SINOPHIL
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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 1st day of March, 2013

SUBSCRIBED AND SWORN to before me, this 26th day of March 2013 at Makati City, affiant having exhibited to me their Community Tax Certificate Nos. (CTC) and Competent Evidence of Identity (CEI):

Name	CTC No./Date Issued/ Place Issued	TIN
Willy N. Ocier	08932038/01.12.2013/Manila	101-934-954
Manuel A. Gana	06128747/01.10.2013/Manila	906-105-409
Jackson T. Ongsip	06128907/01.12.2013/Manila	178-486-617

ANNA FRANCESCA C. RESPICIO
Notary Public for and in Makati City
Appointment No. M-515 (2012-2013)
Commission Expires on December 31, 2013
2/F JTKC Center, 2155 Chino Roces Street
Makati City, Metro Manila
PTR No. 8411742/01.03.2013/Pasig City
IBP No. 913428/12.28.2012/Quezon City
Roll No. 60587

Doc. No. 16
Page No. 5
Book No. II
Series of 2013

COVER SHEET

AS093009289
SEC Registration Number

SINOPHIL CORPORATION AND SUBSIDIARIES
(Company's Full Name)

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City
(Business Address: No. Street City/Town/Province)

Mr. Manuel A. Gana	662-8888
(Contact Person)	(Company Telephone Number)

12 31	17-A	04 23
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

–
(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

598	₱–	₱–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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.

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
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

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 17)	**₱789,884**	₱418,612
Receivables and others (Notes 2, 8, 9, 15 and 17)	**30,036,723**	88,256,346
Total Current Assets	**30,826,607**	88,674,958
Noncurrent Assets		
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
Total Noncurrent Assets	**1,995,831,989**	3,407,763,108
	₱2,026,658,596	₱3,496,438,066
LIABILITIES AND EQUITY		
Current Liability		
Accrued expenses and other current liabilities (Notes 11 and 17)	**₱53,367,070**	₱53,118,841
Income tax payable (Note 14)	**2,854,689**	–
Total Current Liability	**56,221,759**	53,118,841
Noncurrent Liability		
Due to Belle Corporation (Note 15)	**105,650,145**	105,650,145
Equity		
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)
Net Equity	**1,864,786,692**	3,337,669,080
	₱2,026,658,596	₱3,496,438,066

See accompanying Notes to Consolidated Financial Statements.

SINOPHIL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
INCOME			
Gain on liquidating dividend (Note 9)	**₱33,324,175**	₱–	₱–
Interest income from cash in bank	**1,160**	615	314
	33,325,335	615	314
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8 and 13)	**(6,913,678)**	(6,437,543)	(7,283,773)
PROVISION FOR IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)	**(1,585,088,316)**	(240,000)	(120,000)
LOSS BEFORE INCOME TAX	**1,558,676,659**	6,676,928	7,403,459
PROVISION FOR CURRENT INCOME TAX (Note 14)	**9,376,689**	–	–
NET LOSS	**1,568,053,348**	6,676,928	7,403,459
OTHER COMPREHENSIVE INCOME			
Mark-to-market gains on available-for-sale financial assets during the year (Note 9)	**94,833,460**	27,937,804	239,778,264
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(₱1,473,219,888)**	₱21,260,876	₱232,374,805
Basic/Diluted Loss Per Common Share (Note 16)	**(₱0.20058)**	(₱0.00086)	(₱0.00095)

See accompanying Notes to Consolidated Financial Statements.

