

credit and insurance) in exchange for a number of ticket stocks for sale. CEB is continuously exploring opportunities to strengthen its distribution capability through channels such as these.

Cargo Services

CEB provides airport-to-airport cargo services on all of its domestic and international routes. In addition, it also accepts cargo packages from domestic points (via Manila) for shipment to overseas destinations through its airline partners Gulf Air, Continental Airlines, Qatar Airways, Saudi Arabian Airlines, Emirates, Air Astana, Etihad Airways, Lufthansa, Northwest Airlines, Qantas, Singapore Airlines and Royal Brunei.

CEB has an internal sales and marketing department. It has also external sales agents that increase CEB's distribution channels in the Philippines and to the regional destinations where it operates.

Other Services- Joint Venture

To service its customers, CEB enters into various service agreements, the most major of which was the formation of the joint venture Issuer with SIA Engineering Co., Ltd. (SIAEC) which formed Aviation Partnership (Philippines) Corporation. SIAEC has 51% voting interest while the remaining 49% is owned by CEB. It handles all the maintenance services required by the airline. Other agreements include the outsourcing of baggage handling services and groundhandling services. It has also entered into agreements with global reservations and distribution systems.

In early 2008, CEB signed a Memorandum of Understanding ("MOU") with SIAEC for the set up of another joint venture, SIA Engineering (Philippines) Corporation (SIAEP). SIAEP will operate a heavy maintenance and repair facility in Diosdado Macapagal International Airport in Clark Pampanga. SIAEC will have a voting interest of 65% in the said joint venture. The services to be offered by SIAEP will include A check to D check, support shops, and spares/tools handling. It is also expected to provide heavy maintenance to CEB's Airbus fleet in line with the present agreement with SIAEC.

Customers

CEB has a broad market base and does not have a single customer that would have a materially adverse effect upon CEB. Its customers consist primarily of individuals traveling for personal or business purposes with several tour packages provided to a number of small groups.

New Products or Services

As of 30 June 2009, CEB has no publicly announced new product or service.

Petrochemicals

The Issuer, through its subsidiary JG Summit Petrochemical Corporation ("JGSPC"), engages in the manufacture of PP and PE. JGSPC was incorporated in the Philippines on 24 February 1994. Its primary purpose is to engage in, operate, conduct, maintain, manage and carry on the business of manufacturing, dealing and marketing of polyethylene and polypropylene and related petrochemical products or by-products, in all their forms, varieties and stages of production and preparation, or of any article or commodity consisting of, or partly consisting of petrochemicals.

On 11 October 2007, the Issuer, owner of 82.28% and Marubeni Corporation of Japan, owner of 17.72% of JGSPC entered into a sale and purchase agreement for the transfer of the 17.72% of 220,402,784 shares owned by Marubeni to the Issuer. JGSPC is now 100% owned by the Issuer.

JGSPC constructed the Philippines' first integrated polypropylene and polyethylene complex on a site at Bgy. Simlong, Batangas City. The total project cost amounted to US\$300 Million and the plant has a nameplate capacity to produce 180,000 tons of polypropylene and 175,000 tons of polyethylene annually.

Selected Financial Information

The following table sets out selected financial information of JGSPC as of and for the periods indicated. JGSPC's fiscal year-end is September 30. Any significant transactions or events that occur between September 30 to December 31 are adjusted in the consolidated financial statements of the Parent Company for the year ended 31 December and for the six months ended 30 June.

	As of and for the years ended 30 September (Audited)			As of and for the six months ended 31 March (Unaudited)	
In Millions PhP	2006	2007	2008	2008	2009
Income statement data					
Net sales ⁽¹⁾	5,463	5,151	9,284	4,348	2,506
Cost of sales	5,695	5,460	9,040	4,138	2,600
Operating expenses	3,030	261	355	218	250
Income (loss) from operations	(3,262)	(570)	(111)	(8)	(344)
Other charges - net	99	152	603	115	327
Net loss	(3,361)	(722)	(674)	(100)	(671)
Net loss attributable to parent ⁽²⁾	(2,766)	(722)	(674)	(100)	(671)
Balance sheet data					
Total assets	4,683	6,131	6,336	6,604	5,203
Total liabilities	4,685	6,855	7,734	7,428	7,272
Total equity	(2)	(724)	(1,398)	(824)	(2,069)
Total liabilities and equity	4,683	6,131	6,336	6,604	5,203

Notes:

- 1) *Discrepancy with net sales figure of PhP5,304 Million in JGSHI's consolidated financial statements for 2006 due to recognition of scrap sales and tolling fees.*
- 2) *JGSHI held 82.28 percent of JGSPC while Marubeni held the remaining 17.72 percent for the period ended September 30, 2006.*

Principal Products or Services

JGSPC products are sold under the EVALENE brand name and are manufactured under strict compliance with a Quality Management System based on ISO 9002 certified standards. Its principal product lines include LLDPE film and injection grades, HDPE film, blow-moulding, monofilament and injection grades and PP yarn, film, injection and random blow-moulding and injection grades.

LLDPE film is used to make a variety of packaging films, including heavy duty sacks and laminated and metallised films. It is also used in packaging for snack food, candies, milk, coffee, powdered juice and shampoo. LLDPE injection moulding is used in container lids, colourant base, toys and carpet backing.

HDPE is a tough and rigid product that is suitable for a diverse line of industrial applications such as pallets, crates, trays and pressure and non-pressure pipes. It is also used to manufacture

other items including houseware, toys and shopping and grocery bags. HDPE monofilament grade is used for fishing nets, sports nets, mosquito nets, tarpaulin and ropes.

PP random copolymer grades are used to manufacture a variety of packaging for cosmetics, food and medicine. PP yarn is used to manufacture geotextiles, tarpaulin and woven bags and PP film is used to manufacture garment bags, cigarette packaging and adhesive tape.

The percentage contribution to JGSPC's revenues for the three years ended 30 September 2006, 2007 and 2008 by each of its principal product categories is as follows:

	For the years ended 30 September			For the six months ended 31 March	
	2006	2007	2008	2008	2009
Polypropylene	64.0%	63.0%	54.6%	49.1%	51.3%
Polyethylene	36.0%	37.0%	45.4%	50.9%	48.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

Distribution, Sales and Marketing

JGSPC has a rated capacity of 175,000 MT per year for polyethylene (PE) and 180,000 MT for polypropylene (PP). JGSPC manufactures high density and linear low density polyethylene (HDPE and LLDPE) as well as random copolymer and homopolymer polypropylene (PP) using the industry-renowned Unipol technology from Union Carbide Corporation. JGSPC sells directly to small, medium and large plastic converters in the Philippines through its sales group. It has taken a leading role in the markets it serves, providing 30% of total market requirements. Product distribution is handled directly by JGSPC in coordination with third party trucking services.

Raw Materials/Suppliers

The principal raw materials used by JGSPC in the production of its products, namely olefins, are purchased internationally. Suppliers include Marubeni Corporation and Mitsui & Co. Ltd.

Customers

JGSPC aims to supply the majority of manufacturers of plastic-based products in the Philippines. It sells its products to internal and external parties. Internal parties include the Packaging Division of URC while external parties include Calypso, San Miguel Corporation, Shell Phils. and other customers. Loss of any one customer would not have a materially adverse effect upon JGSPC.

New Products or Services

JGSPC is under negotiation with Daelim Engineering Company of Korea on an EPC contract for the construction of a naptha cracker plant on the site of JGSPC's existing PP and PE complex in Batangas, Philippines. The plant would potentially supply ethylene and propylene to JGSPC and, to the extent that supply exceeds internal requirements, to third parties. The EPC contract is on a cost-plus basis but is subject to a hard cap. The capital expenditure for the plant will be employed through a project finance structure, through a cover by a Korean ECA. The Issuer's exposure to the project will be limited to its equity contribution estimated to be at around 20 percent to 25 percent. In addition, JGSPC is in discussions with possible strategic partners. This has the potential of further reducing the Issuer's exposure to the project.

The project is still dependent on financial closing, as is typical of projects that avail of limited recourse project financing.

INTERNATIONAL CAPITAL AND FINANCIAL SERVICES

RSB is a segment of the Issuer's international capital and financial services group, which consists of its thrift banking operations, foreign exchange and securities dealing operations and offshore financial subsidiaries. In the year ended 31 December 2008, this group contributed PhP1.6 Billion Issuer's total consolidated net loss and in the six months ended 30 June 2009, it contributed PhP1.65 Billion of total consolidated net loss.

Selected Financial Information

The following table sets out the breakdown of the total net income of the international capital and financial services group by subsidiaries for the periods indicated.

	2006		For the years ended 31 December (Audited)				For the six months ended 30 June (Unaudited)			
			2007		2008		2008		2009	
	PhP	%	PhP	%	PhP	%	PhP	%	PhP	%
(in Millions PhP, except for percentages)										
RSB	256	6	285	(79)	144	(9)	104	(61)	93	(6)
First Private Power Corporation	234	6	234	(64)	75	(5)	49	(29)	69	(4)
JG Capital Markets Group	58	1	155	(43)	(222)	14	(78)	46	(28)	2
Offshore and others	3,796	87	(1,036)	286	(1,601)	100	(245)	144	(1,780)	108
Total	4,344	100	(362)	100	(1,604)	100	(170)	100	(1,646)	100

BANKING SERVICES

The Issuer, through Robinsons Savings Bank (RSB), engages in thrift and mortgage banking. RSB, a wholly-owned subsidiary of JG Summit Capital Services Corp. (JG Capital Services) was incorporated to engage in the business of savings and mortgage bank. It started commercial operations in November 1997. RSB provides a broad range of traditional banking services primarily to retail customers as well as to suppliers to the Group and SMEs. RSB's total resources, total net loans and total deposit liabilities as of 31 December 2008 were PhP12.7 Billion, PhP7.1 Billion and PhP8.6 Billion, respectively. As of 30 June 2009, these were PhP12.5 Billion, PhP7.5 Billion and PhP9.8 Billion, respectively. As of 30 June 2009, RSB's ratio of NPLs to total gross loans was 2.1 percent while its capital adequacy ratio was 23.1 percent.

Selected Financial Information

The following table sets out selected financial information of RSB as of and for the periods indicated.

	As of and for the years ended 31 December (Audited)			As of and for the six months ended 30 June (Unaudited)	
	2006 PhP	2007 PhP	2008 PhP	2008 PhP	2009 PhP
In Millions					
Statements of income data:					
Interest income	845	1,078	894	398	468
Interest expense	334	467	301	129	132
Net interest income	511	611	593	269	336
Other income	331	328	201	120	86
Net income	256	285	144	104	93
Statements of condition data:					
Total assets	15,469	12,416	12,707	11,766	12,464
Total liabilities	14,028	10,740	10,955	10,127	10,584
Total equity	1,441	1,676	1,752	1,639	1,880
Total liabilities and equity	15,469	12,416	12,707	11,766	12,464

Branch Network and Infrastructure

As of 30 June 2009, RSB had 46 operating branches; 24 of which are strategically located in Metro Manila and 22 others are situated in Luzon, Visayas, and Mindanao. Moreover, 20 of its branches are located inside shopping malls, mostly in Robinsons' Malls, and are easily accessible and available six days a week. In addition, 5 branches of RSB, namely: Galleria, Ermita-In Store, Pasig Metro East, Imus and Tagaytay operate 7 banking days from Monday to Sunday from 10 am to 7 pm on weekdays and up to 6 pm on Saturdays and Sundays. RSB intends to review its branches to achieve consistency of service and performance throughout the branch network. RSB also has a network of 75 ATMs. These ATMs are conveniently located at RSB branches and other public properties. RSB has made and continues to make investments in technology and information systems in order to improve its operations, management and customer service. This includes systems planning, equipment procurement, systems development, systems operation, systems management and communications.

Banking Products and Services

RSB offers deposit products that target specific market segments. RSB's principal deposit products are demand, savings and time deposits, treasury products and foreign currency deposits. RSB's principal loan products are commercial loans, mortgage loans and car loans. As of 31 December 2008, mortgage loans accounted for 18.8% of total gross loans, consumption loans for 19.3% and commercial loans, for 60.9%. As of 30 June 2009, the composition had changed to 19.3%, 20.0% and 60.7%, respectively. Aside from these, additional products are now being offered such as micro financing, motorcycle financing, cash management and remittance – a tie-up with Western Union. Moreover, the bank is now applying for a trade financing license with BSP to take advantage of Circular No. 650 dated 9 March 2009 – Authority of Thrift Banks to Issue Foreign Letters of Credit (LCs).

Assets and Liabilities

As of 31 December 2008, RSB's loan portfolio amounted to PhP7.0 Billion, of which PhP4.8 Billion were secured loans and PhP2.2 Billion were unsecured loans. As of that date, PhP2.0

Billion of loans were due within one year while PhP5.0 Billion were due beyond one year. As of 30 June 2009, RSB's loan portfolio amounted to PhP7.7 Billion, of which PhP4.5 Billion were secured loans and PhP3.2 Billion were unsecured. As of that date, PhP1.6 Billion of loans were due within one year while PhP6.1 Billion were due beyond one year.

RSB's principal deposit base is comprised of demand, savings and time deposits. As of 31 December 2008, these accounted for PhP2.5 Billion, PhP4.7 Billion and PhP1.4 Billion, respectively. As of 30 June 2009, the composition of deposits was PhP2.7 Billion, PhP5.4 Billion and PhP1.8 Billion, respectively. Demand deposits over a specified amount are fixed interest, bearing accounts with a cheque issuance facility while savings and time deposits bear interest at floating rates which are reset according to market rates.

NPLs and ROPOA

As of 31 December 2008, RSB's NPLs were PhP185.2 Million or 2.7% of total gross loans compared to PhP165.2 Million or 2.1% as of 30 June 2009. According to BSP statistics, as of 30 June 2009, RSB's NPL ratio was considerably below the industry average of around 7.6%. As of 30 June 2009, ROPOA amounted to PhP88.02 Million compared to PhP80.8 Million as of 31 December 2008.

As of 31 December 2008, RSB's total capital adequacy ratio was 22.1% and its Tier 1 adequacy ratio was 22.8%, as compared to the BSP's minimum requirement of 10.0% and 8.0%, respectively. As of 30 June 2009, RSB's total capital adequacy ratio was 23.1% and its Tier 1 adequacy ratio was 22.1%.

OTHERS

The Issuer also has foreign exchange and securities dealing operations and offshore financial subsidiaries. To complement RSB's traditional banking activities, the Issuer put up JG Summit Capital Markets Corp. (JGSCMC) for the global foreign exchange fixed income and equity markets. JGSCMC was incorporated in January 2000 under the supervision of the Securities and Exchange Commission.

The Issuer also entered into other information technology-related services with the formation of Summit Internet Investments, Inc. in September 2000. The Issuer's other businesses include insurance brokering and securities investments.

Revenue derived from these other business interests for the year ended 31 December 2008 and for the six months ended 30 June 2009 was PhP2.3 Billion and PhP97.5 Million respectively, each representing less than 0.1% of the Issuer's total consolidated revenue for the respective periods.

EQUITY EARNINGS AND OTHER BUSINESS INTERESTS

The Issuer's equity earnings from associated companies and joint ventures were reported at PhP2.4 Billion in fiscal year 2008, as UIC recorded an increase in net income from operations amounting to S\$187.5 Million in fiscal year 2008 compared to S\$123.6 Million in fiscal year 2007. For more information on UIC, see the *"Description of Business- Property Development and Hotel Management"* section of this Prospectus.

First Private Power Corporation (FPPC)

The Issuer also has an interest in power generation, through its 20% ownership in First Private Power Corporation, whose 93.25%-owned subsidiary, owns and operates a 215 MW diesel-fired power plant in Bauang, La Union. The Issuer recognized equity earnings from power generation, through its 20.0% interest in First Private Power Corporation, whose 93.3 percent owned

subsidiary, Bauang Private Power Corp., owns and operates a 215 MW diesel-fired power plant in Bauang, La Union.

