                               |                                |
| Available-for-Sale investments                     | 1,680,001,219                 | 1,601,621,537                  |
| Investment property                                | 394,210,452                   | 394,210,452                    |
| Total Noncurrent Assets                            | 2,074,211,671                 | 1,995,831,989                  |
|                                                    | P 2,177,230,431               | P 2,026,658,596                |
| <b>LIABILITIES AND EQUITY</b>                      |                               |                                |
| <b>Current Liabilities</b>                         |                               |                                |
| Accrued expenses and other current liabilities     | P 53,612,327                  | P 53,367,070                   |
| Income tax payable                                 | 2,854,689                     | 2,854,689                      |
|                                                    | 56,467,016                    | 56,221,759                     |
| <b>Noncurrent Liability</b>                        |                               |                                |
| Due to Belle                                       | 179,011,579                   | 105,650,145                    |
| Total Liabilities                                  | P 235,478,595                 | P 161,871,904                  |
| <b>Equity</b>                                      |                               |                                |
| Capital Stock                                      | 7,927,310,000                 | 7,927,310,000                  |
| Additional paid-in capital                         | 2,039,727,799                 | 2,039,727,799                  |
| Subscription receivable                            | (4,962,580,586)               | (4,962,655,586)                |
| Cost of Parent company shares held by a subsidiary | (512,594,197)                 | (512,594,197)                  |
| Other reserves                                     | 415,132,186                   | 336,752,502                    |
| Deficit                                            | (2,965,243,365)               | (2,963,753,826)                |
| Net Equity                                         | 1,941,751,836                 | 1,864,786,692                  |
|                                                    | P 2,177,230,431               | P 2,026,658,596                |

**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                                                                                                  | Three Months Ended March 31 |                     |
|------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------|
|                                                                                                                  | 2013<br>(Unaudited)         | 2012<br>(Unaudited) |
| INTEREST INCOME                                                                                                  | P 408                       | P 191               |
| GENERAL AND ADMINISTRATIVE EXPENSES                                                                              | (1,489,947)                 | (1,533,704)         |
| NET LOSS                                                                                                         | (1,489,539)                 | (1,533,513)         |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                                |                             |                     |
| Unrealized gains arising from changes<br>in market value of available for sale<br>investments during the quarter | 78,379,684                  | 4,345,186           |
| <b>TOTAL COMPREHENSIVE INCOME<br/>FOR THE YEAR</b>                                                               | <b>P 76,890,145</b>         | <b>P 2,811,673</b>  |

| Basic Loss Per Common Share        | Three Months Ended March 31 |                    |
|------------------------------------|-----------------------------|--------------------|
|                                    | (Unaudited)                 | (Unaudited)        |
| Net Loss                           | (1,489,539)                 | P (1,533,513)      |
| Weighted average common shares     | 7,770,780,000               | 7,770,780,000      |
| <b>Basic Loss Per Common Share</b> | <b>(0.00019)</b>            | <b>P (0.00020)</b> |

