MEDCO HOLDINGS, INC.

April 22, 2009

PHILIPPINE STOCK EXCHANGE, INC.
PSE Center, Exchange Road
Ortigas Center, Pasig City

Attention: **Janet A. Encarnacion**
Head- Disclosure Department

Re: **SEC Form 17-A**

Gentlemen:

In compliance with the Philippine Stock Exchange ("PSE") Disclosure Rules, please find attached the SEC Form 17-A for the year ended December 31, 2008.

We trust that you will find the foregoing in order.

Very truly yours,

MeBathan

MA. LOURDES B. BATHAN
Corporate Information Officer

COVER SHEET

3 9 6 5 2

SEC Registration Number

M E D C O H O L D I N G S , I N C . A N D S U B S I D I A R Y

(Company's Full Name)

3 1 s t F l o o r , R u f i n o P a c i f i c T o w e r ,
6 7 8 4 A y a l a A v e n u e , M a k a t i C i t y

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

Dionisio E. Carpio, Jr.

(Contact Person)

811-0465

(Company Telephone Number)

1 2 — 3 1

Month *Day*

(Fiscal Year)

F O R M 17 - A

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OFTHE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

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1. For the year ended **31 December 2008**

2. SEC Identification Number **39652**

3. BIR Tax Identification No. **004-844-938**

4. **Medco Holdings, Inc. ("Medco")**
(formerly Mindanao Exploration and Development Corp.)
Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila, Philippines** — **1229**
Address of principal office — Postal Code

8. Registrant's telephone number, including area code: **(632) 811-0465 to 67**

9. Former name, former address, and former fiscal year, if changed since last report. **Not applicable.**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec 4 and 8 of the RSA

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**700,000,000 shares (₱1.00 par value per share)**

11. Are any or all of these securities listed on a Stock Exchange. Yes [**/**] No [ ]

Name of Stock Exchange	Class of securities listed therein
Philippine Stock Exchange (PSE)	Common

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports). Yes [/] No [ ]

(b) has been subject to such filing requirements for the past 90 days. Yes [/] No [ ]

13. As at 15 April 2009, the aggregate market value of the voting stock held by non-affiliates of the registrant was ₱ 67,983,323 (based on the closing price of ₱0.18 per share on April 16, 2009 which was the last recorded transaction for said shares on the Philippine Stock Exchange prior to the filing hereof).

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(2). Business of Issuer

Medco is an investment holding company listed on the Philippine Stock Exchange ("PSE"). It was incorporated in the Philippines on 23 October 1969 as the Mindanao Exploration & Development Corporation and adopted its current name in 1995.

In May 1995, the Lippo Group through Citivest Asia Limited ("Citivest") acquired approximately 67% of the outstanding capital stock of Medco. In 1997, Citivest purchased additional Medco shares which increased its equity stake to 70.67%. The Lippo Group is a major Asia Pacific business conglomerate principally involved in financial services and investment activities such as commercial banking, securities and futures broking, merchant and investment banking, food operation, and property investment and development. It has operating units and representative offices in major Asian countries and in the United States of America. Citivest is a corporation organized under the laws of the British Virgin Islands and is a wholly-owned subsidiary of Lippo China Resources Limited (formerly Hongkong China Limited) ("LCR"), an investment holding company listed on The Stock Exchange of Hong Kong Limited and an integral corporate investment vehicle of the Lippo Group. LCR's subsidiaries are engaged in investment holding, property investment and development, estate management, food operation and department store business.

Prior to the Lippo Group's acquisition of a majority interest in the Company, Medco was engaged in mineral exploration and development. With the entry of the Lippo Group in the middle of fiscal 1995, the Company embarked on a major corporate shift that resulted in its transformation into an investment holding company. In line with the change in its primary business purpose, the Company had previously sold all its rights, titles, interests including all liabilities and obligations in its mining lease contracts and operating agreements to South Seas Oil & Mineral Exploration Development Co., Inc.

Thereafter, the Company has been engaged in investment holding activities. It does not produce or sell any product, or render any service. At present, its investment portfolio is composed of holdings in companies involved in financial services (commercial and investment banking) and trade development (operation of exhibition halls and conference facilities).

In December 2005, Citivest divested a portion of its shareholdings in the Company thereby reducing its equity stake to approximately 46%.

Details of the principal subsidiary and affiliated companies and their activities as at 31 December 2008 are as follows:

Name	Place of incorporation	Fully paid-up common share capital	Percentage of direct equity ownership of Medco	Principal Activities
Medco Asia Investment Corp. (Formerly Lippo Asia Investment Corp.)	Philippines	₱269,250,000	64.54%	Investment banking

Name	Place of incorporation	Fully paid-up common share capital	Percentage of direct equity ownership of Medco	Principal Activities
Export & Industry Bank, Inc	Philippines	₱4,734,452,540	2.45%	Commercial banking
Manila Exposition Complex, Inc.	Philippines	₱165,000,000	18.18%	Exhibition hall operation

In 2008, ninety one percent (91%) of the Company's revenues were contributed mainly by its principal subsidiary, MAIC, and comprised of commissions and fees (34%), interest income from placements and deposits (26%), foreign exchange gains (25%) and other income (6%). The rest came from dividend income from Manila Exposition Complex, Inc. (9%).

Medco Asia Investment Corp. ("MAIC")- Formerly Lippo Asia Investment Corp.

In June 1996, Medco acquired an equity interest in MAIC(then named Lippo Asia Investment Corp.) a Philippine investment house. At present, MAIC has an authorized capital stock of P400 million and a paid-up capital of P269.25 million. Since its inception, MAIC has been duly licensed by the Securities and Exchange Commission (SEC) to engage in investment banking activities such as securities trading, debt and equity underwriting, private placements, structured finance and corporate financial advisory services.

On August 27, 1999, MAIC's board of directors and stockholders approved the change in the company's name from Lippo Asia Investment Corp. to Medco Asia Investment Corp. The change in corporate name was approved by the Securities and Exchange Commission on November 18, 1999.

On November 12, 1999, Medco remitted P 50.5 million to MAIC representing its deposit for an additional subscription of common shares of the company. This additional investment was made to enable the company to comply with the capital build-up program for investment houses. The approval of the SEC for the infusion of additional capital was granted on March 29, 2000, thereby raising Medco's equity stake in MAIC to 64.54%

In view of the still weak capital markets in 2008, MAIC continued to generate income mainly from its fixed income investments, while offering corporate finance and fee-based services to prospective clients involving loan arrangement, financial advisory and merger and acquisition work. MAIC will remain focused on these activities in the succeeding years. MAIC has no plans of offering or rendering any new services aside from its regular investment banking services.

Export & Industry Bank, Inc. ("Exportbank")

Exportbank is engaged in the business of commercial banking and of trust and funds management, and exercises all the powers of a commercial bank, trust company, and a corporation in general, as provided for under the General Banking Act, as amended, the rules and regulations of the Bangko Sentral ng Pilipinas, the Corporation Code of the Philippines and other applicable laws.

In May 2001, Exportbank signed an agreement with the major stockholders of Urban Bank, Inc. (UBI) and Urbancorp Investments, Inc. (UII) for the rehabilitation of UBI and UII through a merger with Exportbank. UBI, a commercial bank, was reopened as a result of the said merger with

Exportbank. The merger of Exportbank, UBI and UII, with UBI as the surviving entity, took effect on February 1, 2002, whereupon the name of UBI was immediately changed to Export and Industry Bank, Inc.. Thereafter, the Company's interest in Exportbank decreased from 29.83% to 17.49%.

In October 1, 2003, the Corporation listed 2.73 Billion common shares with a par value of PHP 1.00 in the Philippine Stock Exchange (PSE). This was done simultaneously with the lifting of the suspension of trading of Urban Bank shares as approved by the PSE. Shares formerly traded with stock symbol URB were since then traded under the new stock symbol EIB.

On May 25, 2005, pursuant to Section 17 (c) of Republic Act (RA) No. 3591, as amended, PDIC approved the grant of further assistance to Exportbank under the Memorandum of Agreement dated December 29, 2005 (the "Agreement"), anchored on the requirements of a new capital infusion in Exportbank of at least Php3.0 billion from major stockholders and the sale of a pool of assets consisting of UBI and UII non-performing assets (NPAs) with a gross book value of Php10.0 Billion. These NPAs were to be sold for a total consideration of Php3.0 Billion, together with the provision for other financial assistance in the form of (a) ten-year income support mechanism pegged to a principal amount of Php7.0 Billion or 70% of the balance of the Php10.0 Billion gross book value of the asset pool, under which the liability to the PDIC will be charged an interest rate of 1% and the government securities in which the proceeds of such liability will be invested in and which will be pledged with the PDIC to secure the liability will earn market rates of interest for the bank, and (b) a ten-year subordinated debt amounting to Php2.0 Billion qualified as tier 2 capital at an interest of 1% for the first five years and 5% for the last five years, subject to a provision that would require the bank to pay more interest in the event that the cumulative income for the ten years that the debt is outstanding exceed the agreed amount that was projected for that period. On May 26, 2005, the BSP likewise approved the grant of said rehabilitation assistance and certain regulatory relief, such as, among others, (1) the staggered booking of the write off of deferred income tax and goodwill accounts totaling Php1.8 Billion over 10 years; (2) the staggered booking over 15 years of the write-off of taxes and other related expenses in connection with the sale of said NPAs, under a programmed amortization with provision for acceleration; (3) the staggered booking of losses on sale of the said NPAs over 15 years, likewise under a programmed amortization with provision for acceleration.

Pursuant to the foregoing Agreement with PDIC, the major shareholders infused additional equity in two tranches: first in the last semester of 2005 and then in 2006, that brought the cumulative new capital infusion to Php3.0 Billion, which was primarily aimed at strengthening the bank's capital base to meet the new requirements of the PAS 39 and other international accounting standards that were being implemented by the BSP. Likewise in 2006, all of the bank's then-outstanding preferred shares were converted into common shares. Furthermore, the sale of the UBI/UII NPAs was effected in 2006 and this enabled Exportbank to significantly reduce its NPA ratio and improve its profitability. With the completion of the above transactions, including the new capital infusion, Exportbank achieved a stronger statement of condition and a risk-based adequacy ratio that was well within the BSP prescribed ratio for commercial banks.

As result of the forecoing new capital infusion in Exportbank and the concurrent conversion of its outstanding preferred shares into common shares, the Company's direct equity interest in the bank decreased further from 17.49% to 2.45%.

Consistent with its business plan on the basis of which such additional capital was infused into Exportbank in 2006, the bank's remaining none-core assets, which include various condominium units and parking slots located in Exportbank Plaza, were sold to EIB Realty Developers, Inc. in 2007.

Other Subsidiary

Manila Exposition Complex, Inc. is not a significant subsidiary of the Company.

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

Around 2.2%, 5.30%, and 6.30% of the Company's consolidated income in 2008, 2007, and 2006, respectively, came from interest income from foreign time deposit placements in Hong Kong.

Distribution Methods of the Products or Services

The Company, does not produce or sell any product, or offer any service. On the other hand, its significant subsidiaries do not employ any third party distributors or agents to distribute their products and services.