For the year ended 31 December 2008, FPPC's revenues were PhP 1.74 Billion, a 69% increase from the previous year's revenues of PhP647.62 Million. As at 31 December 2008, FPPC's total assets were PhP1.80 Billion while total liabilities were at PhP0.36 Million.

Oriental Petroleum and Minerals Corporation (OPMC)

The Issuer also recognized equity earnings from oil exploration and development activities through its investment in Oriental Petroleum and Minerals Corporation, even if it holds only 19.4% of the issued share capital of the latter, since it has the ability to exercise significant influence over the investment, due to its voting power (both through its equity holding and its representation in key-decision making committees) and the nature of their commercial relationship.

Oriental Petroleum and Minerals Corporation (OPMC) is a Philippine corporation incorporated on December 22, 1969 with the purpose of exploring, developing and producing petroleum and mineral resources in the Philippines. As an exploration company, OPMC's operational activities depend principally on its Service Contracts with the government.

OPMC, together with other exploration companies (collectively referred to as "a or "the Contractor"), entered into a Service Contract (SC) with the Philippine Government through the Department of Energy(DOE), for the exploration, development and exploitation of certain contract areas situated in offshore Palawan where oil discoveries were made.

Selected Financial Information

	As of and for the year ended 31 December (Audited)			As of and for the six months ended 30 June (Unaudited)	
	2006	2007	2008	2008	2009
<i>In Thousands US\$</i>					
Income Statement Data					
Petroleum Revenue	2,999.18	2,650.95	2,400.66	1,287.89	749.32
Production Cost	2,041.31	2,033.15	2,607.96	1,033.57	668.27
General & Admin	203.60	258.5	260.94	134.32	178.92
Other Income (expense)	989.95	2,087.01	(1,089.14)	282.62	329.46
Net income (loss)	2,206.56	3,511.90	(1,308.13)	402.62	231.59
Balance Sheet Data					
Total Assets	50,405.12	53,152.26	51,653.50	53,526.11	52,067.28
Total Liabilities	6,383.15	5,531.91	5,532.69	5,503.14	5,537.04
Total Equity	44,021.97	47,620.35	46,120.81	48,022.97	46,530.24

EMPLOYEES AND LABOR

The number of full-time employees employed by the Issuer and its operating subsidiaries as of 31 December 2008 and 30 June 2009 is shown in the following table:

Issuer	31 Dec. 2008	30 June 2009
Branded Consumer Foods, Agro-industrial, & Commodity Food Products	8,783	9,304
Telecommunications	4,023	4,001
Property Development and Hotel Management	1,638	1,509
Airlines	2,058	2,249
Petrochemicals	338	309
Finance	377	516
Supplementary Businesses	21	20
	17,238	17,908

The 17,908 full-time employees of the Issuer and its subsidiaries as of 30 June 2009 can be broken down as follows:

	Executive Payroll	Non-Executive Payroll	Total
Branded Consumer Foods, Agro-industrial, & Commodity Food Products	646	8,658	9,304
Telecommunications	284	3,717	4,001
Property Development and Hotel Management	198	1,311	1,509
Airlines	464	1,785	2,249
Petrochemicals	42	267	309
Finance	15	501	516
Supplementary Businesses	20		20
Total	1,669	16,239	17,908

The Company foresees an increase in its manpower complement to 20,966 employees in the next 12 months.

Employees enjoy various benefits such as vacation/sick leaves, insurance and medical care, subsidies for rice, Christmas, etc.

The Issuer's management believes that good labor relations generally exist throughout the operating companies. For most of the operating companies, collective bargaining agreements exist between the relevant representative unions for the employees and the relevant operating companies. The collective bargaining agreements are usually valid for a term of five years, and include a right to renegotiate the economic terms of the agreement after three years, and generally provide for annual salary increment, health and insurance benefits and closed-shop arrangements. The management believes that those collective bargaining agreements, which are soon to expire or which have expired, will, as a result of existing good labor relations, be successfully renewed or renegotiated.

Of the nineteen (19) employee unions under the Branded Consumer Foods, Agro-Industrial and Commodity Food Products Group, two (2) collective bargaining agreements are expiring in 2009, nine (9) in 2010, two (2) in 2011, three (3) in 2012, one (1) in 2013, and two (2) in 2014.

Almost all of RLC's hotels division employees are covered by a collective bargaining agreement which matures on 30 September 2011 for the Cebu Midtown Hotel and 30 September 2010 for the Holiday Inn Galleria Manila. Other RLC employees are not unionized or party to collective bargaining agreements with RLC.

There has been no strike of employees of JGSHI nor that of its operating subsidiaries over the last three years, nor is there a threat of one.

COMPETITION

Many of the Group's activities are carried on in highly competitive industries. Given the Group's diversity, the Group competes with different companies domestically and internationally, depending on the product, service or geographic area. While the Group is one of the largest conglomerates in the Philippines, its subsidiaries compete in different sectors against a number of companies with greater manufacturing, financial, research and development and market resources than the Group.

The following table sets out the Group's principal competitors in each of the principal industry segments in which it operates:

Industry Segment	Principal Competitors
Branded Consumer Foods, Agro-Industrial and Commodity Food Products	General Milling Corp., Liwayway, Rebisco, Nissin Monde, Storck, Van Melle, Hersheys, Best Chemicals and Plastics, Vitarich Corp., Tyson Agro-Ventures, San Miguel Corporation, Central Azucarera de Bais and RFM Corporation
Telecommunications	Wireline: PLDT, Innove and Bayantel
	Wireless: Smart, Piltel and Globe
Banking and Financial Services	PS Bank and BPI
Petrochemicals	Imports
Air Transportation	Philippine Airlines, Air Philippines, Asian Spirit and SEAIR
Property Development and Hotel Management	SM Prime/Shoemart and Ayala Land Inc.

BRANDED CONSUMER FOODS, AGRO-INDUSTRIAL AND COMMODITY FOOD PRODUCTS

URC faces competition in all segments of its businesses both in the Philippine market and in international markets where it operates. URC believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its products widely distributed.

Generally, URC faces competition from both local and multinational companies in all of its markets. Major competitors in the market segments in which it competes include, in the Philippines, Liwayway Manufacturing Corp., Columbia Foods International, Republic Biscuit Corporation, Suncrest Foods Inc., Del Monte Phil. Inc., Monde Nissin Corporation, Nestle Philippines Inc., San Miguel Pure Foods Issuer Inc. and Kraft Foods Inc., Coca Cola Philippines and internationally, Procter & Gamble, Effem Foods/Mars Inc., Lotte Group, Perfetti Van Melle Group, Mayora Inda PT, Calbee Group, Apollo Food, Frito-Lay, Nestle S.A., Cadbury Schweppes Plc, Groupe Danone S.A. and Kraft Foods International. In the Philippines, URC is the market leader in Snacks, Candies, Chocolates, RTD Tea, and Canned Beans. URC is a strong challenger in Coffee (#2 behind Nestle), Noodles (#2 behind Monde), Biscuits (#3 behind Nissin Monde and Rebisco), and Cakes (#3 behind Suncrest and Big-E). Based on company data, URC believes that in the categories that it leads such as snacks, candies, chocolates, RTD Tea and Canned beans, its market shares are at least twice as big as its next competitor. In coffee and noodles, the leaders of these categories are believed to have the significant shares of the markets. While we are the third player in biscuits category, we believe that we have a competitive share of the market.

Competition in the Philippine food and beverage industry is expected to increase in the future with increased liberalization of trade by the Philippine government and the predicted growth in imports due to membership in the World Trade Organization (WTO), and ASEAN Free Trade Area (AFTA). Under the WTO, tariff rates on food and agricultural items are being decreased and import quotas are being eliminated among member countries, including the Philippines. AFTA is a free trade area formed by 10 South East Asian countries, including the Philippines. Under

AFTA, tariffs on manufactured goods, including processed agricultural products, are being minimized or eliminated over a 15-year period starting 1 January 1993, and non-tariff barriers will be subsequently phased out.

The day-old chicks market is cyclical, very competitive and principally domestic. URC believes that the principal competitive factors are chick quality, supply dependability, price, and breeder performance for broiler chicks. For layer chicks, competitive factors are egg productivity and disease resistance. Principal competitors are RFM Corp. and Math Agro for broiler chicks and Bounty Farms, Inc. for both broiler and layer chicks.

The live hog market is highly fragmented, competitive and principally domestic. URC believes that the principal competitive factors are quality, reliability of supply, price and proximity to market. URC's principal competitors are San Miguel Corp. (Monterey) and Foremost Farms, Inc. The main competition is from backyard raisers who supply 70%-80% of the total pork requirement in the country. In 2008, the hog population decreased by 25-30% because of disease outbreaks and farm closures due to the high cost of inputs (Feeds) and lower live weight prices (due to lower consumer spending starting June 2008).

The commercial animal feed market is highly fragmented and its products compete primarily with domestic feed producers. As of 30 September 2008, there were 300 registered feed mills in the Philippines, 35% of which sell commercial feeds. URC believes the principal competitive factors are quality and price. URC's principal competitors are B-Meg and UNAHCO (Sarimanok & Thunderbird). A number of multinationals including Cargil Purina Phils. Inc., CJ and Sun Jun of Korea, and Bew Hope of China are also key players in the market.

The animal health products market is highly competitive. The market is dominated by multinationals and the Issuer is one of only a few Philippine companies in this market. The principal competitors are Pfizer, Inc., Univet Pharmaceuticals Ltd., and Merial Limited, a company jointly owned by Merck and Co., Inc. and Aventis S.A. URC believes that the principal competitive factors are brand equity, price, product effectiveness and customer services.

URC believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched Jack n' Jill as a master umbrella brand in order to enhance customer recognition of its products. URC devotes some expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and its overseas markets, including funding for advertising campaigns, such as television commercials and radio and print advertisements, as well as promotions for new product launches.

TELECOMMUNICATIONS

According to the National Telecommunications Commission (NTC), the Philippines is one of the countries that has the fastest growing telecommunications network in Asia. Consequently, DIGITEL faces a number of competitors such as Philippine Long Distance Telephone Co., Smart Telecommunications, Bayantel and Globe. A report on the Philippine Telecom Sector by UBS Investment Research dated July 13, 2009, showed that as of first quarter of 2009, there are approximately 71.6 million subscribers, of which market share of Sun Cellular is 13%, Globe (including Globe and Globe TM) is 36%, and Smart (including Smart and Talk and Text) is 52%.

The principal bases of competition in both wireline and wireless segment are price, coverage, quality of service support, and speed of network access and availability of calling features.

Currently, DIGITEL dominates the Luzon wireline market in terms of the total number of towns and cities served and lines installed. As of 30 June 2009, DIGITEL had installed lines of over

600,000 with over 400,000 working lines in 281 served towns and cities throughout Luzon including Quezon City in the National Capital Region.

DMPI, on the other hand, is the fastest growing mobile network provider in the country with more than 10 Million subscribers supported by its close to 5,000 cellsites nationwide. Rapid network expansion continues with Sun Cellular spending approximately US\$1 Million daily to further improve network coverage.

The prepaid business continued to expand with its market share increasing to 11.4% in 2008, up from 7.83% in 2007. Further, in June 2009, subscriber base grew by 58% from June 2008 as more affordable and innovative products were launched during the period. Total top-up increased by 79% compared to 2008 levels, while Xpressload top-ups registered a 123% increase. The number of transacting Xpressload retailers also saw significant growth during the period as it improved by 81% from June 2008.

Sun Cellular likewise continued its aggressive campaign in the Postpaid business, as it continued to lead the industry in terms of Postpaid acquisition. In 2008, seven out of ten new subscribers chose Sun Cellular for their Postpaid plans. With this, Sun Cellular continues to train its sights on becoming the number 1 Postpaid provider in the country.

Sun Cellular is also making waves in the broadband arena by introducing unlimited wireless broadband service through various Sun Broadband Wireless Plans unlike its competitors which set a standard fixed-hour rate for both wired and wireless broadband services. SBW packages come in both Postpaid and Prepaid plans, has speeds of up to 3 Mbps, and could even be bundled with a router. Product reviews of this metro-wide product reveal that it offers one of the most reliable broadband wireless service in the market today.

Sun Cellular believes that its competitive strengths include its improved network coverage and unique fixed rate offerings, which has enabled it to finally come into its own as a respectable and profitable third player in the Philippine telecoms market.

BANKING AND FINANCIAL SERVICES

RSB started operations only in 1997. Since then, the bank continues to be among the top thrift banks in terms of asset size, loans and profitability.

As of the first quarter of 2009, RSB belongs to the top 10 thrift banks in terms of asset size; which was recorded at the PhP12.0 Billion level. There are around 74 banks in the Thrift Bank Industry regulated by the BSP, and among the major competitors are the following: BPI Family, PSBank, RCBC Savings, Planters Development Bank and HSBC Savings. These major competitors are all subsidiaries of a Universal or Commercial Bank, and account for approximately 65% of the market. RSB believes the principal method of competition in the industry include quality and innovative banking products, location, branch network, good portfolio quality and quality service.

In terms of its net loan level, the bank ranked 6th at a level of PhP7.2 Billion – grabbing market share of around 2.8% of the entire thrift bank system. Being a consumer bank, the RSB continues to build its consumer loan portfolio. In addition, the bank ensures good portfolio quality, maintaining an NPL ratio of around 2.2%; lower than the industry's average of 8.0%.

As for total deposits, the bank ranked 9th with a recorded level at PhP9.5 Billion. RSB assures its growth in deposits, especially on the low cost funds.

In terms of profitability, the bank upholds its commitment to remain profitable and continuously growing amidst the challenging financial condition; which is accomplished by increasing RSB's reach or branch network and the additional products or businesses ventured.

To date, RSB has a network of forty-six (47) branches; twenty-four (24) of which are strategically located in Metro Manila and twenty-three (23) others are situated in the key cities of Luzon, Visayas, and Mindanao. The bank aims to put up more branches this year and targets a figure of more than 50 branches opened by year-end.

In addition to the growing branch network, RSB now offers additional products such as micro financing, motorcycle financing, cash management and remittance – a tie-up with Western Union. Moreover, the bank is now applying for a trade financing license with BSP to take advantage of Circular No. 650 dated 9 March 2009 – Authority of Thrift Banks to Issue Foreign Letters of Credit.

RSB continuously strives to carry on its vision of leading the country to global-competitiveness through quality and innovative banking products and services to meet the banking requirements of its retail customers, business partners and the general banking public.

PETROCHEMICALS

JGSPC is virtually the only domestic producer of PE and PP. Two other entities, namely NPC Alliance Corporation and Philippine Polypropylene Inc used to produce these same products in the past; however, efforts to revive them have proven to be less than successful.

The Company also has the ability to produce even small volumes of a variety of PE and PP grades. It is normally difficult to source small quantities of “unique” grades via the import market.

AIR TRANSPORTATION

The level and intensity of competition that CEB faces varies from route to route based on a number of factors. Principally, CEB competes with other airlines that service the routes it flies. However, on certain domestic routes, CEB also considers alternative modes of transportation, particularly sea and land transport, to be competitors for its services.

CEB's main competitor in the Philippines is Philippine Airlines (“PAL”), the Philippines' first flag carrier, which is the largest airline in terms of number of aircraft and total number of passengers carried. PAL offers full service air travel, with business class service, in-flight electronic entertainment systems and complimentary food and beverage service. PAL has significantly more international business than CEB does, has an effective monopoly on travel from the Philippines to the West Coast of the United States and consolidates its operations in a single terminal at NAIA. Most of CEB's domestic destinations are also serviced by PAL. CEB also competes in the Philippines with Air Philippines, a domestic operator that has the same major shareholder as PAL (but separate management teams) and which codeshares with PAL on certain domestic routes. Air Philippines has positioned itself as a low-price carrier in the market, but does not operate a low-cost carrier model, in part because of its older fleet of aircraft. Certain smaller airlines, including Zest Air (formerly known as Asian Spirit) and Southeast Asian Airlines, also compete with CEB in the Philippines. CEB also faces competition internationally with several regional full-service airlines and regional low-cost carriers currently operating in the Philippines, which include Tiger Airways, JetStar Asia Airways and AirAsia.