SINOPHIL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

					Other Reserves			
	Capital Stock (Notes 2, 12 and 17)	**Additional Paid-in Capital** (Notes 2 and 17)	**Subscriptions Receivable** (Notes 12 and 17)	**Cost of Parent Company Shares Held by a Subsidiary** (Note 12)	**Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 9)	**Share in Cumulative Translation Adjustments of an Associate** (Notes 2 and 9)	**Deficit** (Notes 12 and 17)	**Total**
Balance at December 31, 2011	**₱7,927,310,000**	**₱2,039,727,799**	**(₱4,962,993,086)**	**(₱512,594,197)**	**₱300,238,030**	**(₱58,318,988)**	**(₱1,395,700,478)**	**₱3,337,669,080**
Net loss	–	–	–	–	–	–	**(1,568,053,348)**	**(1,568,053,348)**
Other comprehensive income	–	–	–	–	**94,833,460**	–	–	**94,833,460**
Total comprehensive income (loss)	–	–	–	–	**94,833,460**	–	**(1,568,053,348)**	**(1,473,219,888)**
Subscriptions collected	–	–	**337,500**	–	–	–	–	**337,500**
Balance at December 31, 2012	**₱7,927,310,000**	**₱2,039,727,799**	**(₱4,962,655,586)**	**(₱512,594,197)**	**₱395,071,490**	**(₱58,318,988)**	**(₱2,963,753,826)**	**₱1,864,786,692**
Balance at December 31, 2010	₱7,927,310,000	₱2,039,727,799	(₱4,963,068,086)	(₱512,594,197)	₱272,300,226	(₱58,318,988)	(₱1,389,023,550)	₱3,316,333,204
Net loss	–	–	–	–	–	–	(6,676,928)	(6,676,928)
Other comprehensive income	–	–	–	–	27,937,804	–	–	27,937,804
Total comprehensive income (loss)	–	–	–	–	27,937,804	–	(6,676,928)	21,260,876
Subscriptions collected	–	–	75,000	–	–	–	–	75,000
Balance at December 31, 2011	₱7,927,310,000	₱2,039,727,799	(₱4,962,993,086)	(₱512,594,197)	₱300,238,030	(₱58,318,988)	(₱1,395,700,478)	₱3,337,669,080
Balance at December 31, 2009	₱7,927,310,000	₱2,039,727,799	(₱4,963,068,086)	(₱512,594,197)	₱32,521,962	(₱58,318,988)	(₱1,381,620,091)	₱3,083,958,399
Net loss	–	–	–	–	–	–	(7,403,459)	(7,403,459)
Other comprehensive income	–	–	–	–	239,778,264	–	–	239,778,264
Total comprehensive income (loss)	–	–	–	–	239,778,264	–	(7,403,459)	232,374,805
Balance at December 31, 2010	₱7,927,310,000	₱2,039,727,799	(₱4,963,068,086)	(₱512,594,197)	₱272,300,226	(₱58,318,988)	(₱1,389,023,550)	₱3,316,333,204

See accompanying Notes to Consolidated Financial Statements.

SINOPHIL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
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 and other current liabilities	**248,229**	562,324	(66,918)
Income taxes paid	**(6,522,000)**	–	–
Interest received	**1,160**	615	314
Net cash provided by operating activities	**33,772**	90,022	117,936
CASH FLOW FROM A FINANCING ACTIVITY			
Collections of subscription receivable (Note 12)	**337,500**	75,000	–
NET INCREASE IN CASH	**371,272**	165,022	117,936
CASH AT BEGINNING OF YEAR	**418,612**	253,590	135,654
CASH AT END OF YEAR	**₱789,884**	₱418,612	₱253,590

See accompanying Notes to Consolidated Financial Statements.

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.

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).

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.

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*

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.

<u>Impairment of Financial Assets</u>
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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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.

<u>Investment Property</u>
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 decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the consolidated statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

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.

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.

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 recorgnizes 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)	**₱81,627,975**	₱81,627,975
Advances to related parties (see Note 15)	**29,700,412**	51,061,859
Nontrade and others	**7,490,379**	44,206,993
	118,818,766	176,896,827
Less allowance for doubtful accounts and probable loss	**88,782,043**	88,640,481
	₱30,036,723	₱88,256,346

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 ₱81.6 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 ₱36.9 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 ₱7.4 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 ₱1.8 million and ₱1.7 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	**₱88,640,481**	₱88,396,004
Provision (see Note 13)	**141,562**	244,477
Balance at end of year	**₱88,782,043**	₱88,640,481