Status of any publicly-announced new products or service

None

Competition

The local business climate and stock market sentiment became more pessimistic as the global financial crisis that started in September 2008 and which was caused by the collapse of the U.S. sub-prime mortgage market became entrenched and steadily turned worse, spreading quickly across Europe and Asia. As a result, the supply of bank credit became scarce and the critical worldwide liquidity situation caused serious solvency problems even among the biggest financial institutions and car manufacturers in the U.S. and Europe.

The aforementioned unfavorable capital market environment further aggravated the business prospects for the local investment banking industry where the Company's principal subsidiary, MAIC, belongs. Thus, the industry which was comprised of around forty investment houses of varying sizes and specializations again found itself operating under difficult business conditions.

In the commercial banking sector, Exportbank was not spared from the adverse effects of such negative developments on the loans market. Nonetheless, having transformed itself into a medium – sized bank after its recapitalization in 2006, Exportbank had gained more financial muscle and was now better situated to compete more effectively with its peer banks in soliciting deposits and fund placements and generating loans..

Sources and Availability of Raw Materials and Names of Principal Suppliers.

The Company as well as its significant subsidiaries are not into manufacturing and have no need of raw materials for its businesses.

Dependence on Single Customer

The Company's significant subsidiaries have a widely dispersed customer base and are not dependent on any single customer or just a few customers.

Transactions with Related Parties

MAIC regularly places funds in Exportbank in the form of deposits or placements in its treasury or trust instruments. Apart from these, there are no other transactions with related parties.

Expiration of Patents, Trademarks, Copyrights, Licenses, Franchise , Concessions and Royalty Agreements.

The Company as well as its significant subsidiaries have not entered into agreements related to patents, trademarks, copyrights, licenses, franchise, concessions and royalty.

Need for Government Approvals of Principal Products or Services.

MAIC is licensed by the SEC as an Investment House. Exportbank is licensed by the BSP as a commercial bank.

Effects of Existing or Probable Governmental Regulations

The Company is subject to the rules and regulations of the SEC and the PSE. Exportbank is regulated by the BSP, PDIC and the SEC, while MAIC is regulated by the SEC. The Company and its significant subsidiaries are complying with existing government regulations which have been beneficial to their businesses. The Company is not aware of any probable government regulation that could have any adverse effect on its business or those of its subsidiaries.

Cost on Development Activities

None.

Cost and Effects of Compliance with Environmental Laws

None.

Total Number of Employees and Number of Full –Time Employees.

As of 31 December, 2008, there were three (3) employees of the Parent Company. One was clerical employee and two were administrative. The Company does not anticipate any increase in its employees within the ensuing twelve (12) months. There were no employees covered by a Collective Bargaining Agreement. There are no supplemental benefits or incentive arrangements. The Company's employees are not on strike and have not gone on strike in the past three (3) years.

<u>Item 2. Properties</u>

As at the end of 2008, Medco did not own any real property. It has been sharing office space at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1229, Metro Manila (the "Floor") with three other members of the Lippo Group of Companies in the Philippines, namely, MAIC, Lippo Securities, Inc. ("LSI"), and Capital Place International Limited ("CPIL"). The Floor has 4 condominium units, one of which are occupied by the Lippo Group. The Floor is owned by CPIL which is a wholly-owned subsidiary of LSI.

The following table identifies the significant properties presently owned and leased by the companies in which Medco has equity investments:

Export and Industry Bank, Inc.

The Bank's properties consist of the following:

Exportbank Plaza is a 37-storey premium and one (1) basement level premium grade building, standing on a 3,698 m^2 prime lot bounded on three sides by Sen. Gil Puyat, Chino Roces Avenue and ExportBank Drive. It has an average gross area of 1,354 square meters and an average net usable area of 1,160 square meters per office floor. Five floors, namely 12^{th}, 20^{th}, 23^{rd}, 36^{th} and the 37^{th} serve as the Corporation's Head Office. Aside from a branch of the bank, the ground floor houses several retail spaces leased to various establishments. Other floors are mostly office spaces leased by other companies, and three floors that have been sold as office space to various companies or parties. The building has been a Philippine Economic Zone Authority (PEZA) accredited "IT Zone" in November 3, 2003.

ExportBank Alabang, located at the Mapfre Asian Corporate Center Madrigal Business Park, Acacia Avenue, Ayala Alabang, Muntinlupa is a two-storey property of the Corporation. The ground floor measures 199.73 square meters and the second floor measures 437.47 square meters. Part of the 2nd floor serves as the Business Recovery Center and at the same time as alternative executive offices.

ExportBank Greenhills, located at the Victoria Condominium, 41 Annapolis St., San Juan City, has a floor area of approximately 273.81 square meters. It is maintained by the Corporation for its branch operations in that area.

ExportBank Cebu Business Park is located at the Ayala Life-FGU Center Cebu Business Park, Mindanao Avenue corner Biliran Road, Cebu City. The Corporation owns the ground floor with an area of 157.3 square meters where it maintains a branch, and the fourteenth floor with an area of 585.27 square meters where it maintains a regional office.

Export and Industry Bank Building is located at Quezon corner Delgado Streets, Iloilo City. It is a 3-storey edifice, the total floor area of which is approximately 1,280 square meters, including the mezzanine and the garage. The ground floor is utilized for the Bank's branch operations while the 2nd and 3rd floors are for lease.

Properties Leased by the Bank –

The Bank is leasing the following properties for its branch operations:

Branch	Area (m^2)	Lease Amount (₱/month)	Expiry Date
Banawe ACE Tower 1 Bldg. #211, Banawe Street, Quezon City	135	123,641.07	April 14, 2012
Caloocan Augusto Building, 478 Rizal Avenue Extension Grace Park, Caloocan City	171	153,346.18	December 31, 2011
Juan Luna 694-696 Juan Luna and Sta. Elena Streets, Binondo, Manila	138	257,230.66	August 31, 2009
Las Pinas 267 Alabang-Zapote Road, Pamplona, Las Pinas City	240	101,640.00	September 30, 2012
LRT Monumento Level 2, Ever Gotesco Grand Central, Rizal Avenue, Caloocan City	38	202,569.14	May 31, 2009
Malabon 14 Gov. Pascual Avenue, Concepcion, Malabon	210	194,911.06	February 15, 2012
BF Homes G/F Aurora IV Bldg., BF Homes, Phase 2	200	110,000.00	June 15, 2013
San Pedro MMG Bldg. National Hi-way, San Antonio, San Pedro, Laguna	200	56,000.00	October 10, 2013
Ortigas G/F Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City	152	117,420.00	November 30, 2012
Binan- Carmona Greatwall Aluminum Bldg, Carmona Cavite	245	68,600.00	March 2, 2013
Rufino Pacific G/F Rufino Pacific Tower Building, Ayala Avenue,	150	126,000.00	Month-to-Month

corner Rufino Street, Makati City			
Salcedo G/F Salcedo Towers, 169 H.V. Dela Costa Street, Salcedo Village, Makati City	166	137,625.08	March 31, 2011
Chino Roces Exportbank Plaza, Exportbank drive corner Chino Roces, Makati City	261.51	196,132.50	December 31, 2012
Angeles 343 Sto. Rosario Street, Angeles City, Pampanga	300	67,318.35	August 14, 2010
Bacolod MFC Building, Lacson corner Henares Streets, Bacolod City	304	117,305.44	Month-to-Month
Baguio Branch G/F, La Azotea Building, 108 Session Road, Baguio City	51.45	43,143.77	Month-to-Month
Binondo Branch G/F Level Downtown Center Building, 520 Quintin Paredes Street, Binondo, Manila	300	241,077.38	July 31, 2013
Cabanatuan G/F Unit B Gonzales Building, 377 Diversion Road, Maharlika Hi-way, Cabanatuan City	110	30,000.00	March 31, 2009
Cagayan de Oro Jofelmor Building, Mortola corner J.R. Borja Streets Cagayan de Oro City	162	81,928.00	June 15, 2009
Calamba Branch Main Alley 1, Pamilihan sa Parian Commercial Complex, South National Highway, Barangay Parian, Calamba City	64	28,160.00	Month-to-Month
Cebu 116 Gorordo Avenue, Lahug, Cebu City	1,632	160,524.00	August 31, 2009
Cebu -Plaridel GF Gay Sen Bldg, 137 Plaridel St. Cebu City	200	120,000.00	March 31, 2013
Cubao Farmers 3/F New Farmers Plaza, EDSA corner Gen. Roxas Avenue, Cubao, Quezon City	39	69,428.80	Month-to-Month
Dagupan Abarabar Building, Perez Boulevard, Dagupan City	200	74,491.56	April 30, 2009
Davao Aldevinco Commercial Building, #4 C.M. Recto Street, Davao City	198	60,500.00	August 31, 2009
Davao -Jacinto GF CVA Bldg, C. M Recto cor Jacinto Sts, Davao City	450	89,600.00	November 30, 2017
Del Monte Branch 497 Del Monte Avenue, Brgy. San Francisco del Monte, Quezon City	238.55	152,527.00	April 15, 2013
East Avenue G/F Lyman Building, 18 East Avenue corner V. Luna Road, Quezon City	60	41,053.08	January 7, 2010
Greenhills Ortigas Branch			

Ground Floor I-Bank Bldg. Ortigas Avenue near corner Wilson St. San Juan	247	170,550.00	December 15, 2012
Imus 155 Nueno Avenue, Barangay Poblacion 4, Imus, Cavite	120	38,547.19	October 15, 2010
Jupiter Branch No. 40 Jupiter St. Bel Air, Makati City	177	88,500.00	February 28, 2013
Legaspi Branch Evekal Building, 855 Pasay Road corner Amorsolo Street Legaspi Village, Makati City	228	179,706.00	Month-to-Month
Mabalacat Branch Mabalacat Public Market, McArthur Highway, Mabalacat, Pampanga	130	26,620	October 31, 2009
Masangkay Branch 955 Masangkay St. Binondo Manila	15.32	80,000.00	April 15, 2013
Navotas Branch 514 North Bay Boulevard corner Lacson Street, Navotas, Metro Manila	233	44,158.50	May 15, 2009
New Libis Branch 80 E. Rodriguez Jr. Avenue Libis, Quezon City	255	120,487.50	December 15, 2012
Paco Branch G/F Paco Building corner Pedro Gil, Angel Linao and Gen. Luna Streets, Paco, Manila	35	30,000.00	May 31, 2008
Roosevelt Branch Ground Floor 205 corner Roosevelt Ave. and Osmena St. San Francisco Del Monte	250	50,000	December 15, 2012
Sto. Cristo Branch Ground Floor Kim Siu Ching Foundation Bldg. 471-483 Sto. Cristo St. cor. Jaboneros St. Binondo Manila	188.88	76,225.98	December 15, 2012
Timog Branch Timog Commercial Complex Timog Avenue corner Panay Avenue Quezon City	172.61	93,000.00	May 01, 2013
Tutuban Branch Primblock Building Tutuban Center Claro M. Recto, Manila	131.35	70,000.00	August 22, 2014
Emerald Unit 101B G/F, the Orient Square, Ortigas Center, Pasig City	186	135,262.40	November 19, 2013
NAIA Sucat 707-3 Columbia complex Bldg, Ninoy Aquino Ave., Paranque city	269.22	100,000	June 15, 2013
UN Avenue G/F Vistoria Bldg, 429 UN Avenue cor LM Guerrero St., Ermita Manila	325	110,200.00	June 14, 2018

Valenzuela Branch Unit 108, Stripmall-Ellimac Building, McArthur Highway Barangay Dalandanan, Valenzuela City	49	44,771.00	Month-to-Month
Valenzuela Branch 95 McArthur Highway Marulas, Valenzuela City	250	58,800.00	March 17, 2018

Off-site ATMs:

Mandaluyong City	**SM Megamall**	4.5	38,000.00	April 30, 2009

The above properties leased by the Bank are renewable upon mutual agreement of the parties.