Following CEB's entry into new markets and expansion of existing routes, other domestic carriers have chosen to add services or engage in price competition. This increased competition has prevented the industry from attaining the level of fares required to maintain profitable operations. CEB's ability to meet price competition depends on, among other things, its ability to operate at costs equal to or lower than its competitors. CEB's implementation of a low-cost model has allowed it to consistently maintain a significant cost advantage over its domestic competitors.

Despite the competition, CEB remained to be the leading domestic airline in terms of number of routes, destinations, flights and passengers carried in 2008. As of 30 June 2009, data from the Civil Aeronautics Board showed that CEB captured a domestic market share of 47.6%.

PROPERTY DEVELOPMENT AND HOTEL MANAGEMENT

RLC competes with a number of domestic property developers in the real estate industry, as well as with established domestic and foreign hotel operators. RLC believes there is no single property company that has a significant presence in all sectors of the property market. In the commercial centers business, RLC believes that it has two major competitors since other players in the shopping mall business are significantly smaller. With respect to office buildings and residential project segments, RLC has two major competitors. The first competitor is positioned differently from RLC that it has more of a focus on the luxury market segment. The second competitor targets the same general market segment and offers a similar range of products. In the housing and land development business, RLC has more competitors since it does not enjoy the same "early mover" advantage. Because of the availability of joint venture arrangements with landowners and the ability to finance these projects through unit pre-sales, it is relatively easy for smaller players to enter into this business. With respect to hotel operations, the country's domestic hotel sector is composed of many major regional and global hotel players, including the Shangri-la Hotels, The Peninsula, Mandarin Oriental, Accor, Marriott and Hyatt hotel brands. Competition within the industry is based on a number of factors, including price, quality and location of accommodation. RLC believes its strength is in its mixed-use, retail, commercial and residential developments. RLC competes on the basis of price and the location of its properties (including their proximity to the Company's other developments). RLC also believes that its reputation for reliability and delivering quality products on schedule and at good value has contributed to its ability to retain the services of its exclusive and non-exclusive brokers and to its overall success. For hotels, RLC has also entered into marketing tie-ups such as with its affiliated airline CEB to boost its market share and promote domestic tourism.

DESCRIPTION OF PROPERTIES

JG Summit and subsidiaries conduct business throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Visayas and Mindanao. All substantial facilities are owned by the Company and are in good condition.

In 2000, the Company acquired equity interests in companies which are operating food plant facilities in Thailand, Malaysia, Vietnam, Indonesia and China.

URC

URC operates manufacturing/farm facilities located in the following:

Location (Number of facilities)	Type of Facility	Owned/Rented
Pasig City (4)	Branded consumer food plants, feedmills and flourmill	Owned
Libis, Quezon City (1)	Branded consumer food plant	Owned
Canlubang, Laguna (1)	Branded consumer food plant	Owned
Mandaue City, Cebu (2)	Branded consumer food plant, poultry farm and feedmill	Owned
Luisita, Tarlac (1)	Branded consumer food plant	Owned
Davao City, Davao (1)	Flourmill	Owned
San Fernando, Pampanga (2)	Branded consumer food plants	Owned
Dasmariñas, Cavite (2)	Branded consumer food plants	Owned
Cagayan de Oro (1)	Branded consumer food plant	Owned
San Pablo, Laguna (1)	Branded consumer food plant	Owned
San Pedro, Laguna (2)	Branded consumer food plant	Rented
Antipolo, Rizal (4)	Poultry and piggery farm	Owned/Rented
Taytay, Rizal (1)	Poultry farm	Rented
Teresa, Rizal (2)	Poultry and piggery farms	Owned/ Rented
Angono, Rizal (1)	Poultry farm	Owned
Naic, Cavite (1)	Poultry farm	Owned
San Miguel, Bulacan (3)	Poultry and piggery farms	Owned
Novaliches, Quezon City (1)	Piggery farm	Owned
Rosario, Batangas (1)	Piggery farm	Owned
Manjuyod, Negros Oriental (1)	Sugar mill	Owned
Piat, Cagayan (1)	Sugar mill	Owned
Kabankalan, Negros Occidental (1)	Sugar mill	Owned
San Enrique, Iloilo City (1)	Sugar mill	Owned
Man-it, Passi City (1)	Sugar mill	Owned
Simlong, Batangas (2)	BOPP plant/Flexible packaging	Owned
Calamba, Laguna (1)	Branded consumer food plant	Rented
Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (1)	Branded consumer food plant	Owned
Pasir Gudang, Johor, Malaysia (1)	Branded consumer food plant	Owned
Shiqiao Town, Guandong, China (1)	Branded consumer food plant	Owned
Shanghai, China (1)	Branded consumer food plant	Owned
Industrial Town, Indonesia (1)	Branded consumer food plant	Owned
VSIP, Bin Duong Province, Vietnam (1)	Branded consumer food plant	Owned
Acesfoods, Shantou, China (1)	Branded consumer food plant	Owned

None of the above properties are subject to an mortgage, lien or any form of encumbrance.

URC's properties are all in good operating condition.

Sugar mill facilities in Kabankalan, Negros Occidental with net book value of PhP2.54 Billion in fiscal 2008 and PhP1.36 Billion in fiscal 2007 of which PhP70 Million and PhP92 Million were used to secure the loan from Philippine Sugar Corporation in fiscals 2008 and 2007, respectively.

Annual lease payments for Calamba plant for fiscal year 2008 amounted to PhP44 Million. Lease contract is renewable annually. Land in Taytay, Rizal and Antipolo, Rizal where farm facilities are located, are owned by an affiliate and are rent-free.

RLC

RLC has invested in a number of properties located across the Philippines for existing and future development projects. These properties are in prime locations, thus affording RLC utmost flexibility for future development. This list excludes properties that have already been launched or completed as development projects, specifically residential building projects and housing projects, as the title to the property in these projects were already sold or are intended to be sold to the unit buyers.

Breakdown of RLC's properties¹ as of 30 June 2009 is set forth below:

a. Land

Location	Use
Antipolo, Rizal	Land bank
Aurora Boulevard, Quezon City	Land bank ²
Ayala Avenue, Makati City	Office
Bacolod City	Mall and land bank
Baliuag, Bulacan	Land bank, owned via Joint Venture
Bantay, Ilocos Sur	Land bank; owned via Joint Venture
Calasiao, Pangasinan	Land bank
Cabanatuan, Nueva Ecija	Mall
Cebu	Mixed-use (mall/hotel/landbank)
Dasmarinas, Cavite	Mall
Davao City, Davao del Sur	Mall and land bank
Dumaguete City	Land bank
EDSA, Mandaluyong City	Mixed-use (mall/hotel/office)
Ermita, Manila	Mixed-use (mall/office)
Fort Bonifacio, Taguig	Land bank
Galleria Complex, along Ortigas, Quezon City and Pasig City	Mixed-use (mall/hotel/office)
General Santos City, South Cotabato	Land bank
General Trias, Cavite (Saria & Portugal)	Land bank
Iloilo City	Land bank
Imus, Cavite	Mall
Lipa City, Batangas	Mall

Los Baños, Laguna	Mall
Luisita, Tarlac City	Mall
Malolos, Bulacan	Land bank
Merville, Parañaque City	Land bank
Naga City, Camarines Sur	Land bank
Novaliches, Quezon City	Mixed-use (mall/land bank)
Ortigas Center, Pasig City	Mixed-use (mall/office/hotel)
Paco, Manila	Mixed-use (mall)
Palawan	Land bank
Pasig (formerly Uniwide)	Mall
Pinamucan, Ibaba, Batangas	Land bank
Pioneer, Mandaluyong	Land bank, owned via Joint Venture
Salcedo Village, Makati	Land bank, owned via Joint Venture ³
San Fernando, Pampanga	Mall and Land bank
San Nicolas, Laoag, Ilocos Norte	Landbank; owned via Joint Venture
Santa Rosa, Laguna	Mall
Soro-soro, Batangas	Land bank
Sucat, Muntinlupa City	Land bank
Tacloban City	Mall
Tagaytay City, Cavite	Mixed-use (mall/hotel)
Tanauan, Batangas	Land bank
Taytay, Rizal	Land bank

b. Building and Improvements

Location	Use	Owned/Rented
Angeles City, Pampanga	Mall	Owned
Ayala Avenue, Makati City	Office	Owned
Bacolod City	Mall	Owned
Cabanatuan, Nueva Ecija	Mall	Owned
Cagayan De Oro, Misamis Oriental	Mall	Owned
Cainta, Rizal	Mall	Owned
Cebu	Mixed-use (mall/hotel)	Owned
Dasmariñas, Cavite	Mall	Owned
Davao City, Davao del Sur	Mall	Owned
EDSA, Mandaluyong City	Mixed-use (mall/hotel/office)	Owned
Ermita, Manila	Mixed-use (mall/office)	Owned
Galleria Complex, along Ortigas, Quezon City and Pasig City	Mixed-use (mall/hotel/office)	Owned
Iloilo City	Mall	Owned
Imus, Cavite	Mall	Owned
Lipa City, Batangas	Mall	Owned
Los Baños, Laguna	Mall	Owned
Luisita, Tarlac City	Mall	Owned
Novaliches, Quezon City	Mall	Owned
Ortigas Center, Pasig City	Mixed-use (mall/office/hotel)	Owned
Paco, Manila	Mall	Owned

Pulilan, Bulacan	Mall	Owned
San Fernando, Pampanga	Mall	Owned
Santa Rosa, Laguna	Mall	Owned
Tacloban City	Mall	Owned
Tagaytay City, Cavite	Mixed-use (mall/hotel)	Owned

Notes:

1. *RLC's properties are all in good operating condition.*
2. *Of the 2 properties located in Aurora, Quezon City, one is the site of the previous Magnolia plant, intended to be a mixed-use development. Magnolia Residences Tower B was launched in June 2009.*
3. *The first tower of the Signa Design Residences, RLC's joint venture with Security land, was launched in August 2009.*

None of the above properties are subject to a mortgage, lien or any form of encumbrance.

RLC owns all the properties where its existing commercial centers are located except for the following: Robinsons Place - Iloilo, Robinsons - Cagayan De Oro, Robinson Place - Cainta and Robinsons Pulilan. These four properties are leased at prevailing market rates. The leases for Iloilo and Cagayan de Oro properties are for 50 years each and commenced in October 2001 and December 2002, respectively. The leases for the Cainta and Pulilan properties are for 25 years and commenced in December 2003 and January 2008, respectively. RLC has the option to renew the lease contracts with Cainta and Pulilan for another 25 years. Total rent expense amounted to PhP142, 847,330 in 2008.

DIGITEL

DIGITEL's major properties, located in its various areas of operation, consist of telecommunications equipment, land, buildings and improvements, vehicle and work equipment, and telecommunications projects under construction.

In 1999, DIGITEL launched its Internet and Frame Relay services. To provide such services, DIGITEL installed a network built on three high-capacity Asynchronous Transfer Mode (ATM) switches and multiple Frame Relay switches. Multiplexers have been deployed in strategic points throughout Luzon to provide extensive points of presence. A Graphic User Interface Network Management System provides up-to-the minute reports on the status of the network elements. This system allows DIGITEL to maintain high-service standards for its customers. DIGITEL built the Makati Fiber Loop Access Network to provide data and voice services to selected buildings in Makati and installed Asymmetric Digital Subscriber Line (ADSL) equipment in its areas of operation offering internet access speeds ranging from 64 KPBS to 1024 KPBS.

DIGITEL's network was expanded in 1999 to include additional ready-for-connection lines outside Metro Manila and in Quezon City. These lines in Quezon City are serving the needs of Bagumbayan business establishments, including multinational companies occupying the Eastwood City Cyber Park.

In 2005, DIGITEL expanded its fiber optic backbone coverage to include strategic areas in Cavite, Rizal, Laguna, Batangas and Quezon provinces. The new infrastructure, made up of New Generation SDH Multiplexers, Core and Edge Routers (all MPLS) is envisioned to address new services such as IP-VPN and IP-based mission critical services requiring QoS. It is also intended to support the high bandwidth requirements of IP DSLAM and to complement the NGN switch and Video Conference Platform in providing VoIP and video conferencing services. IP-VPN services were introduced in 2005 with the completion of the IP-MPLS core network covering Binalonan, Balagtas and Galleria Corporate Center (GCC) in Quezon City. This is the first step on

the road to building a truly convergent IP-based network supporting VOIP, Broadband Internet and Video services.

In November 2006, DIGITEL signed a Memorandum of Agreement with Huawei Technologies Philippines Inc., to build another 24,000-line CDMA2000 WLL system to serve selected parts of Metro Manila and Luzon. The initial roll-out shall cover specific areas in Bicol region where typhoons Milenyo and Reming wrought heavy damage to DIGITEL's existing landline network infrastructure rendering rehabilitation impractical. Also known as "Bicol Express Project", the initiative is aimed at providing immediate landline service replacement to the affected subscribers who also stand to enjoy other advanced services that come with the CDMA2000 technology such as limited mobility, SMS and high-speed internet access.

As of 31 December 2008, DIGITEL had a total of over 600,000 lines system-wide. Its fully digital telecommunications facilities include a Luzon-wide "backbone" (long distance) transmission system consisting of radio stations and fiber optic cables and a transit exchange with interconnections with other operators in Metro Manila. DIGITEL also has an International Gateway Facility (IGF), made up of two IGF switches, one in Binalonan, Pangasinan and another in Quezon City, which provides instant connectivity to more than 200 international destinations. With DIGITEL's participation in the National Digital Transmission Network (NDTN) undertaken by the Telecoms Infrastructure Corp. of the Philippines (Telicphil), the Luzon-wide "backbone" transmission facility now extends to the Visayas and Mindanao. In addition, DIGITEL owns submarine cable capacities in the Trans-Pacific Cable-5 (TPC-5), the Asia-Pacific Cable Network (APCN), and the Southeast Asia-Middle East-Western Europe (SEA-ME-WE) cable systems. It also purchased capacities from the China-United States cable systems and the Guam-Philippines cable systems.

The CDMA (Code Division Multiple Access) WLL service enables DIGITEL to expand its landline service through state-of-the-art wireless technology with relative ease and at a lower cost than traditional copperwire systems. The CDMA 20001X is a legitimate 3G technology giving DIGITEL the distinction of actually being the first among the major Telco players to make CDMA commercially available.

DIGITEL replaced legacy TDM (time division multiplexing) access nodes (Luzon-wide) with next generation multi-service access equipment. This greatly increased the bandwidth provided at the customer premises by using ADSL and ADSL2+ access technology.

DIGITEL deployed Dial VPN Access Gateways Luzon-wide with initial capacity of about 4,000 ports. This introduced Dial VPN (Virtual Private Network) services for corporate branches and Internet Access port wholesaling for Internet Service Providers.

DIGITEL has deployed ADSL (Asymmetric Digital Subscriber Lines) ports via DSLAMS (Digital Subscriber Line Access Mux) installed in the various telephone switch central offices to provide connectivity to subscribers via copper wires within 5 km radius. Parts of this deployment are high temperature tolerant DSLAMS installed inside remote switch cabinets to serve clients remotely situated from main central office exchanges. The ADSL layers also serve as the transport in providing hosted content applications services, such as Netmedic, NetAcademy, NetInventory and NetPayroll and others.