9. AFS Financial Assets

AFS financial assets consist of the following:

	2012	2011
Quoted shares:		
Belle - common shares	**₱484,940,437**	₱435,375,098
Golf club shares (see Note 15)	**116,600,000**	112,040,000
Others	**70,000**	70,000
	601,610,437	547,485,098
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
	1,000,011,100	2,574,767,558
	₱1,601,621,537	₱3,122,252,656

Movements of this account are as follows:

	2012	2011
Cost:		
Balance at beginning of year	**₱3,710,619,470**	₱3,710,619,470
Additions during the year	**42,851,879**	–
Liquidation of investment in Belle Bay City	**(386,914,511)**	–
Balance at end of year	**3,366,556,838**	3,710,619,470
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	**94,833,460**	27,937,804
Balance at end of year	**395,071,490**	300,238,030
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	**(2,160,006,791)**	(888,604,844)
	₱1,601,621,537	₱3,122,252,656

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.

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	**₱53,271,709**	₱53,033,914
Statutory liabilities	**44,284**	34,527
Other payables	**51,077**	50,400
	₱53,367,070	₱53,118,841

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 ₱1. 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 - ₱1 par value	**11,130,000,000**	11,130,000,000	11,130,000,000
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
	7,927,310,000	7,927,310,000	7,927,310,000

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 ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 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).

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.

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 (see Note 8)	**141,562**	244,477	145,040
Miscellaneous	**140,089**	156,388	257,889
	₱6,913,678	₱6,437,543	₱7,283,773

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)
	₱9,376,689	₱–	₱–

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
	₱1,692,716,431	₱125,300,154

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:

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

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

Year Incurred	Expiry Date	Amount
2010	December 31, 2013	₱88,938
2011	December 31, 2014	104,365
2012	December 31, 2015	79,873
		₱273,176

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

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 ₱154.0 million (net of ₱44.0 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 ₱92.3 million) as at December 31, 2012 and 2011 amounting to ₱105.7 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
Advances to related party:							
Belle	Stockholder	Advances	**2012**	**(₱20,170,318)**	**₱28,933,528**	Non-interest bearing, due and demandable	Unsecured, no impairment
			2011	(₱5,162,200)	₱49,103,846	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
			2011	–	–		
Belle Bay City	Investee	Advances	**2012**	**(1,958,013)**	**–**	Non-interest bearing, due and demandable	Fully settled
			2011	198,283	1,958,013	Non-interest bearing, due and demandable	Unsecured, no impairment
		Total	**2012**	**(₱21,361,447)**	**₱29,700,412**		
			2011	(₱4,963,917)	₱51,061,859		
Officers	Key management personnel	Salaries and wages	**2012**	**₱1,341,485**	**₱–**		Not applicable
			2011	₱1,438,462	₱–		

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

	2012	2011	2010
Net loss (a)	**₱1,558,676,659**	₱6,676,928	₱7,403,459
Weighted average common shares (b)	**7,770,780,000**	7,770,780,000	7,770,780,000
Loss per common share (a/b)	**₱0.20058**	₱0.00086	₱0.00095

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 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
	₱1,632,135,088	₱3,210,614,558	**₱1,632,135,088**	₱3,210,614,558

**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						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	**Less than 30 days**	**31 Days to 1 Year**	**Over 1 Year up to 3 Years**	**Over 3 Years**	**Impaired**	**Total**
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**
	₱1,632,111,833	**₱–**	**₱–**	**₱–**	**₱23,255**	**₱2,248,788,834**	**₱3,880,923,922**

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

	2011						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Impaired	Total
Cash	₱418,612	₱–	₱–	₱–	₱–	₱–	₱418,612
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
	₱3,173,733,127	₱–	₱–	₱–	₱36,881,431	₱977,245,325	₱4,187,859,883

**This excludes prepayments amounting to ₱313,056 as at 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**
	₱1,515,430,733	**₱116,600,000**	**₱81,100**	**₱1,632,111,833**