Medco Asia Investment Corporation

MAIC is renting 211.82 sq. meters of Unit C of the 31F of Rufino Pacific Tower, Ayala Avenue, Makati City, with annual rent payment of P766,270.

Item 3. Legal Proceedings

As at 31 December 2008 and as far as the management of the Company is aware, there are no pending material legal proceedings to which the Company or of its subsidiary, MAIC, is a party or of which any of its property is the subject.

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

Not applicable.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Company's common shares are listed and traded on the PSE.

The high and low price for the first quarter of 2009 were as follows:

1st Quarter	
High	Low
P 0.27	P0.15

The high and low prices for each quarter of 2008 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.58	P0.33	P 0.41	P0.33	P0.49	P0.30	P0.32	P0.115

The high and low prices for each quarter of 2007 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.80	P0.245	P 0.80	P0.33	P0.68	P0.32	P0.60	P0.37

The high and low prices for each quarter of 2006 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.245	P0.245	P 0.205	P0.205	P0.23	P0.23	P0.26	P0.26

As at 15 April 2009, the closing price of ₱0.18 per share on April 16, 2009 was the last recorded transaction for said shares on the PSE prior to the filing hereof.

Recent Sales of Unregistered Securities. -- NONE

Holders, Dividends and Sale of Unregistered Securities

Based on the records of the Company's stock transfer office, Philippine Stock Transfer, Inc., as at 15 April 2009, there were 691 holders of the common stock of the Company. The names of the top 20 shareholders and the number of shares and the percentage of total shares outstanding held by each stockholder are set forth on page 23 of this report.

No cash dividends have been declared by the Company on its common stock for the last 10 years. The Corporation Code of the Philippines provides that dividends may only be declared out of unrestricted retained earnings. The directors will consider dividend payments after taking into account factors such as Company cash flow, future expansion plans and prevailing bank interest rates.

There were no sales of any unregistered securities of the Company within the past three years.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with Item 1 and the consolidated Financial Statements and related Notes to Financial Statements in Exhibit A of this Report.

Results of Operations

2008

Consolidated revenues for the year 2008 declined by 22% compared to previous year's figure. During the year under review, revenues consisted of fees and other commissions (34%), interest income from short-term placements (26%), unrealized foreign exchange gain (25%), dividend income (9%), and other income (6%).

The unrealized foreign exchange gain amounting to P2.6 million this year resulted mainly from the revaluation of Hong Kong dollar placements of the Company's subsidiary. The exchange rate at the end of 2008 went up to P6.1273 to a Hong Kong dollar compared to the P5.3078 exchange rate as of December 31, 2007. In contrast, an unrealized foreign exchange loss of P3.4 million was booked in 2007.

In spite of the gain from the foreign exchange transactions, there was a decline in the consolidated revenues. The decrease was mainly due to the significant reduction of approximately 84% in the dividend income received from Manila Exposition Complex, Inc. relative to the prior year, when dividend income accounted for 44% of the total consolidated revenues. Furthermore, there was a 23% decline in interest income which resulted from the reduction in the deposit placements of the Company's subsidiary due to withdrawals for its working capital requirement and the reduction in the interest rate earned from its dollar-denominated deposits.

Consolidated expenses, on the other hand, decreased by approximately 21% from to the previous year's figure. The expenses for this year comprised mainly of salaries and wages (33%), interest expense (19%), representation & entertainment (14%), professional fees (10%), taxes and occupancy (11%) and other expenses (23%).

The major components of expenses decreased substantially in the year under review compared to the prior year's comparative period. Salaries & wages decreased by 16%, interest and bank charges went down by 11%, and entertainment expense declined by 3%. This was the result of the Company's continuing cost-cutting measures.

<u>2007</u>

Consolidated revenues for the year ended December 31, 2007 decreased by 21% relative to the prior year's figures. During the year under review, the revenue account consisted of dividend income (44%), commission and fees (26%), interest income (26%), and other revenues (4%). On the other hand, last year's revenue account was composed of interest income (52%), fees and other commissions (24%), dividend income (17%), and other revenues (7%).

The decrease in the consolidated revenues was mainly due to the 60% decline in the interest income account. The decline in interest income resulted in turn from the reduction in bank deposit placements of the Company's subsidiary to fund its acquisition of equity shares in Exportbank. In May 2006, the subsidiary purchased an additional 1,464,285,600 Exportbank common shares which increased its ownership interest in the said investee bank from 0.92% to 7.84%. Aside from the said reduction in bank placements, there was also a downward trend in the interest yield from peso bank placements and foreign currency bank deposits as the prevailing interest rates moved downwards in tandem with the declining U.S federal funds rate.

There was also a 56% decrease in the other revenues account as compared to the previous year. In 2006, MAIC realized a gain on its investment in a newly-listed stock, the initial public offering of which it helped to underwrite. There were however no such opportunities for investment gains in 2007. This was because when information about the magnitude of the losses incurred by some U.S. financial institutions from subprime mortgage loan defaults came out in the third quarter of 2007, the U.S. stock market and inevitably other stock markets, including our own, reacted negatively and turned bearish. Then, market sentiment was dampened further by subsequent indications that the U.S. economy was going into a recession.

In contrast to the aforementioned unfavorable trends, we note that dividend income received from Manila Exposition Complex, Inc. doubled in 2007.

On the expense side, consolidated expenses also decreased by approximately 21% versus the previous year's figures. During the year under the review, expenses were mainly comprised of employee benefits (31%), interest and bank charges (17%), foreign exchange losses (13%), entertainment, amusement and recreation expenses (11%), and other expenses (28%).

Due mainly to the cost cutting measures implemented by the Company, the major expense accounts decreased during the year under review as compared to 2006. Taxes & licenses were significantly lower by 74%, entertainment expenses were reduced by 40%, employee benefits decreased by 20% and interest expenses declined by 16%.

The unrealized foreign exchange loss booked by the Company's major subsidiary increased by 21% from an amount of P2.8 million in 2006 to P3.4 million in 2007. At the end of 2007, the peso exchange rate stood at P41.401 vis-à-vis the US dollar, appreciating by P7.731 or approximately 16% from the December 31, 2006 exchange rate of P49.132.

Apart from the accounts mentioned above, there was no significant movement in the other expense components.

2006

Consolidated revenues decreased by 30% during the year under review. It basically composed of interest income from deposit and placements (52%), fees and commission (24%), dividend income (17%), and other income (7%). The decrease in the revenue account was mainly brought about by the reduction on the interest rate of the deposit and placement accounts. An almost 10% decline of the interest rate was noticed, from a rate ranging from 5.75% to 6% in 2005 to an average of 5% in 2006. Aside from the decline of interest rate, the amount of the deposit and placement accounts was also reduced because of the acquisition by the Company's subsidiary of equity shares of Exportbank.

There was no significant change in the consolidated expenses, it only decreased by 0.68% compared to last year's figure. The expenses were mainly composed of salaries and wages (34%), interest and charges (18%), representation and entertainment (16%), professional and management fees (7%), taxes and licenses (7%), and other expenses (18%).

The salaries and wages account increased by 21% due to the accrual of retirement expense for the year 2006. Same with taxes and licenses account that increased by 19% because of the payment of capital gains tax by the Company's subsidiary.

On the other hand, interest and charges, representation and entertainment; and professional and management fees decreased significantly during the year under review. As mentioned above, there was a reduction in the interest rate not only for deposit and placement accounts but also in the prime lending rates, this resulted in a decrease of 28% in the interest and charges account. The 23% decrease in the representation account can be attributed in the Company's cost-cutting measure. Likewise, the Company's consultancy agreement was terminated in November 2005.

Financial Position

2008

With respect to the balance sheet as at the end of 2008, there was a 7% decrease in total assets as compared to the previous year. Total assets this year were composed mainly of investment in subsidiary and associate (79%), cash and cash equivalents (12%), and available-for-sale financial assets (7%).

The 62% reduction in the loans and receivables account resulted from the collection of a loan receivable of MAIC granted in 1996 collateralized by Exportbank class A shares. The collateral shares were foreclosed by MAIC in 2008 and applied to pay-off the loan.. The foreclosure of shares increased the Company's beneficial ownership interest in the investee company from 10.29% to 10.31% on a consolidated basis.

There was also a significant decline of 72% in the other assets account which was comprised mainly of bank placements with a local bank. The said placements were preterminated in December 2008.

On the liabilities side, the accounts payable and accrued expenses account went up by 29%, mainly because of funds borrowed for the Company's working capital requirements. Furthermore, the due to related party account also increased by 31%. The additional funds borrowed from its affiliate companies were used to pay off the loans payable to a local bank amounting to P67.4 million.

As at December 31, 2008, the total shareholders' fund of the Company amounted to ₱157 million.

2007

Referring to the balance sheet, there was no significant movement in the total assets amount as at the end of the year under review as compared to last year. Total assets in 2007 were composed mainly of investments in subsidiary and associate (75%), cash (12%), available-for-sale financial assets (7%) and other assets (6%).

The bulk of the consolidated cash account in 2007 was attributable to the Company's subsidiary, MAIC. The 16% decline in the cash account reflected the payments made by MAIC to defray its operating expenses in 2007.

Regarding the loans and receivables account, MAIC grants advances to an affiliate company and additional advances made in 2007 increased the said account by 22% relative to 2006. Medco, on the other hand, receives advances from its affiliate companies to finance its working capital requirements. The increase in the liabilities account, particularly the accounts payable and accrued expenses, resulted from such additional advances obtained by the Company during the year under review.

On February 15, 2006, Cardinal Bancresources, Inc. assigned to MAIC its rights over 3,999,995 shares in Safeharbor Holdings, Inc. Also on the same date, Goldwin Bancshares, Inc. assigned to MAIC its rights over 3,999,995 shares of Outperform Holdings, Inc.. MAIC recorded the acquisition at P7,999,990 and recognized a liability to Lippo China Resources Limited for the funding of these shares under the due to a related party account.