After having successfully established the country's first NGN switching system in 2004, DIGITEL once again launched a new NGN system in 2006, this time to handle international VoIP traffic. This facility, which operates today as the 3rd IGF of DIGITEL is equipped with a processing power of 400,000 BHCA and an initial trunk capacity of 128 E1s for connection to the PSTN. In addition, it is also readily capable of providing class 5 functionalities should DIGITEL require activation of such services on the NGN platform in the future.

DIGITEL Crossing has established and is operating an optical fiber transmission system from its Cable Landing Station in Naic, Cavite to Makati to form part of Asia NetCom's (ANC) submarine cable system expansion in the East Asia region known as EAC2. Along with its brand new fiber web, it offers seamless end-to-end connectivity between more than 170 leading business cities worldwide by ANC. The fiber web facility is designed and being built ready for the latest dense wave division multiplexing (DWDM) technology.

DIGITEL's wireless network expansion continues to be carried out by global partners, Huawei, Alcatel and Ericsson. Digital GSM network operates on the 1800MHz frequency band and have access to a total of 15 MHz of frequency for its wireless service. The principal components of DIGITEL's digital wireless network are:

- cell sites, which contain transmitters, receivers and other equipment that communicate by radio signals with the wireless handsets within the range of the cell site;
- digital switching centers to route the calls to the proper destinations; and
- transmission facilities to link the switching centers to the cell sites.

DIGITEL is gradually building up its customer base alongside the expansion of its network to be able to provide clients with better quality service. Its leading technical partners and telecom network suppliers are responsible for the full-turnkey network infrastructure build-out and capacity expansion of existing SUN Cellular sites nationwide.

DIGITEL's properties are all in good operating condition. DIGITEL has satisfactory title to all assets appearing in the balance sheet. There are no mortgages, liens or encumbrances on the DIGITEL's principal properties; nor are there any limitations on ownership or usage on said properties.

JGSPC

JGSPC constructed its polypropylene and polyethylene complex on a site at Bo. Simlong, Batangas.

CEB

As of 31 December 2007 and 2008, and 30 June 2009, CEB's operating fleet follows:

	2009	2008	2007
Owned ¹			
Airbus A319	10	10	10
Airbus A320	2	2	2
ATR 72-500	8	6	—
Under operating lease ²			
Airbus A320	9	7	3
Boeing 757*		2	2
	29	27	17

Notes:

1 Please refer to supplementary discussion on Passenger Aircraft Held as Securing Assets Under Various Loans.

2 Please refer to supplementary discussion on Operating Aircraft Lease Commitments.

3. The two Boeing 757 aircraft have been sub-leased to Air Slovakia.

Construction in-progress represents cost of terminals and operations offices under construction, which are to be depreciated when relevant assets are completed and transferred to related Property and Equipment accounts.

As of 31 December 2008 and 2007, the gross amount of fully depreciated property and equipment which are in use by the Company amounted to PhP288.6 million and PhP172.1 million, respectively.

Passenger Aircraft Held as Securing Assets Under Various Loans

In 2005 and 2006, the Company entered into Export credit agency (ECA)-backed loan facilities (the ECA loan) to partially finance the purchase of ten (10) Airbus A319 aircraft. In 2007, the Company also entered into a commercial loan facility to partially finance the purchase of two (2) Airbus A320 aircraft, one (1) CFM 565B4/P engine, two (2) CFM 565B5/P engines and alone (1) Quick Engine Change (QEC) Kit. Then in 2008, the Company entered into both ECA loans and commercial loans to partially finance the purchase of six (6) *Avion de Transport Regional* (ATR) 72-500 turboprop aircraft.

Under the terms of the ECA loan and the commercial loan facilities, upon the event of default, the outstanding amount of loan (including interest accrued) will be payable by CALL or ILL or BLL, or by the guarantors which are CP Air Holdings Inc. (CPAHI) and JGSHI, or failing that, the respective lenders will foreclose on the securing assets.

As of 31 December 2008 and 2007, the carrying amount of the securing assets (included under the Property and Equipment account) amounted to PhP22.1 billion and PhP18.7 billion, respectively.

Operating Aircraft Lease Commitments

The Company entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 aircraft

The following table summarizes the specific lease agreements on seven (7) Airbus A320 aircraft:

Date of Lease	Lessor	No. of Units	Lease Term
December 23, 2004	CIT Leasing Corporation	2	May 2005 - May 2012 June 2005 - June 2012
April 23, 2007	Celestial Aviation Trading Limited (Celestial Aviation)	1	October 2007 - October 2015
May 29, 2007	CIT Aerospace International	4	March 2008 - March 2014 April 2008 - April 2014 May 2008 - May 2014 October 2008 - October 2014

On 14 March 2008, the Company entered into operating lease agreement with Celestial Aviation for the lease of four (4) additional Airbus A320 aircraft. The lease term is for a period of eight (8) years. The Company expects to begin to take delivery of the four (4) aircraft beginning 2009 of which two (2) were received during the first quarter of 2009.

Boeing 757 aircraft

On 22 August 2001, the Company entered into aircraft operating lease agreements with PALS, Inc. (PALS) and Pegasus Aviation IV, Inc. (Pegasus) for the lease of one (1) B757-236 aircraft from each company. The respective lease terms are for a period of seven (7) years. The delivery dates of the aircraft which were leased from Pegasus and PALS were 13 December 2001 and 18 February 2002, respectively. The lease agreement with Pegasus expired on 13 December 2008.

Under the aforementioned aircraft lease agreements, the Company will pay PALSI and Pegasus monthly maintenance expenses based on billing statements (included in Accounts Payable and Other Accrued Liabilities account in the balance sheet) throughout the lease term.

On 18 March 2006, the Company entered into a sub-lease agreement with Air Slovakia for the sub-lease of the two (2) B757-236 aircraft which were leased from PALSI and Pegasus. The sub-lease agreements shall be for a period of two (2) years, one of which expired in December 2008. At the end of the sub-lease term, Air Slovakia, at its own expense, shall redeliver the two (2) aircraft to the Company at the redelivery location. Rent income earned (included in Aircraft and Engine Lease account under statements of income) under the aforementioned sub-lease agreement amounted to PhP204.3 million and PhP210.3 million in 2008 and 2007, respectively.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2008		2007	
	US Dollar Philippine Peso Equivalent		US Dollar Philippine Peso Equivalent	
Within one (1) year	US\$27,900,136	PhP1,325,814,463	US\$13,388,040	PhP552,658,291
After one (1) year but not more than five (5) years	97,286,394	4,623,049,443	35,594,170	1,469,327,338
Over five (5) years	35,857,829	1,703,964,034	11,293,920	466,213,018
	US\$161,044,359	P7,652,827,940	US\$60,276,130	P2,488,198,647

Lease expenses relating to aircraft leases (included in Aircraft and Engine Lease account in the statements of income) amounted to PhP1.1 billion and PhP434.5 million in 2008 and 2007, respectively.

Operating Non-Aircraft Lease Commitments

The Company has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one (1) to ten (10) years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5% to 10%.

Future minimum lease payments under these noncancellable operating leases follow:

	2008 (PhP)	2007 (PhP)
Within one (1) year	76,145,138	67,276,365
After one (1) year but not more than five (5) years	432,109,782	385,627,425
Over five (5) years	280,466,642	346,930,715
	788,721,562	799,834,505

Lease expenses relating to non-aircraft leases (allocated under different expense accounts in the statements of income) amounted to PhP149.2 million and PhP134.1 million in 2008 and 2007, respectively.

Aircraft Purchase Commitments

CEB intends to expand its fleet size over the course of the coming years and as of 30 June 2009, has secured operating lease arrangements for two new Airbus A320-214 aircraft which will be

delivered in 2012. In addition, it has also signed a purchase agreement for up to 20 additional new Airbus A320-200 aircraft comprising of fifteen firm orders and five purchase options. The fifteen firm orders are scheduled to be delivered starting 2010. Furthermore, CEB will take delivery of two more ATR 72-500 turboprop aircraft in the fourth quarter of 2009 to cater to domestic destinations with smaller airports.

OPMC

Listed below are OPMC's exploration undertakings through a consortium effort with the DOE:

CONTRACT	LOCATION	Expiration Date	OPMC Share (%)
SC 6B (Bonita)	NW Palawan	September, 2024	14.0625
SC 14A (Nido)	NW Palawan	December 18, 2011	42.941
SC 14B (Matinloc)	NW Palawan	December 18, 2011	17.703
SC 14B1 (N. Matinloc)	NW Palawan	December 18, 2011	27.772
SC14C (West Linapacan)	NW Palawan	December 18, 2011	7.572
SC14C (Galoc)	NW Palawan	December 18, 2011	7.78505
SC 14D	NW Palawan	December 18, 2011	20.829
SC 41A/B	South Sulu Sea	September 1, 2013	5.463

CERTAIN LEGAL PROCEEDINGS

JG Summit Holdings Inc. and its subsidiaries and affiliates are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. In the opinion of JG Summit's management, none of the lawsuits or legal actions to which it or any of its, or its subsidiaries' property is currently subject will materially affect the daily operations of its business nor will they have a material effect on the Group's consolidated financial position.

REGULATORY MATTERS

The Issuer operates the majority of its businesses, including food, real estate, banking and financial services, telecommunications, air transportation and power generation activities, in a highly regulated environment. Many of these businesses depend upon licenses or franchises issued by the government authorities or agencies for their operations. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises, which in turn may have a material adverse effect upon the Issuer. In addition, the introduction or inconsistent application of, or changes in regulations may from time to time materially affect the Issuer's operations.

The operations of the Issuer are subject to various laws enacted for the protection of the environment. The Issuer believes also that it has complied with all applicable Philippine environmental laws and regulations, an example of which is the installation of waste and industrial water treatments in its various facilities. Compliance with such laws has not had, and in the Issuer's opinion, is not expected to have, a material effect upon the Issuer's capital expenditures, earnings or competitive position.

BRANDED CONSUMER FOODS, AGRO-INDUSTRIAL AND COMMODITY FOOD PRODUCTS

URC operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

As a manufacturer of consumer foods and commodity food (flour) products, URC is required to guarantee that the products are pure and safe for human consumption, and that URC conforms to standards and quality measures prescribed by the Bureau of Food and Drug.

URC's sugar mills are licensed to operate by the Sugar Regulatory Administration. URC renews its sugar milling licenses at the start of every crop year.

All of URC's livestock and feeds products have been registered with and approved by the Bureau of Animal Industry, an agency of the Department of Agriculture which prescribes standards, conducts quality control tests of feeds samples, and provides technical assistance to farmers and feed millers.

Some of URC's projects, such as the SONEDCO sugar mill and refinery, poultry and hog farm operations, certain snacks products, BOPP packaging, flexible packaging and PET bottle manufacturing, are registered with the Board of Investments (BOI), which allows URC certain fiscal and non-fiscal incentives.

Costs and Effects of Compliance with Environmental Laws

The operations of URC are subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931 as amended by Presidential Decree (P.D.) 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586) and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). URC believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatments in its various facilities. Compliance with such laws has not had, and in URC's opinion, is not expected to have, a material effect upon URC's capital expenditures, earnings or competitive position. As of 30 September 2008, URC has invested about Php333 Million in wastewater treatment in its facilities in the Philippines.

PROPERTY DEVELOPMENT AND HOTEL MANAGEMENT

Robinsons Land operates a material part of its businesses in a regulated environment. Robinsons Land is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions and the management of, disposal of and exposure to hazardous materials. In general, developers of real estate projects are required to submit project descriptions to regional offices of the Philippine Department of Environment and Natural Resources (DENR). For environmentally-sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not have an unacceptable environmental impact.

P. D. No. 957 as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. P. D. No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes as well as condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board (HLURB) is the administrative agency of the Government which, together with local government units, enforces this decree and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the relevant local government unit in which the project is situated. The development of subdivision and condominium projects can commence only after the relevant government body has issued the development permit. The issuance of a development permit is dependent on compliance with required project standards and technical requirements which may differ depending on the nature of the project. Further, all subdivision plans and condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant local government unit. Owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers and salesmen are also required to register with the HLURB. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon a verified complaint from an interested party for reasons such as non-delivery of title to fully-paid buyers or deviation from approved plans. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision or condominium project and compliance with applicable laws and regulations. All documents evidencing conveyances of subdivision and condominium units should be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title.

Further, Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government

agencies or enter into joint venture arrangements with other developers engaged in socialized housing development.

The Philippine Department of Tourism promulgated the Hotel Code of 1987 (the "Hotel Code") in order to govern the business and operation of all hotels in the Philippines. A certificate of registration and license as a hotel will not be granted unless the relevant establishment has passed all the conditions of the Hotel Code, the Fire and Building Codes, Zoning Regulations and other municipal ordinances.

The Philippine Economic Zone Authority (PEZA) is a government corporation that operates, administers and manages designated special economic zones ("Ecozones") around the country. Ecozones, which are generally created by proclamation of the President of the Philippines, are areas earmarked by the government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions. PEZA registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials.

RLC actively seeks PEZA registration of its buildings, as this provides significant benefits to RLC's tenants. PEZA registration provides significant tax incentives to those of RLC's customers that are PEZA-registered (they can, for example, avail themselves of income tax incentives such as income tax holidays or 5% gross income taxation), thereby making tenancy in the Company's PEZA-registered buildings potentially more attractive to them. As of fiscal September 2008, the Robinsons Pioneer mixed-use complex was in a PEZA Ecozone, the Robinsons Equitable Tower and Robinsons Summit Center were PEZA-registered buildings. A number of malls are also PEZA-registered.

Costs and Effects of Compliance with Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (ECC) prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project must prepare an Environmental Impact Statement (EIS), while a project in an environmentally critical area must prepare an Initial Environmental Examination (IEE).

The EIS or IEE contains all relevant information regarding the environmental effects of the projects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The issuance of an ECC is a Government certification that the proposed project has complied with the requirements of the EIS System, among other requirements.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (EGF), and Environmental Monitoring Fund (EMF) when the ECC is issued to projects determined by the DENR to pose significant risk to life, health, property and the environment. The EGF and EMF are intended to answer for damages caused by a project, rehabilitation and restoration measures, and monitor the compliance with the ECC and applicable laws, rules and regulations.

The costs of compliance with such environmental laws and regulations varies on a case to case basis depending on the location of the project, the type of the project and the extent of environmental impact as determined in the EIS.

TELECOMMUNICATIONS

DIGITEL's franchise which was granted in February 1994 and to expire after 25 years is subject to amendment, termination or repeal by the Philippine Congress. The franchise provides that DIGITEL may offer particular services upon obtaining the permission from the NTC, which permission is granted through the issuance of Certificates of Public Convenience and Necessity ("CPCNs"). Upon receipt of an application for a CPCN, the NTC normally issues a Provisional Authority (PA), which can be renewed annually that permits operation of the service pending issuance of the CPCN. The PAs may be revoked by the NTC if DIGITEL fails to comply with the conditions thereof. In addition, DIGITEL and its business are subject to extensive regulation by the NTC, particularly with respect to rates.

The PA granted to DIGITEL was originally valid for eighteen months from date of issuance and was subsequently extended by the NTC up to 7 February 2005. In November 2005, DIGITEL's PA was further extended up to but not beyond 7 February 2008. In December 2007, DIGITEL has filed a manifestation for the issuance of a Certificate of Public Convenience and Necessity (CPCN) to install, operate and maintain a nationwide Cellular Mobile Telephone System (CMTS) using GSM and/or CDMA technology. On 4 June 2008, NTC granted the Company a CPCN to operate and maintain a nationwide CMTS, for a period coterminous with the life of its existing franchise under RA No. 9180.

The Group believes DIGITEL is in compliance with all government regulations applicable to telecommunication companies.