	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
	₱1,486,855,569	₱112,040,000	₱1,574,837,558	₱3,173,733,127

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	**(2,963,653,667)**	(1,395,700,478)
	₱2,040,728,546	₱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
Loans and Receivables				
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
Total	**30,513,551**	**30,513,551**	88,361,902	88,361,902
AFS Financial Assets				
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
Total	**1,601,621,537**	**1,601,621,537**	3,122,252,656	3,122,252,656
	₱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
Other Financial Liabilities				
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				
	Investment Holding	**Real Estate**	**Public Amusement and Recreation**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Earnings Information					
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 Holding	**Real Estate**	**Public Amusement and Recreation**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Other Information					
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 Holding	Real Estate	Public Amusement and Recreation	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Interest income	₱615	₱–	₱–	₱–	₱615
Costs and expenses	(6,327,406)	(72,125)	(38,012)	–	(6,437,543)
Provision for impairment of advances to subsidiaries	(16,584,011)	–	–	16,584,011	–
Provision for impairment of AFS financial assets	(240,000)	–	–	–	(240,000)
Net loss for the year	(23,150,802)	(72,125)	(38,012)	16,584,011	(6,676,928)
Other Information					
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 Holding	Real Estate	Public Amusement and Recreation	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Interest income	₱314	₱–	₱–	₱–	₱314
Costs and expenses	(7,194,835)	(54,382)	(34,556)	–	(7,283,773)
Provision for impairment of AFS financial assets	(120,000)	–	–	–	(120,000)
Net loss for the year	(7,314,521)	(54,382)	(34,556)	–	(7,403,459)
Other Information					
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
		(In Thousands)	
Net Profit for the Year			
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
		(In Thousands)	
Assets			
Total assets for reportable segments	**₱425,037,059**	₱374,185,410	₱379,985,014
Investments and advances	**1,784,732,627**	3,368,331,339	3,352,449,521
Elimination for intercompany advances and investments	**(183,111,090)**	(246,078,683)	(257,894,669)
Consolidated assets	**₱2,026,658,596**	₱3,496,438,066	₱3,474,539,866

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.

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.

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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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
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. 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
Schedule A - Financial Assets
As at December 31, 2012

	Name of Issuing Entity and Association of each use	Amount shown in the Balance Sheet	Income received and accrued
Cash		789,884	1,160
Receivables and others		30,513,551	
AFS Investments			
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	-
Total Financial Assets		**1,632,924,972**	

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							
Officers				Not Applicable			
Directors							
	-	-	-	-	-	-	-

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

Name of Subsidiary	Balance at January 1, 2012	Additions	Balance as at December 31, 2012	Reclassification	Current	Not current	Amount 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 Noncurrent	Balance at the End of Period 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	11,130,000,000	3,096,890,785	4,830,419,215		3,763,330,336	60,012	4,163,979,664
Percentage Held					47.47%	0.001%	52.527%
Preferred Shares	6,000,000,000	-		-	-	-	-
Percentage Held							

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	Current assets Current Liabilities	**0.55 : 1.00**	1.67 : 1.00
Return on assets	Net loss Average Total assets during the period	**(56.78%)**	(0.19%)
Return on equity	Net loss Average equity during the period	**(60.28%)**	(0.20%)
Asset-to-equity ratio	Total Assets Total Equity	**1.09:1.00**	1.05:1.00
Debt to equity ratio	Total Debt Total Equity	**Not applicable**	Not applicable
Interest rate coverage ratio	Earnings Before Interest and Taxes Interest Expense	**Not applicable**	Not applicable

SINOPHIL CORPORATION AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 7	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	✓*		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓*		
PFRS 10	Consolidated Financial Statements	✓*		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓*		
PFRS 13	Fair Value Measurement	✓*		
Philippine Accounting Standards				
PAS 1 (Revised)	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	✓*		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	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	✓*		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	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			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Cooperative Entities and			✓

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

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

**Not early adopted.*

Sinophil Corporation
Conglomerate Map
As of December 31, 2012
Annex I