As at December 31, 2007, the total shareholders' fund of the Company amounted to ₱167 million

2006

With reference to the balance sheets, total assets increased by 25% compared to last year's figure. Significant movements were noted also in some components thereof, specifically in the short-term investment and cash and cash equivalent accounts. The peso placement (short-term investment) was terminated to fund the acquisition by the Company's subsidiary of equity shares of Exportbank. On the other hand, as a result of the financial quasi reorganization and capital increase of Exportbank as a prelude to the new capital infusion made by the consortium of mostly new investors, the Company's consolidated equity share in Exportbank was reduced from 17.49% to 7.51%.

On the liabilities side, a significant increase of 140% was noted. The Company obtained additional loan and advances for its working capital requirement. The Company's subsidiary also borrowed funds from a related party amounting to P116 million to finance its investment in Exportbank.

As at December 31, 2006, the total shareholders' fund of the Company amounted to ₱176 million

Prospects for 2009

As mentioned in a preceding section, the global financial crisis that began in September 2008 and was accompanied by economic recessions in the U.S., Japan and other developed countries has inevitably also cast its dark shadow on the local business climate and stock market sentiment. The deep pessimism that the widespread economic recessions have generated had been duly reflected in the downward movement of such countries' respective stock market indices. Indeed, despite the Philippines' still positive GDP growth, even the PSE composite stock index could not help but mirror the steep declines experienced by the more advanced stock markets.

However, although such stock markets did indeed go into a steep decline after September 2008, the downtrend seems to have abated in the second week of March 2009 as a result of recent positive international developments. The enactment of huge economic stimulus programs by the governments of the countries most affected by the crisis as well as the joint determined efforts being shown by the Group of 20 member nations to address this global problem seem to have rekindled hope among investors that their worst fears of a world economic meltdown rivaling in severity the great depression of the 1930s may have been exaggerated. Also, the better-than-expected earnings results reported by a number of big U.S. banks during the first two months of 2009 have given the impression that the banking sector may be over the hump. Likewise, there have been improvements reported in the housing markets in some U.S. states as well as in the U.S. consumer confidence index level. These favorable happenings have led some major U.S. fund managers to go out on a limb and optimistically declare that the market has bottomed-out and is now in a recovery mode.

Another area where the emerging optimism has induced a similar favorable reversal is in the peso foreign exchange rate. Contrary to earlier forecasts, the peso exchange rate has been appreciating vis-à-vis the U.S. dollar from a low of P49.05 at the start of March 2009 to a high of P47.66 on April 14, 2009. This represents an improvement of nearly 3% over just a six-week period.

On the other hand, some prominent U.S. investment experts and research firms with good forecasting track records remain somewhat pessimistic. They maintain that the five-week-old uptrend that the stock market is currently experiencing is just a bear-market rally. Legendary investment guru George Soros argues that a sustained U.S. stock market recovery cannot happen until there has been a turnaround in the economy. Others agree and say that the stock market will soon resume its interrupted decline as it has been overbought and most stocks are overpriced relative to their expected earnings, which they say will continue to shrink. Many U.S. analysts estimate that the S&P 500 member firms' earnings decline, which has lasted for six quarters, will continue for three more quarters before profits will improve. Even former U.S. Federal Reserve Chairman Paul Volcker, now a senior economic adviser to the current administration, admits that in spite of discernible signs that the economy's decline is being contained, the nation still faces a long hard climb towards economic recovery. And as history has shown, whatever happens in the U.S. economy and stock market will invariably be reflected in the rest of the world.

Of the foregoing two divergent views, we would tend to adopt the less optimistic outlook For this reason, the year 2009 is again expected to be a difficult one. Nonetheless, there appears to be some hope that, in addition to the few business prospects that may materialize from its regular investment banking activities, there could be pockets of opportunities that the Company's principal subsidiary may avail of to realize higher foreign exchange gains and thereby contribute more positively to its bottom line.

Key Variable and Other Qualitative and Quantitative Factors

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. There are also no material commitments for capital expenditure or any significant elements of income or loss from continuing operations. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at December 31, 2008 consisted of P55.8 million of cash and cash equivalents and short-term investments. Its external sources of liquidity would consist of advances from its affiliate companies and/or major shareholders.

Furthermore, there were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. Aside from those already mentioned above, the Company is also not aware of any events that will cause a material change in the relationship between the costs and revenues.

Item 7. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of Medco for the past 3 years ended 31 December 2008 appear on Exhibit A of this Report.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

NONE

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Information on the directors and executive officers of Medco will be incorporated in SEC Form 17-IS or the Proxy Statement, which will be submitted on a later date prior to the annual stockholders meeting.

Significant Employee.
None.

Family Relationship
None.

Involvement in Certain Legal Proceedings
None

Item 10. Executive Compensation

Information on the "Compensation of Directors and Executive Officers" will be incorporated in SEC 17-IS or the Proxy Statement, which will be submitted on a later date prior to the annual stockholders meeting.

Warrants and Options Outstanding: Repricing - Not Applicable

Item 11. Security Ownership of Certain Beneficial Owners and Management-

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's Outstanding Stock as of 15 April, 2009:

Title of class	Name and address of record/beneficial owner	Amount and nature of record/beneficial ownership ("r" or "b")	Percent of class
Common	Citivest Asia Limited 24/F Lippo Tower, Lippo Centre, 89 Queensway Hong Kong	322,314,874 (b)	46.04%
Common	PCD Nominee Corp. Makati Stock Exchange Bldg., Ayala Avenue Makati City	195,645,166(r)	27.95%

Mr. Dionisio E. Carpio, Jr., or in his absence, Mr. Bobby Cheng Sai Chong is appointed as the representative of Citivest Asia to attend and vote at the stockholders' meeting of the Company. Messrs. Dionisio E. Carpio, Jr, and Bobby Cheng Sai Chong have no relationship with Citivest Asia Limited , except that they have been the regular appointees of Citivest Asia for purposes of attending and voting on behalf of Citivest Asia at the stockholders' meeting of the Company in accordance with its instructions.

The registered owners of more than 5% of the outstanding shares of PCD Nominee Corp. is as follows:

Title of class	**Name and address of owner**	**Amount and nature of ownership (indicate record and/or beneficial ownership)**	**Percent of class**
Common	EIB Securities, Inc. 11th Flr. Export BankPlaza, Chino Roces Ave., Makati City	72,331,012 (record owner-foreign)	10.33%

The 72,331,012 shares -foreign are in turn owned by the following record and/or beneficial owners:

Title of class	**Name and address of owner**	**Amount and nature of ownership (indicate record and/or beneficial ownership)**	**Percent of class**
Common	Lippo Securities Limited (LSL) Hongkong	72,331,012 (record owner)	10.33%

Security Ownership of Management

To the extent known to the Board of Directors, there is no security ownership of Management, other than directors' qualifying shares. The record ownership of shares of the Board of Directors is as follows:

Title of class	Name and address of record owner	Amount and nature of record ownership	Percent of class
Common	Dionisio E. Carpio, Jr. No. 40 Columbia Street Loyola Grand Villas, Quezon City Held for: Citivest Asia Limited 24/F Lippo Tower, Lippo Centre, 89 Queensway Hong Kong	9	-
Common	The 5 directors own 1 qualifying shares	5	-

All of the directors own one (1) qualifying share, except for Mr. Dionisio E. Carpio, Jr . who owns nine (9) shares in the Company, which are held by him for and on behalf of Citivest Asia Limited; and Mrs. Edna Reyes who owns 50,000 shares for herself. This information should be read in conjunction with Item 1, Description of Business on pages 3 to 5 of this Report.

Voting Trust Holders of 5% or More - None

Changes in Control - None

Item 12. Certain Relationships and Related Transactions (See Note 14 , page 21 of the Notes to the Financial Statements)

The Company and its subsidiary, in the ordinary course of business, grant to and obtain advances from certain affiliated companies at prevailing market rates. In addition, Medco Asia Investment Corp. also leases its office space from affiliate Capital Place International Limited for a period one year with an annual rental of P766,270.

The parent-subsidiary relationships of the Company are discussed in Item 1, "Description of Business" on pages 3 to 5 of this Report.

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-A

(a) **Exhibits**	**Page/Incorporation by Reference**
(1) Financial Statements Consolidated Balance Sheets Consolidated Statements of Income Consolidated Statements of Cash Flow Notes to Financial Statements	Exhibit A of this Report
(2) Plan of Acquisition	not applicable

(3)	Instruments Defining the Rights of Securities Holders	not applicable
(4)	Voting Trust Agreement	not applicable
(5)	Annual Report to Security Holders	not applicable
(6)	Change in Certifying Accountant	not applicable
(7)	Report furnished to Security Holders	not applicable
(8)	Subsidiaries of the Registrant	3
(9)	Published Report Regarding Matter Submitted to Vote of Security Holders	not applicable
(10)	Consents of Experts and Independent Counsel	not applicable
(11)	Power of Attorney	not applicable

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 22, 2009. .

Signature	Capacity
John L. W. Lee	Chairman of the Board
Dionisio E. Carpio, Jr.	President
Ma. Lourdes B. Bathan	Principal Accounting Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this APR 2 2 2009 day of ______ at CITY OF MAKATI, affiants exhibiting to me their SSS Number/Passport as follows:

NAMES	SSS Number/ PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ma. Lourdes B. Bathan	33-1121639-9		Manila
Dionisio E. Carpio, Jr	03-1710841-7		Manila
John L.W. Lee	761006550	March 19, 2002	Hong Kong

Notary Public
Doc. No. 37 ;
Page No. 18 ;
Book No. IX ;
Series of 2009

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2009
PTR NO1 0017551- 1/05/09 AT MAKATI CITY
IBP NO. 656155 - LIFETIME MEMBER
APPT M-84/2009 ROLL NO 40091

Top Five (5) Performance Indicators

December 31, 2008, 2007, and 2006

		Medco Holdings, Inc. (Consolidated)			Medco Asia Investment Corp (Major Subsidiary)		
		2008	2007	2006	2008	2007	2006
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	-22.03%	-20.97%	-30.32%	35.45%	-45.08%	-36.28%
2. Net Loss Growth	Net Income Y1-Y0 / Net Income Y0	-18.53%	-25.88%	181.19%	-75.31%	0.21%	-1795.88%
3. Return on Equity	Net Income / Ave. Stockholders' Equity	-5.76%	-4.41%	-5.54%	-0.76%	-3.06%	-2.91%
4.Current Ratio	Current Assets / Current Liabilities	0.31x	0.39x	0.38x	9.19x	16.09x	24.96x
5. Debt-to-Equity- Ratio	Total Liabilities / Stockholders' Equity	0.69x	.75x	0.67x	0.31x	0.38x	0.34x

Note:

Y1= Current year

Y0= Previous year

MEDCO HOLDINGS, INC.
LIST OF TOP 20 STOCKHOLDERS
As of 15 April 2009

RANK	NAME	Nationality	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
1	Citivest Asia Limited	Foreign	322,314,874	46.04%
2	PCD Nominee Corporation-Filipino	Filipino	108,231,154	15.46%
3	PCD Nominee Corporation-Non-Filipino	Foreign	87,414,012	12.49%
4	Clariwealth Investment Limited	Foreign	34,500,000	4.93%
5	Green Target Limited	Foreign	34,500,000	4.93%
6	Prowealth Asia Limited	Foreign	34,500,000	4.93%
7	Sinojade Limited	Foreign	34,500,000	4.93%
8	Suncentury Asia Limited	Foreign	34,500,000	4.93%
9	Li Chih Hui	Filipino	3,300,000	0.47%
10	Rexlon Gatchalian	Filipino	1,000,000	0.14%
11	Rodrigo, Raul	Filipino	1,000,000	0.14%
12	Lee, Kwok Fai Davy	Foreign	672,900	0.10%
13	Ng, Ka Kit	Foreign	662,990	0.09%
14	Chua, Andy &/or Gemma	Filipino	420,000	0.06%
15	Lo, Eduardo	Filipino	394,000	0.06%
16	Cordova, Lawrence	Filipino	350,000	0.05%
17	Belson Sec., Inc. A/C #196-358	Filipino	300,000	0.04%
18	Luk, Millie	Foreign	236,000	0.03%
19	Marita Ibardolaza	Filipino	100,000	0.01%
20	Leticia Sy	Filipino	90,000	0.01%

Total Number of shares issued and outstanding = 700,000,000

Medco Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 24, 2009

The management of **Medco Holdings, Inc.** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2008, 2007 and 2006. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRSs) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

JOHN L.W. LEE
Chairman of the Board
Passport No. 761006550

DIONISIO E. CARPIO, JR.
President
TIN 115-321-387

Mebathan

MA. LOURDES B. BATHAN
Principal Accounting Officer
TIN 163-257-196

APR 22 2009 CITY OF MAKATI

SUBSCRIBED AND SWORN to before me this _____day of ______ at _________, affiants exhibiting to me their SSS Number/Passport as follows:

Dionisio E. Carpio, Jr.	03-1710841-7	Manila
Ma. Lourdes B. Bathan	33-1121639-9	Manila
John L.W. Lee	761006550	March 19,2002/Hongkong

NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2009
PTR NO10017551- 1/05/09 AT MAKATI CITY
IBP NO. ... - LIFETIME MEMBER
APPT M-84/2009 ROLL NO 40091

Doc.No. 37
Page No. 86
Book No. IX
Series of 2009

Report of Independent Auditors

The Board of Directors and the Stockholders
Medco Holdings, Inc.
31st Floor, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

We have audited the accompanying consolidated financial statements of Medco Holdings, Inc. and Subsidiaries (the Group) and the financial statements of Medco Holdings, Inc., (the Parent Company) which comprise the balance sheets as at December 31, 2008 and 2007, and the income statements, statements of changes in equity and cash flow statements for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the 2008 and 2007 financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as of December 31, 2008 and 2007, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Group incurred net losses of P10,229,695, P12,556,124 and P16,939,925 for the years ended December 31, 2008, 2007 and 2006, respectively, and has a deficit of P568,097,304, and P558,784,956 as of December 31, 2008 and 2007, respectively. Although the Group has a deficit as of December 31, 2008 and 2007, management believes that the Group will be able to achieve positive business operations in the future. Consequently, the accompanying financial statements have been prepared assuming that the Group will continue as a going concern.

As also discussed in Note 10, as of December 31, 2008, the Group holds a 10.31% interest with a carrying value of P366,881,400 in the shares of stock of Export and Industry Bank, Inc..

PUNONGBAYAN & ARAULLO

By: Benjamin P. Valdez
Partner
CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 1566055, January 5, 2009, Makati City
SEC Accreditation No. 0009-AR-2
BIR AN 08-002511-11-2008 (Nov. 25, 2008 to 2011)

March 24, 2009

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Citivest Asia Limited)
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
ASSETS					
CASH AND CASH EQUIVALENTS	7	P 55,788,802	P 59,186,798	P 137,981	P 2,059,293
AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net	8	32,049,925	32,809,061	31,268,750	31,268,750
LOANS AND RECEIVABLES - Net	9	906,635	2,364,221	486,117	20,409
DUE FROM RELATED PARTIES	14	209,371	2,290,368	55,316,828	-
INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE - Net	10	366,881,400	374,071,390	199,995,929	199,995,929
OTHER ASSETS	11	7,261,024	26,226,312	501,149	916,338
TOTAL ASSETS		P 463,097,157	P 496,948,150	P 287,706,754	P 234,260,719
LIABILITIES AND EQUITY					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12	P 5,430,737	P 4,209,102	P 326,749	P 369,466
INTEREST-BEARING LOANS	13	-	67,423,681	-	67,423,681
DUE TO RELATED PARTIES	14	184,070,426	140,730,552	148,001,487	19,446,645
Total Liabilities		189,501,163	212,363,335	148,328,236	87,239,792
EQUITY ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT COMPANY		156,804,456	166,606,781	139,378,518	147,020,927
MINORITY INTEREST		116,791,538	117,978,034	-	-
Total Equity		273,595,994	284,584,815	139,378,518	147,020,927
TOTAL LIABILITIES AND EQUITY		P 463,097,157	P 496,948,150	P 287,706,754	P 234,260,719

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Citivest Asia Limited)
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

	Notes	Group 2008	Group 2007	Group 2006	Parent Company 2008	Parent Company 2007	Parent Company 2006
REVENUES							
Commission and fees		P 3,598,182	P 3,600,547	P 4,179,798	P -	P -	P 638,182
Interest		2,768,907	3,582,435	8,983,277	2,890	14,391	4,035
Foreign exchange gain		2,694,324	-	-	7,407	-	-
Dividend		978,773	6,000,000	3,000,000	900,000	6,000,000	3,000,000
Rent		581,384	-	-	-	-	-
Others		62,000	518,333	1,175,063	-	517,753	-
		10,683,570	13,701,315	17,338,138	910,297	6,532,144	3,642,217
EXPENSES							
Employee benefits	16	6,736,825	8,027,332	10,038,244	2,174,095	2,054,997	2,157,976
Interest and bank charges		3,887,779	4,353,500	5,207,891	3,875,180	4,353,500	5,207,891
Representation		2,839,930	2,915,734	4,842,792	775,636	738,841	982,201
Professional and management fees		2,056,665	1,800,002	2,092,549	431,000	434,179	439,746
Occupancy	14	1,397,583	1,298,989	1,297,293	312,000	312,000	312,000
Taxes and licenses		812,908	1,200,233	2,370,224	346,827	361,181	364,203
Foreign exchange losses - net		-	3,439,993	2,850,798	-	9,369	4,771
Others		2,700,996	2,682,689	4,009,901	637,968	644,284	956,423
		20,432,686	25,718,472	32,709,692	8,552,706	8,908,351	10,425,211
LOSS BEFORE TAX		9,749,116	12,017,157	15,371,554	7,642,409	2,376,207	6,782,994
TAX EXPENSE	17	480,579	538,967	1,568,371	-	2,878	807
NET LOSS		P 10,229,695	P 12,556,124	P 16,939,925	P 7,642,409	P 2,379,085	P 6,783,801
Attributable to:							
Equityholders of the Parent Company		P 9,312,348	P 8,947,753	P 13,338,971	P 7,642,409	P 2,379,085	P 6,783,801
Minority interest		917,347	3,608,371	3,600,954	-	-	-
		P 10,229,695	P 12,556,124	P 16,939,925	P 7,642,409	P 2,379,085	P 6,783,801
Loss Per Share	18	P 0.015	P 0.018	P 0.024	P 0.011	P 0.003	P 0.010

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Citivest Asia Limited)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
EQUITY ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT COMPANY						
Capital Stock - P1 par value						
Authorized, issued and outstanding- 700,000,000 shares	P 700,000,000	P 700,000,000	P 700,000,000	P 700,000,000	P 700,000,000	P 700,000,000
Additional Paid-In Capital	25,498,912	25,498,912	25,498,912	25,498,912	25,498,912	25,498,912
Fair Value Losses in Available-for-sale Financial Assets						
Balance at beginning of year	(107,175)	-	-	-	-	-
Fair value loss	(489,977)	(107,175)	-	-	-	-
Balance at end of year	(597,152)	(107,175)	-	-	-	-
Deficit						
Balance at beginning of year	(558,784,956)	(549,837,203)	(536,498,232)	(578,477,985)	(576,098,900)	(569,315,099)
Net loss	(9,312,348)	(8,947,753)	(13,338,971)	(7,642,409)	(2,379,085)	(6,783,801)
Balance at end of year	(568,097,304)	(558,784,956)	(549,837,203)	(586,120,394)	(578,477,985)	(576,098,900)
Total Equity Attributable to Equityholders of the Parent Company	156,804,456	166,606,781	175,661,709	139,378,518	147,020,927	149,400,012
MINORITY INTEREST						
Balance at Beginning of Year	117,978,034	121,645,280	125,246,234	-	-	-
Additions	10	-	-	-	-	-
Share in Fair Value Losses	(269,159)	(58,875)	-	-	-	-
Share in Net Loss	(917,347)	(3,608,371)	(3,600,954)	-	-	-
Balance at End of Year	116,791,538	117,978,034	121,645,280	-	-	-
TOTAL EQUITY	P 273,595,994	P 284,584,815	P 297,306,988	P 139,378,518	P 147,020,927	P 149,400,012

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Citivest Asia Limited)
CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

	Notes	Group 2008	Group 2007	Group 2006	Parent Company 2008	Parent Company 2007	Parent Company 2006
CASH FLOWS FROM OPERATING ACTIVITIES							
Loss before tax		(P 9,749,116)	(P 12,017,157)	(P 15,371,554)	(P 7,642,409)	(P 2,376,207)	(P 6,782,994)
Adjustments for:							
Interest expense		3,887,779	4,353,500	5,207,891	3,875,180	4,353,500	5,207,891
Interest income		(2,768,907)	(3,582,435)	(8,983,277)	-	-	-
Unrealized foreign exchange loss (gain)		(2,694,324)	3,439,994	2,850,798	7,407	(9,369)	4,771
Gain on sale of transportation equipment		(62,000)	-	-	-	-	-
Depreciation and amortization		25,171	84,000	38,001	-	-	-
Gain on sale of long-term marketable securities		-	-	(529,517)	-	-	-
Operating income (loss) before working capital changes		(11,361,397)	(7,722,098)	(16,787,658)	(3,759,822)	1,967,924	(1,570,332)
Decrease (increase) in loans and receivables		3,538,583	(848,570)	531,144	(465,708)	7,191	34,325
Decrease (increase) in other assets		314,787	(533,922)	556,643	415,189	40,409	(357,734)
Increase (decrease) in accounts payable and accrued expenses		1,361,953	4,775,841	(2,237,593)	(42,717)	3,885,308	6,618,319
Cash generated from (used in) operations		(6,146,074)	(4,328,749)	(17,937,464)	(3,853,058)	5,900,832	4,724,578
Cash paid for income taxes	17	(480,579)	(538,967)	(1,568,371)	-	(2,878)	(807)
Net Cash From (Used in) Operating Activities		(6,626,653)	(4,867,716)	(19,505,835)	(3,853,058)	5,897,954	4,723,771
CASH FLOWS FROM INVESTING ACTIVITIES							
Net decrease in short-term investments	11	19,108,347	-	300,000,000	-	-	-
Interest received		2,285,890	3,582,435	8,983,277	-	-	-
Net increase in investments in subsidiaries and associate	10	(810,000)	(7,999,990)	(366,071,400)	-	-	-
Proceeds from sale of transportation equipment		62,000	-	-	-	-	-
Net decrease (increase) in available-for-sale financial assets		-	(1,663,576)	479,518	-	-	-
Addition to property and equipment		-	-	(45,863)	-	-	-
Net Cash From (Used in) Investing Activities		20,646,237	(6,081,131)	(56,654,468)	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES							
Payments of borrowings		(67,423,681)	-	-	(67,423,681)	-	-
Additional borrowings from related parties		51,339,874	7,584,635	-	73,238,014	-	-
Interest paid		(3,887,779)	(4,353,500)	(5,207,891)	(3,875,180)	(4,353,500)	(5,207,891)
Proceeds from loan availments		-	-	119,565,021	-	-	-
Net Cash From (Used in) Financing Activities		(19,971,586)	3,231,135	114,357,130	1,939,153	(4,353,500)	(5,207,891)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		2,554,006	(3,439,994)	(2,850,798)	(7,407)	9,369	(4,771)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,397,996)	(11,157,706)	35,346,029	(1,921,312)	1,553,823	(488,891)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		59,186,798	70,344,504	34,998,475	2,059,293	505,470	994,361
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P 55,788,802	P 59,186,798	P 70,344,504	P 137,981	P 2,059,293	P 505,470