Costs and Effects of Compliance with Environmental Laws

DIGITEL and DMPI have not been subject to any material penalties or legal or regulatory action involving noncompliance with environmental regulations of the Philippines, including the Environmental Impact Statement System (P.D. 1586) and the Clean Air Act (R.A. No. 8749). Compliance with such laws has not had, and in Digitel's opinion, is not expected to have, a material effect upon its capital expenditures, earnings or competitive position.

AIR TRANSPORTATION

The aviation industry is regulated by the Department of Transportation and Communication (DOTC). The DOTC oversees several departments, including Civil Aviation Authority of the Philippines (CAAP) formerly Air Transportation Office (ATO) and Civil Aeronautics Board (CAB).

The CAAP regulates the technical and operational aspects of air transportation in the Philippines. In particular, it establishes the rules and regulations for the inspection and registration of all aircraft and facilities owned and operated in the Philippines and determines the charges and/or rates pertinent to the operation of public air utility facilities and services.

The CAB is authorized to regulate the economic aspects of air transportation, to issue general rules and regulations to carry out the provisions of the Civil Aeronautics Act of the Philippines and to approve or disapprove the conditions of carriage or tariff which an airline desires to adopt. It has general supervision and regulation over air carriers, general sales agents, cargo sales agents and airfreight forwarders, as well as their property, property rights, equipment, facilities and franchises.

The Philippine aviation authorities deregulated the airline industry in 1995, eliminating certain restrictions on domestic routes and frequencies which resulted in fewer regulatory barriers to entry into the Philippine domestic aviation industry and increased fare competition. The Philippine aviation authorities have the flexibility to allow or deny new entrants in the air transportation market. New international carriers such as Asiana Airlines, Silk Air, Gulf Air, Qatar Airways, Kuwait Airways, EVA Air, Tiger Airways, Air Asia, JetStar Asia Airways and Air Macau now fly to and from

the Philippines. The Philippines currently operates under a bilateral framework, whereby foreign carriers are granted landing rights in the Philippines on the basis of reciprocity as set forth in the relevant bilateral agreements between the Government and foreign nations. There are indications that the Government is considering further liberalization of the Philippine aviation industry by allowing foreign carriers to exercise "freedom of the air" traffic rights beyond those that were established under the bilateral agreements. Pursuant to Executive Order Nos. 219 and 500-A of the President of the Philippines, foreign carriers from states with an air service agreement with the Philippines already have the benefit of unrestricted and unlimited Third and Fourth Freedom Traffic Rights at the Diosdado Macapagal International Airport in Clark, Pampanga and the Subic Bay International Airport in Subic, Zambales. Such foreign carriers may further apply for and be granted Fifth, Sixth and Seventh Freedom Traffic Rights at such airports, provided the Philippine aviation authorities have determined that such concessions will not prejudice the national interest. As a result, aside from being able to use these airports as a way-point, foreign carriers qualified by Philippine aviation authorities may carry passengers or cargo from such airports to a third country directly or by stopping in their own countries. Foreign carriers are not currently given Sixth and Seventh Freedom Traffic Rights at any other airports in the Philippines nor are they permitted to operate flights within the Philippines with or without continuing service to or from their own countries, also known as cabotage and stand-alone cabotage, respectively. However there can be no assurance that this policy will not change and any change in this policy in the future would significantly increase competition and could have a material adverse effect on CEB's business.

Costs and Effects of Compliance with Environmental Laws

P. D. No. 1586 directs every person, partnership or corporation to obtain an Environmental Compliance Certificate (ECC) before undertaking or operating a project declared as environmentally critical by the President of the Philippines.

Proclamation No. 2146 of the President of the Philippines declared that heavy industries including petro-chemical industries are environmentally critical projects for which an ECC is required. In 2003, via DENR Administrative Order No.30, Series of 2003, the Environmental Management Bureau ("EMB") of the DENR classified fuel depots as refineries that fall within the classes of petro-chemical industries subject to an ECC. Therefore, CEB is required to obtain ECCs for the fuel depots it operates and maintains for the storage and distribution of its aviation fuel.

Section 1, Rule XIX of the Implementing Rules and Regulations of the Philippine Clean Air Act of 1999 (Republic Act 8749) requires operators of aviation fuel storage tanks, which are considered as a possible source of air pollution, to obtain a permit to operate from the applicable regional office of the EMB.

Furthermore, Section 14, Article 2 of the Implementing Rules and Regulations of the Philippine Clean Water Act of 2004 (Republic Act 9275) requires owners or operators of facilities that discharge regulated effluents to secure from the Laguna Lake Development Authority (Luzon area) and/or the applicable regional office of the EMB (Visayas and Mindanao areas) a Discharge Permit, which is the legal authorization granted by the DENR for the discharge of wastewater. CEB operations generate wastewater and effluents for the disposal of which a Discharge Permit must be obtained.

In compliance with these laws and regulations, CEB obtained an effective and valid ECC from the DENR for the operation and maintenance of all its depots. It also holds permits to operate (Air Pollution Source and Control Installations) issued by the Environmental Management Bureau both of the National Capital Region and Region 7 for the maintenance and operation of the aviation fuel storage tanks in those depots.

Discharge Permits were further issued to it by the Laguna Lake Development Authority and the Environmental Management Bureau of Region 7 to discharge and dispose, at specifically

designated areas, liquid waste or water effluent generated in the course of our operations. CEB has also contracted the services of government licensed and accredited third parties to transport, handle and dispose its waste materials. On an annual basis, CEB spends approximately PHP300,000. in connection with compliance with applicable environmental laws.

PETROCHEMICALS

The BOI implements policies which directly affect the petrochemical industry. Under the Philippine Investment Priorities Plan, the BOI also has the power to grant incentives to manufacturers establishing new plants or undertaking rehabilitation or expansion programs such as tax holidays and duty free importation of capital equipment, as well as tax credits on locally purchased equipment.

Costs and Effects of Compliance with Environmental Laws

Among other things, the Clean Air Act requires that JGSPC enact a continuous emission monitoring system. Compliance with such laws has not had, and in JGSPC's opinion, is not expected to have, a material effect upon JGSPC's capital expenditures, earnings or competitive position.

INTERNATIONAL CAPITAL AND FINANCIAL SERVICES

The earnings of banks are affected not only by general economic conditions, but also by the policies of various governmental and regulatory authorities in the country and abroad. The establishment and operation of banking institution in the Philippines is governed by the General Banking Act. The Bangko Sentral ng Pilipinas acting through the Monetary Board, exercises overall supervision of, and regulates the industry.

The passage and possible arbitrary application and interpretation of government regulations may have a material effect on the operations of JG Summit's covered subsidiaries and affiliates.

Costs and Effects of Compliance with Environmental Laws

The Company believes that compliance with Environmental Laws has not had, and is not expected to have, a material cost or effect on the operations, capital expenditures, earnings or competitive position on the International Capital and Financial Services Division of JG Summit.

INTELLECTUAL PROPERTY AND LICENSES

The Issuer has trademarks registered with the Bureau of Patents, Trademarks and Technology Transfer. Unless terminated earlier or renewed, patent registration of materials is protected for a period of 17 years, while trademarks and brand name registration have a protected period of 20 years.

The Issuer also has various licenses and franchises issued by the government to enable the Issuer to operate its diverse businesses including food, real estate, banking and financial services, telecommunications, air transportation and power generation.

BRANDED CONSUMER FOODS, AGRO-INDUSTRIAL AND COMMODITY FOOD PRODUCTS

URC owns a substantial number of trademarks registered with the Bureau of Trademarks of the Philippine Intellectual Property Office. In addition, certain of its trademarks have been registered in other Asian countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of URC's product lines. In the Philippines, URC's licensing agreements are registered with the Philippine Intellectual Property Office.

URC also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. URC's licensed brands include:

- Swiss Miss milk shakes and cocoa mix for sale in the Philippines;
- Nissin's Cup instant noodles for sale in the Philippines;
- Hunt's tomato and pork and bean products for sale in the Philippines; and
- Nestle Purelife for sale in the Philippines

URC has obtained Intellectual Property Office certificates of registration for its licensing agreements with Nissin-URC, Hunt-URC and Societes Des Produits Nestle S.A. URC was also able to renew its licenses with Nissin-URC and Hunt-URC for another term.

PROPERTY DEVELOPMENT AND HOTEL MANAGEMENT

RLC relies on trademarks to establish and protect its business interests and it believes that its trademarks and intellectual property rights are important to its success and competitive position. In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

On 4 February 2008, the Company received approval for the registration of the intellectual property rights of the "R" logo. In addition, the Company has a number of applications for the registration of various trademarks of its property developments pending with the Philippine Intellectual Property Office, including the intellectual property rights for the "Robinsons" name, as well as the names of its other property developments. Although these registrations are not complete, RLC believes it has sufficient protection over the "Robinsons" name in particular from long-term use and wide-spread recognition of the name in the market. There can be no assurance, however, that the actions by RLC will be adequate to prevent imitation by others or to prevent others from using the "Robinsons" name as a violation of its intellectual property rights.

RLC has also registered a number of the business names it uses for its property developments with the Department of Trade and Industry. Registering a business name with the Department of Trade and Industry precludes another entity engaged in the same or similar business from using

the same business name as one that has been registered. A registration of a business name shall be effective for five years from the initial date of registration and must be renewed within the first three months following the expiration of the five-year period from the date of the original registration.

AIR TRANSPORTATION

Cebu Pacific operates under a congressional franchise granted by the Philippine legislature pursuant to Republic Act No. 7151 which expires in 2031.

PETROCHEMICALS

JGSPC has existing technology and licensing agreements with a foreign Issuer covering the construction, manufacture, use and sale of its PP and PE lines. In further consideration for the rights granted to JGSPC pursuant to the Agreement, JGSPC shall pay the foreign Issuer a royalty fee equivalent to a certain percentage of net peso sales value of high-density PE and low-density PE and a certain percentage of net sales value based on Platts rate per metric ton of licensed homopolymer PP and random copolymer PP up to the end of the royalty terms.

MARKET INFORMATION AND RELATED STOCKHOLDERS' MATTERS

PRINCIPAL MARKET OR MARKETS WHERE THE REGISTRANT'S COMMON EQUITY IS TRADED

The common stock of the Issuer is listed on the Philippine Stock Exchange.

STOCK PRICE HISTORY

The table below indicates the high and low sales prices for each quarter within the last three fiscal years and for the two quarters ended 30 June 2009.

2009	High	Low
First Quarter	PhP3.20	PhP1.76
Second Quarter	5.80	2.85

2008	High	Low
First Quarter	PhP10.75	PhP8.90
Second Quarter	9.70	8.70
Third Quarter	8.20	6.40
Fourth Quarter	7.00	1.58

2007	High	Low
First Quarter	PhP14.00	PhP10.50
Second Quarter	12.75	11.00
Third Quarter	12.75	8.90
Fourth Quarter	11.75	9.80

2006	High	Low
First Quarter	PhP6.10	PhP3.50
Second Quarter	7.90	5.40
Third Quarter	6.60	5.60
Fourth Quarter	11.00	6.20

The stock price of the Issuer's shares as of 3 November 2009 is PhP6.10.

DIVIDENDS

CASH DIVIDENDS PER SHARE

On 30 July 2008, the Issuer declared cash dividend of PhP0.03 per share from the Unrestricted Retained Earnings as of 31 December 1997 to all stockholders of record as of 29 August 2008 and payable on 24 September 2008.

On 28 June 2007, the Issuer declared cash dividend of PhP0.03 per share from the Unrestricted Retained Earnings as of 31 December 1997 to all stockholders of record as of 27 July 2007 and payable on 23 August 2007.

On 28 June 2006, the Issuer declared cash dividend of PhP0.03 per share from the Unrestricted Retained Earnings as of 31 December 1997 to all stockholders of record as of 28 July 2006 and payable on 23 August 2006.

STOCK DIVIDENDS DECLARED

No stock dividend was declared in 2008, 2007 and 2006.

Retained earnings of the Issuer as of 31 December 2008 include undistributed earnings amounting to PhP45.31 Billion representing accumulated equity in net earnings of subsidiaries and associates which is not available for dividend declaration until received in the form of dividends from the investees.

RESTRICTIONS ON DIVIDEND PAYMENTS

The Issuer has outstanding treasury shares of 98.1 million shares amounting to P721.8 million as of 30 June 2009, restricting the Issuer from declaring an equivalent amount from unappropriated retained earnings as dividends.

RECENT SALES OF UNREGISTERED SECURITIES

In fiscal year 2007, RLC issued a PhP3.0 Billion 5-year and 1-day fixed corporate note. In fiscal year 2008, RLC issued a PhP2.0 Billion, 5-year and 1-day inverse floating rate corporate note. These debt issues are considered as unregistered securities.

In September 2008, JGSHI issued a PhP4.31 Billion, 5-year and 1-day fixed rate corporate note.

In March 2009, URC issued a PhP3 Billion, 5-year and 1-day fixed rate corporate note. This debt issue is considered as unregistered securities.

HOLDERS

The number of stockholders on record of the Issuer as of 30 June 2009 was 1,371. The Issuer had 6,797,191,657 common shares (net of 98,082,000 shares held in treasury), with par value of PhP1.00 per share, outstanding as of 30 June 2009.

The Gokongwei Family controls approximately 26.03% of the outstanding share capital of the Issuer. GBFI (certain trustees of which belong to the Gokongwei Family) holds an additional 29.38% of the issued share capital of the Issuer.

GBFI is a non-stock, non-profit corporation organized by the irrevocable donation of shares in the Issuer by the incorporators. The incorporators are also trustees of GBFI. The chairman of the board of trustees exercises exclusive power and authority to represent and vote for any shares of stock owned by GBFI in other corporate entities. The incumbent chairman of the board of trustees of GBFI is Mr. John L. Gokongwei, Jr.

The following table sets forth the 20 largest stockholders of the Issuer as of 30 June 2009.

Name of Stockholder	As of 30 June 2009	
	Number of shares held	Total outstanding (%)
GBFI	1,997,076,451	29.38
RSB — TIG No. 030-46-000001-9	1,033,319,225	15.20
PCD Nominee Corporation — Filipino	948,823,181	13.96
John Gokongwei Jr.	866,509,465	12.75
Express Holdings, Inc.	284,676,715	4.19
PCD Nominee Corporation — Non-Filipino	237,590,781	3.50
Lance Y. Gokongwei &/or Elizabeth Gokongwei	234,845,280	3.46

James L Go	216,679,656	3.19
John Gokongwei &/or Lance Gokongwei	141,030,450	2.07
Gosotto & Co., Inc.	115,644,494	1.70
Lily G. Ngochua	74,591,775	1.10
Robina Gokongwei Pe &/or Elizabeth Gokongwei	72,345,278	1.06
URC	57,663,430	0.85
Liza Yu Gokongwei &/or Elizabeth Gokongwei	54,200,000	0.80
Nicris Development Corporation	38,073,252	0.56
Catalino S. Ngochua	36,907,869	0.54
Faith Gokongwei Ong &/or Elizabeth Gokongwei	36,100,000	0.53
Marcia Gokongwei Sy &/or Elizabeth Gokongwei	36,100,000	0.53
Hope Gokongwei Tang &/or Elizabeth Gokongwei	36,100,000	0.53
Emma G. See	27,552,125	0.41
Pacred Service & Investment Corporation	18,733,226	0.28
Manuel Ahyong Sr.	16,721,162	0.25
Total	6,581,283,815	96.84

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of 30 June 2009 are as follows:

Title of Class	Names and addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	Gokongwei Brothers Foundation, Inc. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder)	Same as record owner (see note 1)	Filipino	1,997,076,451	29.38%
Common	Robinsons Savings Bank – Trust & Investment Group No. 030-46-000001-9 17/F Galleria Corporate Center Edsa Cor. Ortigas Ave., Quezon City (stockholder)	Trustee's designated officers (see note 2)	Filipino	1,033,319,225	15.20%
Common	John Gokongwei, Jr. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder and Chairman Emeritus)	Same as record owner (see note 4)	Filipino	1,007,539,915	14.82%
Common	PCD Nominee Corporation (Filipino) GF MKSE Building	PCD Participants and their	Filipino	948,823,181	13.96%

	6767 Ayala Ave, Makati City (stockholder)	clients (see note 3)			
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Notes:

(1) Gokongwei Brothers Foundation, Inc. (the "Foundation") is a non-stock, non-profit corporation organized by the irrevocable donation by the incorporators, who are also Trustees of the Foundation, of JG Summit Holdings, Inc. shares. Under the Articles of Incorporation and By-Laws of the Foundation, except for salaries of employees and honoraria of consultants and similar expenses for actual services rendered to the Foundation or its projects, no part of the corpus or its income and increments shall benefit or be used for the private gain of any member, trustee, officer or any juridical or natural person whatsoever. The Chairman of the Board of Trustees shall exercise exclusive power and authority to represent and vote for any shares of stock owned by the Foundation in other corporate entities. The incumbent Chairman of the Board of Trustees of the Foundation is Mr. John L. Gokongwei, Jr.