**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|                                                                          | Three Months Ended March 31 |                      |
|--------------------------------------------------------------------------|-----------------------------|----------------------|
|                                                                          | 2013<br>(Unaudited)         | 2012<br>(Unaudited)  |
| <b>CAPITAL STOCK - P1 par value</b>                                      |                             |                      |
| Authorized:                                                              |                             |                      |
| Preferred - 6,000,000,000 shares                                         |                             |                      |
| Common - 11,130,000,000 shares                                           |                             |                      |
| Issued:                                                                  |                             |                      |
| Balance at beginning of year                                             | P 3,096,890,785             | P 3,096,440,785      |
| Issuances                                                                | 100,000                     | -                    |
| Balance at end of period                                                 | 3,096,990,785               | 3,096,440,785        |
| Subscribed:                                                              |                             |                      |
| Balance at beginning of year                                             | 4,830,419,215               | 4,830,869,215        |
| Issuances                                                                | (100,000)                   | -                    |
| Balance at end of period                                                 | 4,830,319,215               | 4,830,869,215        |
| Subscription receivable:                                                 |                             |                      |
| Balance at beginning of year                                             | (4,962,655,586)             | (4,962,993,086)      |
| Collections                                                              | 75,000                      | -                    |
| Balance at end of period                                                 | (4,962,580,586)             | (4,962,993,086)      |
|                                                                          | 2,964,729,414               | 2,964,316,914        |
| <b>ADDITIONAL PAID-IN CAPITAL</b>                                        | <b>2,039,727,799</b>        | <b>2,039,727,799</b> |
| <b>Other Reserves</b>                                                    |                             |                      |
| Balance at beginning of year                                             | 395,071,490                 | 300,238,030          |
| Net Unrealized Mark-to-Market Gain on Available-<br>for-Sale Investments | 78,379,684                  | 4,345,186            |
| Balance at the end of period                                             | 473,451,174                 | 304,583,216          |
| <b>SHARE IN CUMULATIVE TRANSLATION<br/>ADJUSTMENTS OF AN ASSOCIATE</b>   | <b>(58,318,988)</b>         | <b>(58,318,988)</b>  |
| <b>PARENT COMPANY SHARES HELD BY A SUBSIDIARY</b>                        | <b>(512,594,197)</b>        | <b>(512,594,197)</b> |
| <b>DEFICIT</b>                                                           |                             |                      |
| Balance at beginning of year                                             | (2,963,753,826)             | (1,395,700,478)      |
| Net loss                                                                 | (1,489,539)                 | (1,533,513)          |
| Balance at end of period                                                 | (2,965,243,365)             | (1,397,233,991)      |
|                                                                          | P 1,941,751,836             | P 3,340,480,753      |



**SINOPHIL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                       | Three Months Ended March 31 |                     |
|-----------------------------------------------------------------------|-----------------------------|---------------------|
|                                                                       | 2013<br>(Unaudited)         | 2012<br>(Unaudited) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                             |                     |
| Net Loss                                                              | P (1,489,539)               | P (1,533,513)       |
| Adjustments for:                                                      |                             |                     |
| Provisions for impairment of receivables and others                   | 67,657                      | 62,629              |
| Interest income                                                       | (408)                       | (191)               |
| Loss before working capital changes                                   | (1,422,290)                 | (1,471,075)         |
| Decrease in receivables and others                                    | 1,548,082                   | 1,498,439           |
| Increase (decrease) in accrued expenses and other current liabilities | 245,257                     | (71,950)            |
| Interest received                                                     | 408                         | 191                 |
| Net cash provided by (used in) operating activities                   | 371,457                     | (44,395)            |
| <b>CASH FLOW FROM A FINANCING ACTIVITY</b>                            |                             |                     |
| Collection of subscription receivable                                 | 75,000                      | -                   |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                | <b>446,457</b>              | <b>(44,395)</b>     |
| <b>CASH AT BEGINNING OF PERIOD</b>                                    | <b>789,884</b>              | <b>418,612</b>      |
| <b>CASH AT END OF PERIOD</b>                                          | <b>P 1,236,341</b>          | <b>P 374,217</b>    |

**SINOPHIL CORPORATION**  
**SCHEDULE OF RECEIVABLES, ADVANCES AND OTHER ASSETS**  
**March 31, 2013**

| <u>NAME</u>                        | <u>AMOUNT</u>            |
|------------------------------------|--------------------------|
| Advances to Affiliates             | 28,033,247               |
| Belle Corporation                  | 27,266,363               |
| Parallax Resources, Inc.           | 766,884                  |
| Total                              | <u>28,033,247</u>        |
| Others                             | 18,255                   |
| Total Receivables                  | <u>28,051,503</u>        |
| Other Current Assets               | <u>8,229,635</u>         |
| Total Receivables and Other Assets | <u><u>36,281,138</u></u> |