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Citivest Asia Limited)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Incorporation and Nature of Business

Medco Holdings, Inc. (the Parent Company) is registered with the Securities and Exchange Commission (SEC) as a holding company. The Parent Company's shares of stocks are listed at the Philippine Stock Exchange. The registered office of the Parent Company and subsidiaries (the Group) is located at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

The Parent Company is 46.04% owned by Citivest Asia Limited, which is a wholly owned subsidiary of Lippo China Resources Limited (LCR or the Ultimate Parent).

The Group holds a 10.31% interest in Export and Industry Bank, Inc. (EIB) while the Parent Company holds a 64.54% interest in Medco Asia Investment Corporation (MAIC) and a 2.45% interest in EIB. MAIC was registered with the SEC on April 7, 1995 primarily to conduct business as an investment house.

Presently, MAIC holds 99.99% interests in Outperform Holdings, Inc. (OHI) and in Safeharbor Holdings, Inc. (SHI). Both OHI and SHI are registered with the SEC as holding companies and have not yet started commercial operations as of December 31, 2008.

1.2 Approval of Financial Statements

The financial statements of the Group and of the Parent Company for the years ended December 31, 2008 and 2007 (including the comparatives for the years ended December 31, 2006) were authorized for issue by the Board of Directors (BOD) on March 24, 2009.

1.3 Status of Operations

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Group incurred recurring net losses of P10,229,695, P12,556,124 and P16,939,925 for the years ended December 31, 2008, 2007 and 2006, respectively. On the other hand, the Parent Company incurred recurring net losses amounting to P7,642,409, P2,379,085 and P6,783,801 for the years ended December 31, 2008, 2007 and 2006, respectively. The Group reported deficits of P568,097,304, and P558,784,956 while the Parent Company reported deficits of P586,120,394 and P578,477,985 as of December 31, 2008 and 2007, respectively. Although the Group has incurred a deficit as of December 31, 2008 and 2007, management believes that the Group will be able to achieve positive business operations in the future. Consequently, the accompanying financial statements have been prepared assuming that the Group will continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Group's financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of available-for-sale financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.10).

2.2 Impact of New Amendments and Interpretations to Existing Standards

(a) Effective in 2008 that is Relevant to the Group

In 2008, the Group adopted Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 14, *Philippine Accounting Standard (PAS) 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction,* which is mandatory for accounting periods beginning on or after January 1, 2008. This Philippine Interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits,* on the amount of the surplus that can be recognized as an asset. It standardizes practice and ensures that entities recognize an asset in relation to a surplus on a consistent basis. The Group's adoption of this Philippine Interpretation did not materially affect its financial statements.

(b) Effective in 2008 but not Relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

PAS 39 and PFRS 7 (Amendments)	:	PAS 39, Financial Instruments: Recognition and Measurements and PFRS 7, Financial Instruments: Disclosures

Philippine Interpretation IFRIC 11	:	Group and Treasury Share Transactions
Philippine Interpretation IFRIC 12	:	Service Concession Arrangements

(c) *Effective Subsequent to 2008*

There are new and amended standards and Philippine Interpretation that are effective for periods subsequent to 2008. The following new standards are relevant to the Group which the Group will apply in accordance with their transitional provisions.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements

Below is a discussion of the possible impact of the relevant amended accounting standard which the Group will apply in accordance with its transitional provisions.

PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.

PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply this revised standard prospectively from January 1, 2010 to transaction with non-controlling interests.

2.3 Basis of Consolidation

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in the succeeding pages, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investment in subsidiaries and minority interest as follows:

(a) Investments in Subsidiaries and an Associate

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights.

Subsidiaries are consolidated from the date the Parent Company obtains control until such time that such control ceases.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Goodwill (positive) represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Associate is an entity over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture.

The Group's investments in an associate are accounted for in these consolidated financial statements at cost, less any impairment loss. Impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of the impairment loss is recognized in profit or loss. Impairment losses recognized are not reversed.

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals of equity investments to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of equity shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiaries.

Minority interests in 2008 and 2007 represent the interests not held by the Group in MAIC.

2.4 Financial Assets

Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly-liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

The foregoing categories of financial instruments are more fully described below.

(a) Financial Assets at FVTPL

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss, except for changes in fair values of reclassified financial assets under PAS 39 and PFRS 7 (Amendments). Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

(c) Held-to-maturity Investments

This includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

(d) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are initially recognized at fair value plus transaction costs and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the income statement. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through the income statement. On the other hand, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings (including accrued interest thereon), accounts payable and accrued expenses and due to related parties.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement under the caption Interest and Bank Charges.

Interest- bearing loans are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable and accrued expenses and due to related parties are recognized initially at their fair value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through payment, cancellation or expiration.

2.6 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

2.7 Equity

Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuing of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Change in fair value of available-for-sale financial assets comprise gains and losses due to the revaluation of available-for-sale financial assets.

Deficit includes all current and prior period results as disclosed in the income statement.

Minority interest pertains to the initial investment and the equity share in the income and losses of the minority stockholders.

2.8 Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and its subsidiaries and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Commission and fees* – Revenue from professional services provided to subsidiaries of EIB is recognized as the service has been completed.

(b) *Interest* – Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).

(c) *Dividends* – Revenue is recognized when the stockholders' right to receive the payment is established.

(d) *Rental income* – Revenue is recognized on a straight-line basis over the term of the lease (see also Note 2.9).

Costs and expenses are recognized in the income statement upon utilization of the service or at the date they are incurred.

2.9 Leases

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.10 Functional Currency and Foreign Currency Transactions

(a) *Functional and Presentation Currency*

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

(b) *Transactions and Balances*

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.11 Impairment of Non-financial Assets

The Group's investments in subsidiaries and associate and goodwill are subject to impairment testing. Goodwill, which has indefinite useful life, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.12 Employee Benefits

(a) Retirement Benefit Obligations

Pension benefits are provided to employees through a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the balance sheet for retirement benefit obligation is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, if any, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date.

2.13 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred tax is provided, using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Impairment of Available-for-sale Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

As of December 31, 2008 2007, and 2006, the Group did not recognize any impairment losses in available-for-sale financial assets.

(b) Operating Lease

The Group has entered in a lease agreement as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Rent expense charged to the Group's operations amounted to P1,152,119 in 2008 P1,078,269 in 2007, and P1,077,129 in 2006, while the rent expense charged to the Parent Company's operations amounted to P312,000 in 2008, 2007 and 2006. Rent expense is presented as part of Occupancy in the income statements (see Note 14.1).

(c) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.6 and relevant disclosures are presented in Note 19.

3.2 Key Sources of Estimation Uncertainty

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

(a) Allowance for Impairment of Loans and Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

No provision for impairment losses was recognized by the Group in 2008, 2007 and 2006.

(b) Valuation of Financial Assets Other than Loans and Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Fair value loss on available-for-sale financial assets of P489,977 in 2008, P107,175 in 2007 and nil in 2006 was reported by the Group in the equity section.

(c) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount 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 asset to be utilized.

The Group did not recognize any deferred tax asset as of December 31, 2008 and 2007 (see Note 17).

(d) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No additional impairment losses were recognized by the Group as of December 31 and 2008, 2007 and 2006.

(e) Retirement Benefits

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 16 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The estimated retirement benefit obligation of the Group amounted to P1,207,915 and P1,378,802, respectively, in 2008 and 2007; while the net unrecognized actuarial loss is P888,319 and P2,029,192, respectively, in 2008 and 2007 (see Note 16.2). On the other hand, the retirement benefit obligation of the Parent Company amounted to P55,407 in 2008 and P130,919 in 2007, while the net unrecognized actuarial loss is P453,744 in 2008 and P702,777 in 2007.

4. SEGMENT REPORTING

4.1 Business Segments

For management purposes, the Group is organized into three major business segments, namely investment banking and investment holding activities. These are also the basis of the Group in reporting its primary segment information.

(a) Investment banking – principally engaged in activities such as debt and equity underwriting, money market placements, structured financing and corporate financial advisory services.

(b) Others – consists mainly of investment holding activities of the Parent Company, OHI and SHI.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and receivables, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses and due to related parties.