(2) Robinsons Savings Bank – Trust & Investment Group is the trustee of this trust account. The securities are voted by the trustee's designated officers who are not known to the Corporation.

(3) PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Corporation's transfer agent in the Philippines. The beneficial owners of such shares are PCD Participants, who hold the shares on their behalf, and their clients. PCD is a private corporation organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. Out of this account, The Hongkong and Shanghai Banking Corporation Limited holds for various trust accounts 629,498,396 shares representing 9.26% of the Company's outstanding capital stock as of 30 June 2009. The securities are voted by the trustee's designated officers who are not known to the Corporation.

(4) Sum of shares in the name of "John Gokongwei, Jr." and "John Gokongwei, Jr. and/or Lance Gokongwei" for 866,509,465 and 141,030,450 shares, respectively.

Security Ownership of Management as of 30 June 2009 are as follows:

Title of Class	Names of beneficial owner	Amount and nature of beneficial ownership	Citizenship	% to Total Outstanding
A. Named Executive Officers¹				
Common	John L. Gokongwei, Jr.	1,007,539,915	Filipino	14.82%
Common	James L. Go	216,679,656	Filipino	3.19%
Common	Lance Y. Gokongwei	235,513,855 ³	Filipino	3.46%
Common	Johnson Robert G. Go, Jr.	1	Filipino	*
	Sub-total	1,459,733,427		21.48%

B. Other directors, executive officers and nominees

Common	Lily G. Ngochua	74,591,775	Filipino	1.10%
Common	Patrick Henry C. Go	93,500	Filipino	*
Common	Gabriel C. Singson	1	Filipino	*
Common	Ricardo J. Romulo	1	Filipino	*
Common	Cornelio T. Peralta	11,000	Filipino	*
Common	Jose T. Pardo	1	Filipino	*
Common	Robina Y. Gokongwei-Pe	74,145,278 ⁴	Filipino	1.09%
	Eugenie ML Villena	0	Filipino	*
	Constante T. Santos	0	Filipino	*
	Bach Johann M. Sebastian	0	Filipino	*
	Nicasio L. Lim	0	Filipino	*
	Chona R. Ferrer	0	Filipino	*
	Rosalinda F. Rivera	0	Filipino	*
	Sub-total	148,841,556		2.19%

C. All directors, executive officers & nominees as a group unnamed

1,608,574,983

23.67%

Notes:

(1) Chief Executive Officer and four (4) most highly compensated executive officers as of 30 June 2009.

(2) Sum of shares in the name of "John Gokongwei, Jr." and "John Gokongwei, Jr. and/or Lance Gokongwei" for 866,509,465 and 141,030,450 shares, respectively.

(3) Sum of shares in the name of "Lance Gokongwei," and "Lance Y. Gokongwei &/or Elizabeth Gokongwei" for 668,575 and 234,845,280 shares respectively.

(4) Held in the name of "Robina Y. Gokongwei-Pe &/or Elizabeth Gokongwei".

** less than 0.01%.*

VOTING TRUST HOLDERS OF 5% OR MORE

As of 30 June 2009, there are no persons holding more than 5% of a class of securities under a voting trust or similar agreement

CHANGES IN CONTROL

As of 30 June 2009, there are no arrangements which may result in a change in control of the Issuer.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and the related notes included elsewhere in this Prospectus. These consolidated financial statements, and the financial information discussed below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

A) RESULTS OF OPERATIONS

This Management's Discussion of Results of Operations is presented in two parts: Consolidated Operations and Segment Operations.

Six-month period ended 30 June 2009 versus same period in 2008

Consolidated Operations

JG Summit's net income for the 1st half of the fiscal year 2009 amounted to PhP3.61 Billion, a substantial increase of 473.4% compared to last year of the same period. The second quarter brought in record results as the Company netted profits of PhP2.75 Billion (compared to PhP864 Million in the 1st qtr) since the Company benefited from the initial signs of stabilization on the global financial markets front even as the peso depreciated during the period. Even excluding the effects of the financial and foreign exchange markets, the Company still showed marked improvement as core earnings for the 1st six months increased by 8.4% from PhP4.90 Billion in 2008 to PhP5.31 Billion in 2009. Likewise, Core EBITDA for the period increased 24.3% from PhP10.51 Billion to PhP13.06 Billion.

Consolidated revenues were up by 15.5% from PhP46.20 Billion to PhP53.34 Billion driven by the continued growth in sales and revenues of the core businesses, mainly: foods, airline and the telecommunications business. In addition, equity in net earnings of associates recorded an 82.4% growth during the period, from PhP911.62 Million last year to PhP1.66 Billion during the first half of this year. Revenue growth, however was tempered by the decline in sales of the petrochemical business by 42.4% to PhP2.50 Billion during the period.

Consolidated cost of sales and services for the first half of the year increased by 7.9% from PhP29.72 Billion last year to PhP32.08 Billion for the first six months of 2009. Foods business recorded higher cost of sales due to increased sales volume coupled with the increase in costs of its major raw materials. Aside from this, the airline and the telecoms businesses also recorded higher cost of services relative to their revenues for the first half of 2009. Consolidated operating expenses increased by 27.6% to PhP13.71 Billion as a result of higher general and administrative expenses in food operations, mobile phone business, and increased airline operations.

Financing costs and other charges incurred for the first six months of 2009 increased by 19.2% to PhP3.29 Billion mainly due to higher level of debt financing during the period as well as the higher peso-exchange rate used.

Market valuation gains recognized during the period amounted to PhP782.20 Million as compared to a loss of PhP1.78 Billion recorded for the same period last year. The market values of the Group's financial assets have shown signs of recovery especially in the second quarter, brought about by the improving confidence in the global financial markets. Market valuation losses reported by URC in its six-month financial statements as of 31 March 2009 were adjusted to reflect the changes in the fair values from April to June 2009.

Foreign exchange loss recorded for the first six months of 2009 amounted to PhP1.06 Billion, a 59.7% decrease from PhP2.64 Billion for the same period last year mainly due to higher peso devaluation during the first six months of last year.

Interest income declined 19.5% for the first six months of 2009 from PhP1.17 Billion last year to PhP943.66 Million this year due to lower average investment portfolio during the period as compared to last year's.

The Other income account dropped 86.9% for the first half of 2009 from PhP752.57 Million in 2008 to PhP98.37 Million mainly due to lower trading gains (actual) realized this year in financial assets as compared to the same period last year and also due to last year's recognition of gain on early repayment of various debts by a certain subsidiary.

Key Financial Indicators

The Issuer sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Issuer has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of 30 June 2009 and 2008.

The key financial indicators for the period and the manner in which the Issuer calculates these key financial indicators is as follows:

Key Financial Indicators	Six months ended 30 June		
	2008	2009	
Revenues	PhP46.19	PhP53.34	Total of sales and services, investment income from banking business and equity in net earnings
EBIT*	PhP5.73	PhP7.55	Operating Income
Core EBITDA*	PhP10.51	PhP13.06	Operating Income add back depreciation and amortization and any non-recurring impairment losses
Current ratio	1.14	1.03	Total current assets over total current liabilities
Gearing ratio	0.92	1.07	Total Financial Indebtedness (which for the applicable period is equivalent to short-term debt, long-term debt and cumulative redeemable preferred shares) over Total Equity
Net debt to equity ratio	0.67	0.86	Total Financial Indebtedness (which for the applicable period is equivalent to short-term debt, long-term debt and cumulative redeemable preferred shares) less Cash including Financial Assets at FVPL and AFS investments (excluding RSB Cash and AFS investments) over Total Equity.
Book value per share	PhP11.55	PhP11.45	Equity attributable to equity holders of the Parent Company over the number of outstanding shares of the Parent Company

**As restated based on 2009 redefinition of EBIT and EBITDA. Prior to 2009, EBIT was Earnings before interest expense and taxes computed as net income before nonrecurring items add provision for income tax and financing costs, EBITDA was EBIT add depreciation and amortization, and Core EBITDA was EBITDA excluding foreign exchange and market valuation gains and (losses).*

Segment Operations

BRANDED CONSUMER FOODS, AGRO-INDUSTRIAL AND COMMODITY FOOD PRODUCTS

URC posted consolidated sale of goods and services of PhP25.69 Billion for the six months ended 31 March 2009, 21.4% higher than the revenues reported in the same period of last year. Sale of goods and services by business segment follows: (1) URC's BCFG (excluding packaging) increased by PhP3.50 Billion or 22.3% to PhP19.15 Billion in the first half of fiscal 2009 from PhP15.66 Billion recorded in the same period of fiscal 2008. This increase was primarily due to a 15.5% increase in net sales from BCFG's domestic operations, which was largely driven by the strong performance of its snackfoods which posted an 18.2% growth in savory snacks, candies, chocolates and biscuit sales. Export also posted a 55.1% growth in sales value. BCFG international sales significantly increased by 41.4% to PhP5.86 Billion due to considerable increase in sales volume. Sales in URC's packaging division went down by 26.4% to PhP529 Million in the first half of fiscal 2009 from PhP719 Million posted in the same period last year due to decrease in sales volume and selling price. (2) URC's AIG recorded net sales of PhP2.94 Billion, a 4.8% increase from PhP2.80 Billion recorded in the same period last year. This was due to increase in hog and feeds sales driven by higher selling prices which offset the decrease in sales of poultry products. (3) URC's CFG revenues amounted to PhP3.07 Billion in the first half of fiscal 2009 up 55.3% from PhP1.98 Billion reported in the same period last year primarily due to increase in sales volume of sugar as a result of better performance by SONEDCO in the first half of this year against last year, coupled with higher average selling prices of sugar and flour.

URC's cost of sales increased by PhP3.75 Billion or 23.4% to PhP19.74 Billion for the first half of fiscal 2009 from PhP15.99 Billion recorded for the same period last year. Cost of sales went up due to increases in sales volume coupled with significant increases in costs of major raw materials during the first quarter of fiscal 2009. URC's gross profit for the first half of fiscal 2009 amounted to PhP5.95 Billion, an increase of PhP785 Million or 15.2% from PhP5.16 Billion posted in the same period last year. Operating expenses increased by PhP644 Million or 19.2% to PhP4.0 Billion in the first half of fiscal 2009 from PhP 3.36 Billion recorded in the same period of fiscal 2008. The increase was primarily due to 25.8% or PhP285 Million increase in advertising and promotion costs to support new SKUs launched and boost up sales of existing products in light of increasing market competition. Freight and delivery charges amounted to PhP885 Million in the first half of fiscal 2009, a 12.2% increase brought about by higher trucking and shipping costs associated with higher fuel prices and increase in sales volume. Compensation and other benefits also increased by PhP181 Million due to annual salary adjustments and retirement expense. Market valuation loss on financial instruments at FVPL increased by PhP379 Million or 49.0% to PhP1.15 Billion in the first half of fiscal 2009 due to drop in the market values of investments in bonds and equity securities as a result of global financial crisis (based on 31 March 2009 prices since URC presents its six-month's financial statements as of that date). Finance costs slightly dropped 3.3% to PhP665 Million for the first half of fiscal 2009 mainly due to capitalization of certain borrowing costs in accordance with the revised PAS 23, *Borrowing Costs*. Impairment losses recognized during the period pertain to certain receivables, AFS investments and assets held for sale which amounted to PhP315 Million. No impairment loss was recorded during the same period last year.

URC's net income attributable to equity holders of the parent decreased by PhP273 Million or 55.3% to PhP221 Million in the first half of 2009 from PhP 494 Million as a result of the significant mark-to-market loss in bond and equity holdings and recognition of impairment losses.

URC's unaudited core earnings before tax (operating profit after equity earnings, net finance costs and other income – net) for the first half of fiscal year 2009 amounted to PhP1.94 Billion, an increase of PhP136 Million from PhP1.80 Billion reported in the same period last year.

URC reported an EBITDA (operating income plus depreciation, amortization) of PhP3.41 Billion for the first half of fiscal 2009, 9.3% higher than PhP3.12 Billion recorded in the same period of fiscal 2008.

URC is not aware of any material off-balance sheet transactions, arrangements and obligations (including contingent obligations), and other relationship of URC with unconsolidated entities or other persons created during the reporting period that would have a significant impact on its operations and/or financial condition.

PROPERTY DEVELOPMENT AND HOTEL MANAGEMENT

RLC posted a PhP1.6 Billion net income for the first six months of fiscal year 2009. Realized revenues stood at PhP5.1 Billion while EBITDA and EBIT amounted to PhP2.9 Billion and PhP2.1 Billion, respectively.

Commercial Centers Division contributed 40% or PhP2.0 Billion of the gross revenues posting a 10% growth. Significant growth contributors are the Metro Manila malls led by the Midtown Mall of Robinsons Place Manila. Other provincial malls also posted decent growth in rental revenues while significant rental increment was also contributed by the newly opened mall in Cabanatuan City, Nueva Ecija.

RLC's High Rise Residential Buildings Division's accounted for 34% of RLC's revenues. Its six months' performance resulted in realized revenues amounting to PhP1.7 Billion. Significant revenues were realized from recently launched projects such as East of Galleria, Gateway Garden Heights, Woodsville Viverde, Otis 888, Gateway Garden Ridge, Fifth Avenue Place and Bloomfields, projects launched earlier, have lower realized revenues since these are nearing completion. The Office Buildings Division contributed 10% or PhP503.1 Million of RLC's revenues, up by 33% from last year's PhP379.3 Million. The increase in office rentals was due to rentals from Cybergate Centers 2 and 3.

The Hotels Division showed a decline in revenue by 16% from PhP581.3 Million last year to PhP 491.0 Million this year. Occupancy rates for the three hotels, Crowne Plaza Galleria Manila, Holiday Inn Galleria Manila and Cebu Midtown Hotel, stood at 71%, 79% and 56%, respectively.

The Housing and Land Development Division reported realized revenues amounting to PhP334.2 Million, against last year's PhP319.5 Million posting a steady 5% growth. This was brought about by higher percentage completion of various ongoing projects.

Real Estate cost decreased by 5% from PhP1.9 Billion last year to PhP1.8 Billion this year due to lower level of completion on several residential condominium projects.

Interest income decreased by 23% to PhP197.6 Million due to lower level of interest amortization on installment contracts arising from sales of condominium and housing units.

Interest expense went up by PhP3.4 Million due to higher level of mall tenant deposits classified as financial instruments. Hotel costs decreased by 10% due to lower utility costs brought about by lower room occupancy. General and administrative expenses went up by 3% due to higher operating expenses.

TELECOMMUNICATIONS

DIGITEL's consolidated service and nonservice revenues for the first semester of 2009 totaled to PhP6.69 Billion, up by 35.9% from last year's PhP4.92 Billion. The wireless communications segment, which comprised 71% of total revenues, grew by 62.4% year on year.

The wireline voice communication services, registered service revenues and non-service revenues of PhP1.71 Billion for the six months ended 30 June 2009. This is a 7.2% decline over same period last year of PhP1.8 Billion mainly due to lower international and domestic tolls. Providing cushion to the reduced international and domestic traffic is the growth of ADSL products. This service registered an increase of 38% compared to same period last year.

Revenues for wireline data communication services for the six months ended 30 June 2009 amounted to PhP205.5 Million posting a slight decrease of 0.7% over same period last year of PhP207.0 Million. The wireless communications segment posted a remarkable 62.4% improvement in its operating revenues of PhP4.78 Billion during the six-month period ended 30 June 2009 from PhP2.94 Billion during the same period last year. Net service revenues, 66.1% of which accounts for unlimited services, improved substantially by 61.4% against reported revenues of the same period last year. This is mainly attributable to the continued success of the unlimited service portfolio (e.g. 24/7 Call & Text Unlimited and Text Unlimited) and increase in subscriber count from the Group Plans and Plan 350 products. Non-service revenues from the wireless communications segment also grew by 120% brought about by higher sales of SIM packs and phonekits. Furthermore, competitive SIM pack prices and new products launched at very affordable prices aggressively contributed to enlarge market share.

Consolidated cost and operating expenses increased by 19.2% to PhP6.13 Billion from last year's consolidated figure of PhP5.14 Billion. Higher cost of sales, network-related expenses and general and administrative expenses primarily contributed to the increase.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) for the period is PhP2.13 Billion, higher by 60.9% against PhP1.32 Billion during the same period in 2008 due primarily to the higher service and non-service revenues generated by the wireless business. EBITDA margin improved to 32% from last year's 27%.

Net loss for the first semester of 2009 amounted to PhP638.0 Million from last year's PhP2.04 Billion.

AIR TRANSPORTATION

CEB generated gross revenues of PhP11.39 Billion for the six-month period ended 30 June 2009, a 21.3% growth over last year's PhP9.39 Billion brought about by additional routes, increase in flight frequencies and capacity due to additional Airbus A320 and ATR72-500 acquired in recent months. Correspondingly, operating expenses increased from PhP8.19 Billion last year to PhP9.28 Billion this year. Foreign exchange loss recognized during the first half of 2009 amounted to PhP222.0 Million, a 76.8% drop from last year's PhP958.72 Million. Fuel hedging gains recorded a significant increase during the period, from PhP77.11 Million last year to PhP556.02 Million for the first six months this year. All these factors contributed to the turnaround in the airlines' bottomline, from a net loss of PhP15.66 Million last year to a net income of PhP1.99 Billion this year.

PETROCHEMICALS

JGSPC revenue for the first six months of 2009 amounted to PhP2.50 Billion a 42.4% drop from last year's PhP4.35 Billion as a result of decrease in sales volume from 67,432 MT last year to only 44,491 MT this year. A gross loss of PhP93.88 Million was recorded this year from a gross income of PhP210.40 Million last year. Operating expenses also dropped by 25.6% relative to lower production during the period. A foreign exchange loss of PhP104.73 Million was also recognized during the first half of fiscal 2009 compared to a foreign exchange gain of PhP37.0 Million for the same period last year. All these factors contributed to a higher net loss for the petrochemical business from PhP100.14 Million last year to PhP670.79 Million this year.

EQUITY IN EARNINGS OF ASSOCIATES AND JOINT VENTURES

Equity in earnings from associated companies and joint ventures were reported at PhP1.66 Billion for the six months ended 30 June 2009, an 82.4% increase from last year's equity earnings of PhP911.62 Million. The growth was attributable to higher income recorded by UIC this year, from S\$79.64 Million last year to S\$135.57 Million this year due to higher rental income and gain on sales of residential properties. Also, UIC booked a write-back of deferred income tax amounting to S\$21.71 Million during the period.

BANKING AND FINANCIAL SERVICES

RSB recognized net income of PhP92.66 Million for the first half of fiscal 2009, an 11.1% decrease from last year's PhP104.28 Million. The drop in net income is mainly due to lower trading gain recorded during the period, from PhP51.38 Million last year to PhP13.69 Million for the same period this year.

Year ended 31 December 2008 versus same period in 2007

Consolidated Operations

JG Summit's consolidated revenues grew by 29.1% to PhP99.87 Billion from last year's PhP77.37 Billion as most of its subsidiaries posted double-digit revenue growth.

Revenues generated by URC grew 20.5%, from PhP37.72 Billion to PhP45.45 Billion mainly because of the strong performances of its branded consumer foods group and commodity foods group.

Revenues of CEB reached PhP19.68 Billion, a 31.1% increase over last year's PhP15.02 Billion. It has successfully carried about 6.4 Million passengers compared to the 5.2 Million passengers flown in 2007. This can be attributed to the increase in number of flights during the year brought about by the opening of five international routes and seven domestic destinations in 2008.

DIGITEL posted an increase of about 35.5% in its service revenues. Its mobile phone business, Sun Cellular registered a remarkable improvement of 82.4% in revenues as it reached a wider subscriber base more significantly in prepaid that boosted revenues in unlimited fees, voice, SMS, roaming and value added services.

RLC generated gross revenues of PhP10.69 Billion in 2008, an increase of 30.7% from last year's PhP8.18 Billion. Its High-rise division continues lead growth because of the continuing strong demand for condominiums and BPO office space.

JGSPC recorded an 80.2% increase in its revenues from PhP5.15 Billion in 2007 to PhP9.28 Billion in 2008 as a result of higher sales volume (76,737MT last year to 132,049 MT).

Equity in net earnings of associates and joint ventures increased by 47.1%, from PhP1.62 Billion in 2007 to PhP2.39 Billion in 2008 because of higher equity earnings recognized from UIC, a Singapore-based listed company where we have a 35.0% stake.

Gross income increased only by 18.5% to PhP34.84 Billion, a result of substantial increases in input costs for the food, property, airline, and petrochemical businesses. Effective management of general and administrative expenses led to a higher growth in Operating income of 77.3% to PhP11.30 Billion.

Financing costs and other charges incurred for the year ended 31 December 2008 dropped 7.8% due to lower average interest rates offsetting the effects of the devaluation of the peso.

Provision for income tax declined by 109.7% due to recognition of a net benefit from deferred income tax this year brought about by recognition of deferred tax asset on unrealized foreign exchange loss during the period.

JG Summit's core earnings before taxes which exclude effects of foreign exchange and market valuation on financial instruments for the year ended 31 December 2008, increased by 60.6% from PhP5.70 Billion to PhP9.16 Billion, on the back of the 29.1% increase in revenues.

EBITDA (earnings before interest, taxes, depreciation and amortization) for the period, amounted to PhP15.15 Billion, a 50.0% decline from last year's PhP30.29 Billion. However, Core EBITDA, excluding the foreign exchange and market valuation gains and losses, increased by 19.4% from PhP21.12 Billion last year to PhP25.22 Billion this year, with strong performance from the food, property and telecoms business.

Incorporating the negative effects of changes in foreign exchange rates, as well as the market valuation losses on the Group's financial assets and fuel hedges, consolidated net income (attributable to equity holders of the parent) amounted to a net loss of PhP694 Million, a complete turnaround from last year's net income of PhP8.61 Billion. The foreign exchange loss amounted to PhP2.93 Billion compared to a gain of PhP7.21 Billion in the same period last year. This is a direct result of translating the value of the company's dollar-denominated assets and liabilities with a much devalued Philippine peso at the close of the year 2008. The market valuation losses amounted to PhP7.14 Billion versus a market valuation gain of PhP1.96 Billion for the same period last year. Again this was brought about by the combined effects of the lower market value of its financial assets and fuel hedges coming out of the collapse and volatility of global financial and commodity markets, as well as the lower value of the peso.

Key Financial Indicators

The Issuer sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Issuer has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of 31 December 2008 and 2007.

The key financial indicators for the period and the manner in which the Issuer calculates these key financial indicators is as follows:

Key Financial	Years ended 31 December		
Indicators	2007	2008	
Revenues	PhP77.37	PhP99.87	Total of sales and services, investment income from banking business and equity in net earnings
EBIT*	PhP6.38	PhP11.30	Operating Income
Core EBITDA*	PhP17.73	PhP21.13	Operating Income add back depreciation and amortization and any non-recurring impairment losses
Current ratio	1.08	1.01	Total current assets over total current liabilities
Gearing ratio	0.83	1.12	Total Financial Indebtedness (which for the applicable period is equivalent to short-term debt, long-term debt and cumulative redeemable preferred shares) over Total Equity
Net debt to	0.51	0.93	Total Financial Indebtedness (which for the

equity ratio			applicable period is equivalent to short-term debt, long-term debt and cumulative redeemable preferred shares) less Cash including Financial Assets at FVPL and AFS investments (excluding RSB Cash and AFS investments) over Total Equity.
Book value per share	PhP11.30	PhP10.73	Equity attributable to equity holders of the Parent Company over the number of outstanding shares of the Parent Company

**As restated based on 2009 redefinition of EBIT and EBITDA. Prior to 2009, EBIT was Earnings before interest expense and taxes computed as net income before nonrecurring items add provision for income tax and financing costs, EBITDA was EBIT add depreciation and amortization, and Core EBITDA was EBITDA excluding foreign exchange and market valuation gains and (losses).*

Current assets amounted to PhP67.38 Billion while current liabilities reached PhP66.50 Billion, for a current ratio of 1.01:1. The drop in current ratio is due to the classification of the Cumulative Redeemable Preferred Shares maturing in 2009 as current obligations and the decline in the market values of FVPL and AFS investments which are classified under current assets. The Company and the Group as a whole, do not expect any liquidity problems that may arise in the near future.

Total financial debt amounted to PhP104.18 Billion in 2008, higher than last year's PhP82.33 Billion. Additional borrowing and peso depreciation contributed to this increase, bringing gearing ratio down to a more comfortable level of 1.12:1, well within the financial covenant of 2.0:1. Net debt stood at PhP86.24 Billion, bringing net debt to equity ratio to 0.93:1.

As of 31 December 2008, the Company has already effected in its consolidated financial statements, the additional market valuation losses on the financial assets of URC, reported in its first quarter 2009. This is in line with the PAS 27, *Consolidated and Separate Financial Statements*, on consolidated financial statement, that if the reporting date of a subsidiary is different from that of the parent, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the parent financial statements. Other than this, the Company is not aware of any events and uncertainties that would have a material impact on the Company's revenues and net income and future operations.

Segment Operations

Results from Continuing Operations

URC generated a consolidated sales of goods and services of PhP45.45 Billion for the fiscal year ended 30 September 2008, a 20.5% increase over last year. The principal reasons for this increase were as follows: (1) PhP5.94 Billion, or 21.7% increase in net sales of URC's branded consumer foods segment, excluding packaging division. Domestic operations posted a 19.2% increase in net sales, which was largely driven by the strong performance of its snackfoods. The launch of 89 SKU's during the year, which contributed 4% of the total sales and acquisition of Granny Goose snacks line also boosted sales in fiscal 2008. BCFG's international sales increased by 28.9% due to higher revenues from Vietnam, Thailand, Malaysia and China operations. Vietnam posted a phenomenal sales growth due to surging C2 sales volume coupled by price increases. Sale of goods and services in packaging division rose to PhP1.50 Billion, up by 44.0% from PhP1.04 Billion last year due to increase in sales volume and prices. (2) PhP1.4 Billion or 38.3% increase in net sales of commodity foods segment due to increase in sales of flour from PhP2.53 Billion last year to PhP3.32 Billion this fiscal 2008. Moreover, sugar net sales increased by 54.6% to PhP1.80 Billion this year as a result of higher sales volume due to acquisition earlier this year of PASSI sugar milling and increased production volume in two

Negros mills. The agro-industrial segment of URC however, registered a slight drop in its sales of goods and services from PhP5.65 Billion in fiscal 2007 to PhP5.57 Billion in fiscal 2008 mainly due to decline in sales of the farm business brought by an influx of cheap imported meat.

URC's gross profit for fiscal 2008 amounted to PhP10.86 Billion, up by 7.4% from PhP10.10 Billion recorded in fiscal 2007 despite the drop in gross margin to 23.9% from 26.8% last year. Selling and distribution costs and general and administrative expenses rose by 3.5% from PhP 6.92 Billion to PhP7.17 Billion primarily due to the following factors: (1) increase in freight and handling expenses by 13.0% or PhP196 Million due to higher volume and freight rate charges associated with higher fuel prices and increase in trucking and shipping costs; and (2) increase in advertising and promotion costs by 8.0% from PhP2.35 Billion in fiscal 2007 to PhP2.53 Billion in fiscal 2008 to support the new SKUs launched and to boost sales of existing products in light of increasing market competition.

URC recognized a market valuation loss on financial instruments at fair value through profit or loss of PhP2.26 Billion in fiscal 2008 compared to a PhP452 Million market valuation gain in fiscal 2007. This was due to significant drop in market values of both bond investments and equity securities as a result of global financial crisis.

Gain on sale of investment in fiscal 2007 amounting to PhP2.86 Billion represents gain on sale of equity investment in RLC.

Net income attributable to equity holders of the Parent Company decreased by PhP5.18 Billion or 93.1% to PhP381.0 Million net loss in fiscal 2008 from PhP5.56 Billion net income in fiscal 2007 due to the one-time gain recognized last year and the market valuation losses recorded this year.

URC's Core EBITDA increased by 16.7% to PhP6.38 Billion for fiscal 2008. Core earnings, which is operating profit after equity earnings, net finance costs and other expenses reached PhP3.50 Billion in fiscal 2008 compared to PhP3.24 Billion last year.

RLC generated total gross revenues of PhP11.18 Billion for fiscal year 2008, an increase of 25.8% from PhP8.89 Billion of total gross revenues for fiscal year 2007. RLC's Commercial Centers Division contributed 33.1% while its High Rise Division accounted for 50.4% of its gross revenues. Income Before Income Tax for the year was PhP3.76 Billion, an increase of 10.2% from PhP3.42 Billion the previous year. Core EBITDA recorded a positive variance of 10.4% from PhP4.82 Billion last year to PhP5.32 Billion mainly due to higher revenues. RLC's net income increased by 29% to PhP3.15 Billion compared to PhP2.45 Billion last year. In 2008, the income includes an extraordinary adjustment to reduce provision for deferred income tax amounting to PhP300 Million. The adjustment was the result of the reduction of the regular corporate income tax rate starting January 2009.

The Commercial Centers Division accounted for PhP3.70 Billion of the real estate revenues for the year, versus PhP3.54 Billion last year. The 4.5% increase in revenues of the Commercial Centers Division was principally due to rental escalations and strong take up of leased areas of RLC's mall space after renovation and expansion work. Significant rental contribution came from Galleria mall, Robinsons Place Manila, Robinsons Place Novaliches, Otis mall and Luisita mall in Tarlac City, among others.

The Company's High Rise Buildings Division realized gross revenues of PhP5.64 Billion, up by 60% from PhP3.52 Billion last year due to initial take up of realized revenues from its ongoing residential condominium properties, specifically, East of Galleria, Gateway Garden Ridge, Otis 888 Residences and Gateway Garden Heights. Likewise, the Division continues to enjoy stable recurring lease income from six of its office buildings, which have become the choice corporate addresses of reputable multinational companies as well as BPO companies, Galleria Corporate Center, Robinsons Equitable Tower, Robinsons Summit Center and Robinsons Cybergate Center Towers 1, 2 and 3. Total revenues from Office Buildings Division amounted to PhP883.4 Million

compared to PhP714.5 Million over the same period last year. This 24% increase in lease income was largely attributable to the opening of new Cybergate Center Tower 3 during the year as well as increased occupancy rates and generally higher rental rates of its office buildings.

The Hotels Division, a major contributor of RLC's recurring revenues registered gross revenues of PhP1.14 Billion, as against last year's PhP1.11 Billion. A significant part of the 2.8% increase in hotel revenues was contributed by Crowne Plaza Hotel. RLC's two other hotels continue to register satisfactory occupancy rates.