The business segment information of the Group as of and for the year ended December 31, 2008, 2007, and 2006 follows:

	2008		
	Investment Banking	Others	Total
Income:			
Dividend income	P 78,773	P 900,000	P 978,773
Commission and fees	3,598,182	-	3,598,182
Interest income	2,709,983	58,924	2,768,907
Foreign exchange gain	2,680,081	14,243	2,694,324
Other income	643,384	-	643,384
Gross revenues	9,710,403	973,167	10,683,570
Expenses	11,742,784	8,689,902	20,432,686
Loss before income tax	(2,032,381)	(7,716,735)	(9,749,116)
Income tax expense	480,579	-	480,579
Operating loss	(P 2,512,960)	(P 7,716,735)	(10,229,695)
Minority interest in net losses of subsidiary			917,347
Net loss			(P 9,312,348)
Segment assets	P 423,769,044	P 34,513,257	P 458,282,301
Goodwill			4,814,856
Total assets			P 463,097,157
Segment liabilities	P 40,979,341	P 148,521,822	P 189,501,163

	2007		
	Investment Banking	Others	Total
Income:			
Dividend income	P -	P 6,000,000	P 6,000,000
Commission and fees	3,600,547	-	3,600,547
Interest income	3,568,044	14,391	3,582,435
Other income	580	517,753	518,333
Gross revenues	7,169,171	6,532,144	13,701,315
Expenses	16,810,121	8,908,351	25,718,472
Loss before income tax	(9,640,950)	(2,376,207)	(12,017,157)
Income tax expense	536,089	2,878	538,967
Operating loss	(P 10,177,039)	(P 2,379,085)	(12,556,124)
Minority interest in net losses of subsidiary			3,608,371
Net loss			(P 8,947,753)
Segment assets	P 257,872,575	P 234,260,719	P 492,133,294
Goodwill			4,814,856
Total assets			P 496,948,150
Segment liabilities	P 125,123,543	P 87,239,792	P 212,363,335

	2006		
	Investment Banking	Others	Total
Income:			
Dividend income	P -	P 3,000,000	P 3,000,000
Commission and fees	3,541,616	638,182	4,179,798
Interest income	8,979,242	4,035	8,983,277
Other income	1,175,063	-	1,175,063
Gross revenues	13,695,921	3,642,217	17,338,138
Expenses	22,284,468	10,425,224	32,709,692
Loss before income tax	(8,588,547)	(6,783,007)	(15,371,554)
Income tax expense	1,567,564	807	1,568,371
Operating loss	(P 10,156,111)	(P 6,783,814)	(16,939,925)
Minority interest in net losses of subsidiary			3,600,954
Net loss			(P 13,338,971)
Segment assets	P 259,740,494	P 232,754,496	P 492,494,990
Goodwill			4,814,856
Total assets			P 497,309,846
Segment liabilities	P 116,648,373	P 83,354,485	P 200,002,858

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated with the BOD, and focuses on actively securing the Group's short- to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

5.1 Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from the Group's United States (U.S.) and Hong Kong Dollar denominated bank deposits. The Group also holds U.S.
dollar-denominated short-term investments.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

As of December 31, 2008, the Group's short-term exposure on foreign exchange denominated financial assets, translated into Philippine pesos at the closing rate, follows:

	Group		Parent	
	U.S. Dollar	Hong Kong Dollar	U.S. Dollar	Hong Kong Dollar
Financial assets	P 19,311,598	P 7,422	P 58,084	P -
Financial liabilities		(1,379,636)	-	-
Short-term exposure	P 19,311,598	(P 1,372,214)	P 58,084	P -

As of December 31, 2007, the Group's short-term exposure on foreign currency denominated financial assets, translated into Philippine pesos at the closing rate, follows:

	Group		Parent	
	U.S. Dollar	Hong Kong Dollar	U.S. Dollar	Hong Kong Dollar
Short-term exposure	P 6,270,253	P 11,251,317	P 50,408	P -

The following table illustrates the sensitivity of the Group's income before tax with respect to changes in Philippine peso against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	Group		Parent	
	2008	2007	2008	2007
PHP - USD	P 5,056,468	P 1,299,314	P 15,209	P 10,444
PHP - HKD	(358,146)	2,364,026	-	-
Total	P 4,698,322	P 3,663,340	P 15,209	P 10,444

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

5.2 Interest Rate Sensitivity

The Group monitors interest rate movements and makes adjustments on its financial assets and financial liabilities as may be deemed necessary. At December 31, 2008 and 2007, the Group is exposed to changes in market interest rates of its bank placements and loans payable which are subject to variable interest rates (see Note 7). All other financial assets and liabilities have fixed rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0.67% and 2.72% for savings deposits and short-term placements as of December 31, 2008 and +/-2.4% for short-term investments and loans payable as of December 31, 2007. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate, and the financial instruments held at each balance sheet date that are sensitive to changes in interest rates. All other variables are held constant.

	Group		Parent	
	2008	2007	2008	2007
Net income before tax	P 4,012	P 10,162	P 3	P 4,495
Equity	2,608	6,606	2	2,922

5.3 Liquidity Risk

The Group sets limit on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover unexpected liabilities falling due.

As at December 31, the Group's financial liabilities with their corresponding contractual maturities are presented in detail in Note 15.

5.4 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet, as summarized below.

		Group		Parent	
	Note	2008	2007	2008	2007
Cash	7	P 55,780,802	P 59,178,798	P 137,981	P 2,059,293
Loans and receivables	9	906,635	2,364,221	486,117	20,409
Due from related parties	14	209,371	2,290,368	55,316,828	-
Other assets	11	239,459	19,347,806	-	-
		P 57,138,267	P 83,181,193	P 55,940,926	P 2,079,702

The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls.

As part of Company policy, bank deposits and short-term placements are only maintained with reputable financial institutions. Cash on hand amounting to P8,000 in 2008 and 2007 is not included in determining credit risk. Cash in banks and short-term placements are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P250,000 for every depositor per banking institution.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

With respect to credit arising from financial assets of the Group, which comprise cash and receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

6. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The debt-to-equity ratio of the Group and the Parent Company as of December 31 are shown below.

	Group		Parent Company	
	2008	2007	2008	2007
Total liabilities	P 189,501,163	P 212,363,335	P 148,328,236	P 87,239,792
Total equity	273,595,994	284,584,815	139,378,518	147,020,927
Debt-to-equity ratio	0.69 : 1	0.75 : 1	1.06 : 1	0.59 : 1

The Group has honored its covenant obligations, including maintaining the required debt-to-equity ratio for both years. The ratio-increase of the Parent Company in 2008 is the result of additional advances received from its affiliates in 2008 and the decrease in equity due to the reported 2008 net loss.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	Group		Parent Company	
	2008	2007	2008	2007
Short-term placements	P 52,367,973	P 40,120,557	P -	P -
Cash in banks	3,412,829	19,058,241	137,981	2,059,293
Petty cash fund	8,000	8,000	-	-
	P 55,788,802	P 59,186,798	P 137,981	P 2,059,293

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of between 15 to 90 days and earn annual effective interest ranging from 2.50% to 6.75% in 2008 and 3.50% to 5.25% in 2007.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consisting of shares of stock are summarized as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Cost				
Quoted	P 1,682,578	P 1,682,578	P -	P -
Not quoted	76,292,533	76,292,533	76,268,750	76,268,750
	77,975,111	77,975,111	76,268,750	76,268,750
Allowance for impairment	(45,000,000)	(45,000,000)	(45,000,000)	(45,000,000)
	32,975,111	32,975,111	31,268,750	31,268,750
Fair value loss	(925,186)	(166,050)	-	-
Market value	P 32,049,925	P 32,809,061	P 31,268,750	P 31,268,750

The investment in available-for-sale financial asset of the Parent Company in 2008 and 2007 pertains to the 18.18% investment (P31,268,750) in Manila Exposition Complex, Inc. and 10% investment (P45,000,000) in I-Mart Corporation. The Group provided a 100% allowance for impairment losses on its investment in I-Mart Corporation as a result of the latter's cessation of business.

The fair value of quoted available-for-sale financial assets have been determined directly by reference to published prices in active markets.

9. LOANS AND RECEIVABLES

This account consists of the following:

	Group		Parent Company	
	2008	2007	2008	2007
Accounts receivable	P 40,451,252	P 41,063,184	P 40,361,179	P 40,333,409
Interest receivable	768,383	162,028	437,938	-
Loans receivable	-	1,208,260	-	-
Other receivables	-	243,749	-	-
	41,219,635	42,677,221	40,799,117	40,333,409
Allowance for impairment	(40,313,000)	(40,313,000)	(40,313,000)	(40,313,000)
	P 906,635	P 2,364,221	P 486,117	P 20,409

The net carrying amount of these financial assets is a reasonable approximation of their fair value.

10. INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

This account consists of the following:

	% Interest Held	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
At acquisition cost					
EIB	10.31% in 2008; 10.29% in 2007	P 860,659,849	P 859,849,849		
	2.45%			P 478,380,834	P 478,380,834
SHI	64.54%	-	3,999,995	-	-
OHI	64.54%	-	3,999,995	-	-
MAIC	64.54%	-	-	199,995,929	199,995,929
		860,659,849	867,849,839	678,376,763	678,376,763
Allowance for impairment		(493,778,449)	(493,778,449)	(478,380,834)	(478,380,834)
		P 366,881,400	P 374,071,390	P 199,995,929	P 199,995,929

In September 2008, MAIC purchased additional three million Class A shares of EIB amounting to P810,000 which increased the Group's ownership interest in EIB from 10.29% to 10.31%. Market values of EIB shares held by the Group and the Parent Company amounted to P278,138,859 and P69,493,875, respectively, as of December 31, 2008. As of March 24, 2009, the market values of EIB shares held by the Group and the Parent Company have increased to P414,777,866 and P94,974,962, respectively.

Audited financial information on EIB for 2007 follows (in thousands):

Assets	P 37,993,608
Liabilities	32,627,465
Equity	5,366,143
Net income	213,852

Financial information on EIB for 2008 is not yet available.

11. OTHER ASSETS

This account consists of the following:

	Note	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Goodwill		P 4,814,856	P 4,814,856	P -	P -
Creditable withholding tax		1,621,436	1,032,353	-	-
Prepayments	14.1	239,459	764,089	-	524,630
Bank placements		-	19,108,347	-	-
Miscellaneous		585,273	506,667	501,149	391,708
		P 7,261,024	P 26,226,312	P 501,149	P 916,338

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets of MAIC at the date of acquisition. As of December 31, 2008 and 2007, no impairment was recognized by the Group.

Bank placements consist of placements with a local bank, with maturities expected to extend beyond one year. This was pre-terminated in December 2008. The annual effective interest rate of such bank placements are 3.5% in 2008 and 2007.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

		Group		Parent Company	
	Note	2008	2007	2008	2007
Accounts payable		P 3,503,340	P 2,495,607	P -	P -
Retirement benefit obligation	16.2	1,207,915	1,378,802	55,407	130,919
Other payables		719,482	334,693	271,342	238,547
		P 5,430,737	P 4,209,102	P 326,749	P 369,466

The carrying amount of accounts payable and accrued expenses is a reasonable approximation of its fair value.

13. INTEREST-BEARING LOANS

This account represents loans obtained by the Group from a local bank with interest rates ranging from 6.3% to 8.0% per annum in 2008 and 2007. The loans were acquired to finance the working capital requirements of the Group. As of December 31, 2008, the loans were already fully paid.

14. RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of business, the Group transacts with entities that are considered related parties under PAS 24, *Related Party Disclosures*. The following transactions were carried out with related parties:

14.1 Purchase of Services

The Group leases its office space from Capital Place International Limited – Philippine Branch (CPIL), a related party, for a period of one year, renewable upon mutual agreement of the parties.

Total annual rental charged to operations amounted to P1,152,119 in 2008, P1,078,269 in 2007 and P1,077,129 in 2006 in the consolidated financial statements, and P312,000 in 2008, 2007, and 2006 in the Parent Company financial statements. These are included under Occupancy expenses in the income statements. Security deposits and advance rentals paid totaling P239,459 as of December 31, 2008 and 2007, are included under Other Assets in the balance sheets.

14.2 Due from Related Parties

This account consists of the following:

	Group		Parent Company	
	2008	2007	2008	2007
Lippo Securities, Inc. (LSI)	P 209,371	P 2,290,368	P -	P -
MAIC	-	-	55,316,828	-
	P 209,371	P 2,290,368	P 55,316,828	P -

On December 16, 2008, MAIC received instruction from Lippo China Resources (LCR), the ultimate parent of the Group, that P74,425,175 of MAIC's liability to LCR will be transferred to the Parent Company. As of December 31, 2008, P55,316,828 of the total amount is still outstanding and is presented as Due from a Related Party.

14.3 Due to Related Parties

This account consists of the following:

	Group		Parent Company	
	2008	2007	2008	2007
LCR	P 176,592,096	P 121,283,907	P 141,315,408	P -
Solid Payback Holdings, Inc.	3,552,525	3,552,525	3,552,525	3,552,525
LSI	1,621,628	8,085,041	1,621,628	8,085,041
CPIL	2,304,177	7,809,079	1,511,926	7,809,079
	P 184,070,426	P 140,730,552	P 148,001,487	P 19,446,645

Due to related parties pertains to the non-interest bearing advances from various affiliates for working capital purposes.

14.4 Others

The Group has bank deposits and short-term money placements with EIB. As of December 31, 2008 and 2007, bank deposits of the Group amounted to P588,476 and P240,402, respectively, while short-term money placements of the Group amounted to P18,757,575 and nil, respectively. On the other hand, bank deposits of the Parent Company with EIB amounted to P55,021 and P56,720, respectively, as of December 31, 2008 and 2007.

14.5 Key Management and Personnel Compensations

The compensation and benefits provided to key management personnel amounted to P4,391,400, P4,397,900 and P4,405,650 in 2008, 2007 and 2006, respectively, for the Group and P1,820,000, P1,826,500 and P1,834,250, respectively, for the Parent Company. These are presented as part of the salaries and employee benefits in the income statements.

15. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the balance sheets are shown below.

	Group					
	2008			2007		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets:						
Cash	P 55,788,802	P -	P 55,788,802	P 59,186,798	P -	P 59,186,798
Available-for sale financial assets	-	32,049,925	32,049,925	-	32,809,061	32,809,061
Loans and receivables (at gross)	768,383	40,660,623	41,429,006	1,614,037	43,353,552	44,967,589
Other assets	-	-	-	19,108,347	-	19,108,347
	P 56,557,185	P 72,710,548	P 129,267,733	P 79,909,182	P 76,162,613	P 156,071,795
Financial Liabilities:						
Due to a related party	P 184,070,426	P -	P 184,070,426	P 121,283,907	P -	P 121,283,907
Accounts payable and accrued expenses	163,221	5,267,516	5,430,737	18,619,116	5,036,631	23,655,747
Interest-bearing loans	-	-	-	67,423,681	-	67,423,681
	P 184,223,647	P 5,267,516	P 189,501,163	P 207,326,704	P 5,036,631	P 212,363,335

	Parent Company					
	2008			2007		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets:						
Cash	P 137,981	P -	P 137,981	P 2,059,293	P -	P 2,059,293
Available-for sale financial assets	-	31,268,750	31,268,750	-	31,268,750	31,268,750
Loans and receivables (at gross)	437,938	40,361,179	40,799,117	-	40,333,409	40,333,409
	P 575,919	P 71,629,929	P 72,205,848	P 2,059,293	P 71,602,159	P 73,661,452
Financial Liabilities:						
Due to related parties	P 148,001,487	P -	P 148,001,487	P -	P -	P -
Accounts payable and accrued expenses	33,784	292,965	326,749	14,779,480	5,036,631	19,816,111
Interest-bearing loans	-	-	-	67,423,681	-	67,423,681
	P 148,035,631	P 292,965	P 148,328,236	P 82,203,161	P 5,036,631	P 87,239,792

16. EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
Salaries and wages	P 5,774,688	P 7,374,929	P 9,466,375	P 1,958,097	P 1,950,000	P 2,034,415
Retirement benefits expense	555,151	293,214	196,752	136,293	37,691	44,322
Social security costs	118,650	151,855	124,525	38,784	38,360	32,716
Short-term medical benefits	111,432	74,254	127,888	10,500	10,500	8,725
Other benefits	176,904	133,080	122,704	30,421	18,446	37,798
	P 6,736,825	P 8,027,332	P 10,038,244	P 2,174,095	P 2,054,997	P 2,157,976

16.2 Employee Retirement Benefit Obligation

The Group maintains a non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation recognized in the balance sheets are determined as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Present value of obligation	P 2,824,097	P 3,407,994	P 721,487	P 833,696
Fair value of plan assets	(727,863)	-	(212,336)	-
Unfunded liability	2,096,234	3,407,994	509,151	833,696
Unrecognized actuarial gain (loss)	(888,319)	(2,029,192)	(453,744)	(702,777)
	P 1,207,915	P 1,378,802	P 55,407	P 130,919

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Balance at beginning of year	P 3,407,994	P 2,018,383	P 833,696	P 164,757
Current service cost	186,220	89,891	24,035	24,035
Interest cost	264,119	167,294	64,611	13,656
Actuarial (gains) losses	(1,034,236)	1,132,426	(200,855)	631,248
Balance at end of year	P 2,824,097	P 3,407,994	P 721,487	P 833,696

The movement in the fair value of plan assets is presented below.

	Group		Parent Company	
	2008	2007	2008	2007
Balance at beginning of year	P -	P -	P -	P -
Contributions paid into the plan	726,038	-	211,805	-
Actuarial gains	1,825	-	531	-
Balance at end of year	P 727,863	P -	P 212,336	P -

As of December 31, 2008, the plan assets consist of the following:

	Group	Parent Company
Deposit in banks	P 726,075	P 211,816
Interest receivables	1,994	580
Accrued trust fees payable	(206)	(60)
	P 727,863	P 212,336

Actual returns on plan assets were P1,825 and P531 in 2008 for the Group and the Parent Company, respectively.

The amounts of retirement benefits expense recognized in the income statements are as follows:

	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
Current service cost	P 186,220	P 89,891	P 90,842	P 24,035	P 24,035	P 24,035
Interest cost	264,119	167,294	105,910	64,611	13,656	20,287
Net actuarial loss recognized during the plan year	104,812	36,029	-	47,647	-	-
	P 555,151	P 293,214	P 196,752	P 136,293	P 37,691	P 44,322

The movements in the retirement benefit obligation recognized in the books are as follows:

	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
Balance at beginning of year	P 1,378,802	P 1,085,588	P 888,836	P 130,919	P 93,228	P 48,906
Expense recognized	555,151	293,214	196,752	136,293	37,691	44,322
Contributions paid	(726,038)	-	-	(211,805)	-	-
	P 1,207,915	P 1,378,802	P 1,085,588	P 55,407	P 130,919	P 93,228

The Group and the Parent Company expects to pay P493,153 and P121,625, respectively, in contributions to retirement benefit plans in 2009.

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2008	2007	2006
Discount rates	9.76%	7.75%	7.75%
Expected rate of salary increases	5%	5%	5%

17. TAXES

Final tax expense (at 20%) for the years ended December 31 follows:

	2008	2007	2006
Group	P 480,579	P 538,967	P 1,568,371
Parent Company	-	2,878	807

The reconciliation of tax on pretax loss for 2007 and 2006 computed at the applicable statutory rates to tax expense attributable to continuing operations is follows:

	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
Tax on pretax loss at 35%	(P 3,412,190)	(P 4,206,006)	(P 5,380,044)	(P 2,674,843)	(P 831,674)	(P 2,374,049)
Income subject to final tax	(386,003)	1,493,883	(1,219,857)	(1,012)	(2,158)	(605)
Tax effects of:						
Unrecognized temporary differences	3,664,116	4,129,140	6,973,589	2,722,144	2,707,226	3,083,317
Non-deductible expenses	957,228	1,221,950	2,432,738	268,711	229,484	342,144
Non-taxable income	(342,572)	(2,100,000)	(1,238,055)	(315,000)	(2,100,000)	(1,050,000)
Tax expense	P 480,579	P 538,967	P 1,568,371	P -	P 2,878	P 807

As discussed in Note 3.2, the Parent Company derecognized the balance of deferred tax assets as of January 1, 2006 of P18,811,689 against the related valuation allowance of P18,811,689, and did not recognize any deferred tax assets relating to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as of December 31, 2008 and 2007. The net deferred tax assets relating to temporary differences that were not recognized by the Group and the Parent Company as of December 31, 2008 and 2007 are summarized below.

	Group			
	2008		2007	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for impairment	P 55,710,614	P 16,713,184	P 55,710,614	P 19,498,715
NOLCO	53,522,016	16,056,605	33,176,445	11,611,756
Unrealized foreign currency losses (gain)	(2,687,488)	(806,246)	7,148,656	2,502,029
Accrued retirement	1,207,915	362,374	1,378,802	482,581
	P 107,753,057	P 32,325,917	P 97,414,517	P 34,095,081

	Parent Company			
	2008		2007	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for impairment	P 40,313,000	P 12,093,900	P 40,313,000	P 14,109,550
Net of Operating Loss Carry Over (NOLCO)	24,403,926	7,321,178	16,538,857	5,788,600
Accrued retirement	55,407	16,622	130,919	45,822
Unrealized foreign currency losses (gain)	(7,407)	(2,222)	4,598	1,609
	P 64,764,926	P 19,429,478	P 56,987,374	P 19,945,581

The breakdown of the Group and the Parent Company's NOLCO, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown below.

	Group		Parent Company		
Year	Original Amount	Valid Balance	Original Amount	Valid Balance	Valid Until
2008	P 20,345,571	P 6,103,671	P 7,865,069	P 2,359,521	2011
2007	15,053,176	4,515,953	7,730,333	2,319,100	2010
2006	18,123,269	5,436,981	8,808,524	2,642,557	2009
	P 53,522,016	P 16,056,605	P 24,403,926	P 7,321,178	

The Company is subject to minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations. The Group and the Parent Company did not incur any MCIT in 2008 and 2007.

In accordance with Republic Act (RA) No. 9337 which amended certain sections of the National Internal Revenue Code of 1997, the RCIT rate is reduced from 35% to 30% beginning January 1, 2009. As a result of this law, the Company's deferred tax assets and liability as of December 31, 2008 were measured at 30% representing the enacted tax rate that will apply to the period when the asset will be realized or the liability will be settled.

Effective July 2008, Republic Act No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

In 2008, the Group opted to continue claiming itemized deductions.

18. LOSS PER SHARE

Loss per share amounts for the years ended December 31, 2008, 2007 and 2006 is computed as follows:

	Consolidated			Parent Company		
	2008	2007	2006	2008	2007	2006
Net loss	P 10,229,695	P 12,556,124	P 16,939,925	P 7,642,409	P 2,379,085	P 6,783,801
Divided by the weighted average number of outstanding shares	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000
Loss per share	P 0.015	P 0.018	P 0.024	P 0.011	P 0.003	P 0.010

19. COMMITMENTS AND CONTINGENCIES

In addition to those already mentioned earlier, there are other commitments and contingencies that arise in the normal course of the Group's operations which are not reflected in the accompanying financial statements. As of December 31, 2008, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's financial statements.