The Housing and Land Development Division reported realized gross revenues of PhP704.3 Million as against PhP715.8 Million for the same period last year or a slight decrease of 1.6%. The decrease in realized revenues was attributed to lower project completion.

Interest income decreased from PhP710.4 Million last year to PhP494.7 Million this year due to lower level of discount amortization of installment contract receivables and lower level of interest from money market placements.

DIGITEL consolidated revenues posted a significant growth in 2008 of 36.5% or PhP3,037.8 Million to PhP11,351.2 Million for the year ended 31 December 2008 from last year's PhP8,313.3 Million. The increase was largely due to the 82.4% improvement in the service and nonservice revenues of the wireless communications segment during the year which is attributable to the growth in subscriber base more significantly in the prepaid segment that boosted revenues in unlimited fees, voice, SMS, roaming and value added services.

Wireline voice communication service revenues however, declined by 6.8% during the year to PhP3,630.7 Million in 2008 from PhP3,895.5 Million in 2007. This was mainly due to lower international and domestic tolls, decreasing average rate per minute and the effect of the changes in foreign exchange rates. Providing cushion to the reduced international and domestic traffic is the growth of ADSL products which registered an increase of 33% compared to last year.

Wireline data communication services generated revenues of PhP358.1 Million in 2008, lower by 6.0% against last year's PhP381.0 Million. The decrease was due to the adverse impact of changes in foreign exchange rates and last year's revenues include a one-time rental revenues of International Private Leased Circuit (IPLC) services from certain carriers.

Consolidated costs and operating expenses is lower by PhP1,146.0 Million or 9.8% due to lower depreciation charges caused by the change in the useful life of certain property, plant and equipment. Excluding depreciation charges, consolidated costs and operating expenses would have been higher by 22.7% or PhP1,428.4 Million due to the increase in cost of sales by 30.3%, general and administrative expense by 23.4% and network-related expenses by 19.0%.

With the significant growth in the wireless communications segment, the company realized earnings before interests, foreign exchange loss, market valuation loss and taxes of PhP764.4 Million in 2008, a remarkable improvement over last year's loss before interests, foreign exchange gain, market valuation gain and taxes of PhP3,419.5 Million.

After considering finance costs, foreign exchange loss, market valuation loss and other income, DIGITEL posted a consolidated loss before income tax of PhP3,041.9 Million in 2008 compared with the consolidated income before income tax of PhP2,692.1 Million in 2007.

Net loss for the year 2008 is at PhP1,978.1 Million versus a net income of PhP1,170.5 Million in 2007. This is primarily due to the adverse impact of changes in foreign exchange rate and market valuation.

DIGITEL continues to project an uptrend in its results of operation moving forward as it aggressively grows its coverage and capacity in the wireless network to bring in new and

innovative products. DIGITEL likewise continues to pursue cost-containment measures to efficiently manage its costs and expenses.

CEB's revenues increased 31.1% to PhP19.68 Billion for the year ended 31 December 2008 from last year's PhP15.02 Billion, a result of increased passenger load factor due to expansion of routes for the year. This was brought about by the opening of five international routes and seven domestic destinations. Additional flight frequencies and capacity increase due to the addition of four airbus A320 and six ATR72-500 aircraft also contributed to the increase. Furthermore, CEB opened its Davao and Clark hub in 2008, thereby strengthening the number of passengers flown during the year by about 23.2%. Correspondingly, operating expenses went up by 44.1% from PhP12.46 Billion to PhP17.95 Billion this year. This is due to higher operations-related expenses, particularly, fuel costs, which posted an 81.8% growth during the period. CEB recognized a foreign exchange loss of PhP1.51 Billion in 2008 compared to a foreign exchange gain of PhP 1.97 Billion in 2007. In addition to this, fuel hedging losses of PhP2.59 Billion was recognized during the period as compared with fuel hedging gains of PhP29.82 Million recognized last year. As a result, CEB recorded a net loss of PhP3.26 Billion this year, a complete turn around from last year's net income of PhP3.61 Billion.

JGSPC's revenues grew by 80.2% to PhP9.28 Billion for the fiscal year ended 30 September 2008, from last year's PhP5.15 Billion, mainly due to higher production during the period. JGSPC recognized a gross income this year of PhP243.78 Million from a gross loss of PhP308.66 Million last year. Operating expenses also increased by 35.9% mainly due to higher freight charges relative to the growth in sales during the year. However, net loss only dropped by 6.7% despite the recognition of a gross income, mainly due to the foreign exchange loss of PhP290.74 Million recorded during the year. Net loss for fiscal 2008 amounted to PhP673.80 Million compared to last year's PhP722.44 Million.

RSB generated net income of PhP143.59 Million for the year ended 31 December 2008, a 49.7% drop from last year's net income of PhP285.36 Million. The decrease is mainly due to lower interest income recorded this year from PhP1.08 Billion last year to only PhP0.89 Billion this year. Aside from this, trading and securities gain also decreased by 72.4% or PhP167.90 Million during the period. As of 31 December 2008, total assets amounted to PhP12.73 Billion from last year's PhP12.42 Billion. Loans increased to PhP7.06 Billion from last year's PhP5.47 Billion, deposit liabilities decreased to PhP8.58 Billion this year compared to PhP9.59 Billion last year.

Equity net earnings from associates and joint ventures were reported at PhP2.39 Billion for the year ended 31 December 2008, a 47.1% growth from last year's PhP1.62 Billion. Increase in equity net earnings is mainly due to UIC, which recorded a higher net income before fair value gain (loss) on investment properties. United Industrial Corporation, Limited recorded a 51.7% growth in its net income from operations S\$123.59 Million in 2007 to S\$187.50 Million in 2008. Increase is mainly due to higher sales of residential properties and hotel revenues. Since the Group's policy for the valuation of investment property is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets. **FPPC**, reported a net income of US\$8.46 Million, from last year's US\$20.24 Million. The decrease was mainly due to lower equity income recognized by FPPC from BPPC, which was brought about by the latter's adoption of a new accounting standard.

Other Supplementary Business, JGSCMC recognized negative revenues of PhP358.81 Million during the year due to recorded losses from changes in foreign exchange rates and forward swap points. This contributed to the turnaround in its bottom line, from a net profit of PhP163.08 Million last year to a PhP324.04 Million net loss this year.

Year ended 31 December 2007 versus same period in 2006

Consolidated Operations

JG Summit experienced another record year as it took advantage of the resilient growth of the Philippine economy in 2007, a stronger peso, low inflation and low interest rates.

Consolidated revenues improved by 16.1% from PhP66.62 Billion to PhP77.37 Billion backed by the strong performance of the air transportation, foods and property and telecommunications businesses.

Revenues from the Issuer's foods subsidiary, Universal Robina Corporation (URC) grew 7.2%, from PhP35.18 Billion to PhP37.72 Billion mainly because of its impressive growth in sales of its beverage, snackfoods and animal feeds businesses. URC continues to be the biggest contributor to Group revenues accounting for 48.8 % of the total.

Revenues of CEB reached a record P15.02 Billion, a 54.5% increase over last year's PhP9.72 Billion. It has successfully carried almost 5.5 Million passengers in 2007, an increase of 58% from last year's almost 3.5 Million passengers carried. This makes CEB the single largest domestic carrier in the country today.

RLC generated gross revenues of PhP8.17 Billion in 2007, an increase of 24.8% from last year's PhP6.6 Billion. Its High-rise division continues to lead growth because of the continuing strong demand for condominiums and BPO office space.

DIGITEL posted an increase of about 8.9% in its service revenues. Its mobile phone business, Suncellular has seen a big jump in its revenues as it reached a wider subscriber base due to the aggressive roll-out of its network, which started in 2006. This is compensated by the decline in its fixed-line service revenues caused by the continuing shift towards mobile telephony.

Equity in net earnings of associates and joint ventures increased by 50.4%, from PhP1.08 Billion in 2006 to PhP1.62 Billion in 2007 because of higher income posted by UIC, a Singapore-based listed company where we have a 33.5% stake. The Issuer's equity income in First Private Power Corp, where JG Summit has a 20% stake, amounted to PhP234 Million.

Consolidated net income increased by as much as 30.7% from last year's PhP8.70 Billion to this year's PhP11.37 Billion. Net income attributable to equity holders of the Parent Company rose by 33.4% from last year's PhP6.46 Billion to PhP8.61 Billion in 2007. Excluding the one-time gains and losses in 2006, net income attributable to equity holders of the Parent Company amounted to only PhP3.83 Billion in 2006, making the increase in recurring net income amount to 124.8%.

The most significant growth in net income was posted by CEB from a net income of PhP196.79 Million in 2006 to PhP3.61 Billion in 2007. This was brought about by a substantial increase in passenger load due to expansion in both domestic and international routes. Since CEB boasts of a young fleet, this has helped them improve aircraft utilization and become more cost efficient. It must be noted though that PhP1.9 Billion of the net income during the year was due to foreign exchange gains arising from the translation of dollar-denominated debt to Philippine pesos.

URC's net income attributable to equity holders of the Parent Company increased significantly from PhP3.02 to PhP5.56 Billion mainly due to recognition of gain on sale of their investment in RLC amounting to PhP2.86 Billion. However, this gain was already recorded by the Group in 2006, thus, such gain is no longer reflected in the Group's consolidated net income.

RLC's net income attributable to equity holders of the Parent Company improved from PhP1.72 Billion to PhP2.44 Billion, as completion of its high rise projects and expansion and renovation of malls delivered better margins and higher rental income.

DIGITEL saw a reversal in its net income for the year, from a net loss of PhP962.91 Million in 2006 to a net income of PhP1.17 Billion mainly because of foreign exchange gains recognized on the translation of its dollar-denominated obligations, which amounted to PhP5.15 Billion this year from PhP2.51 Billion last year.

JGSPC's net loss this year decreased by as much as PhP2.64 Billion this year, from a net loss of PhP3.36 Billion in 2006 to PhP722.44 Million in 2007. In 2006, JGSPC recognized impairment loss on its assets amounting to PhP2.86 Billion.

EBITDA (earnings before interest, taxes, depreciation and amortization) excluding non-recurring items increased by 34.8% from PhP22.47 Billion to PhP30.29 Billion with major improvements in food, property, and airlines, boosted by growth in revenues, foreign exchange gains and better cost management.

Cost of sales and services grew 11.5% to PhP47.98 Billion as a result of an increase in the cost of raw materials in the foods business, the higher cost of services in the mobile phone business, and the increase in flight operations costs in the airline business.

General and administrative expenses increased by 24.4% or PhP4.44 Billion as a result of the higher operating expenses of the expanding mobile network, growing the airline operations, and the expansion of the international branded food operations.

Impairment losses for the year dropped from PhP5.93 Billion last year to only PhP349.94 Million this year, which is related mostly to DIGITEL's receivables. Last year's impairment loss includes PhP2.86 Billion impairment loss on certain assets of JG Petrochem.

Interest and other financing charges declined from PhP7.17 Billion in 2006 to PhP6.54 Billion in 2007 due largely to the effects of a strong peso and low interest rates.

Provision for income tax increased by 17.8%, because of the booking of deferred taxes on unrealized foreign exchange gains and unrealized gross profits on sales of real property. However, the effective tax rate (income tax expense as a percentage of net income before tax) dropped to 22.3% in 2007, from 24.2% in 2006 mainly due to CEB's higher operating income covered by an income tax holiday.

Key Financial Indicators

The Issuer sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Issuer has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of 31 December 2007 and 2006.

The key financial indicators for the period and the manner in which the Issuer calculates these key financial indicators is as follows:

Key Financial	Years ended 31 December		
Indicators	2006	2007	
Revenues	PhP66.62	PhP77.37	Total of sales and services, investment income from banking business and equity in net earnings
EBIT*	(PhP0.55)	PhP6.38	Operating Income
Core EBITDA*	PhP12.81	PhP17.73	Operating Income add back depreciation and amortization and any non-recurring

			impairment losses
Current ratio	1.45	1.08	Total current assets over total current liabilities
Gearing ratio	0.96	0.83	Total Financial Indebtedness (which for the applicable period is equivalent to short-term debt, long-term debt and cumulative redeemable preferred shares) over Total Equity
Net debt to equity ratio	0.49	0.51	Total Financial Indebtedness (which for the applicable period is equivalent to short-term debt, long-term debt and cumulative redeemable preferred shares) less Cash including Financial Assets at FVPL and AFS investments (excluding RSB Cash and AFS investments) over Total Equity.
Book value per share	PhP10.23	PhP11.30	Equity attributable to equity holders of the Parent Company over the number of outstanding shares of the Parent Company

**As restated based on 2009 redefinition of EBIT and EBITDA. Prior to 2009, EBIT was Earnings before interest expense and taxes computed as net income before nonrecurring items add provision for income tax and financing costs, EBITDA was EBIT add depreciation and amortization, and Core EBITDA was EBITDA excluding foreign exchange and market valuation gains and (losses).*

Segment Operations

Results from Continuing Operations

URC posted a consolidated sales of goods and services of PhP37.72 Billion for the fiscal year ended 30 September 2007, a 7.2% increase over last year. The principal reasons for the increase were as follows: (1) PhP1.77 Billion, or 6.7% increase in net sales of URC's branded consumer foods segment, including the packaging division. This increase was primarily due to a 12.6% increase in net sales from URC's domestic operations coming mostly from the impressive growth in sales of beverage and snack foods. Revenue was also pushed up by new products like Nature's Harvest and new water business (Hidden Spring and Nestle Purelife). (2) PhP565.0 Million or 11.2% increase in net sales of agro-industrial segment primarily due to the animal feeds business, which reported an increase in net sales of 19.3% as a result of higher sales volume. The major driver for the favorable result is the continuous success of its Uno and Stargain hog feeds in terms of market coverage and positive feedback on marketing undertakings in establishing brand equity. (3) PhP198.0 Million or 5.6% increase in net sales of commodity foods segment primarily due to sugar business, which registered a 33.8% increase driven by higher sales volume this year.

URC's gross profit improved by 14.5% to PhP10.10 Billion in the fiscal 2007 from PhP8.82 Billion recorded in fiscal 2006. URC's gross profit as a percentage of net sales grew by 2% points to 27% in fiscal 2007 from 25% in fiscal 2006. Selling and distribution costs and general and administrative expenses increased by 13.1% from PhP6.12 Billion to PhP6.92 Billion primarily due to the following factors: (1) increase in freight and other selling expenses by PhP164.0 Million due to higher volume of exports and increased freight rate charges associated with higher fuel prices and increase in trucking and shipping costs; and (2) increase in non-manufacturing personnel expenses by 27.0% due to annual salary adjustment given in May 2007 and accrual of retirement benefits.

URC recognized a gain on sale of its equity investments in RLC shares during the year, which amounted to PhP2.86 Billion.

Net income attributable to equity holders of the Parent Company increased by 84.1% to PhP5.56 Billion in fiscal 2007 from PhP3.02 Billion in fiscal 2006 resulting in basic earnings per share of PhP2.50 better than last year's PhP1.42.

RLC generated total gross revenues of PhP8.9 Billion for fiscal year 2007, an increase of 29.0% from PhP6.88 Billion of total gross revenues for fiscal year 2006. RLC's Commercial Centers Division contributed 39.8% while its High-Rise Division accounted for 39.7% of its gross revenues. Income Before Income Tax for the year was PhP3.42 Billion, an increase of 40.9% from PhP2.42 Billion from the previous year. Its EBITDA recorded a positive variance of 30.6% from PhP3.69 Billion last year to PhP4.82 Billion mainly due to higher revenues. RLC's net income increased by 41.9% to PhP2.45 Billion compared to PhP1.72 Billion last year.

The Commercial Centers Division accounted for PhP3.54 Billion of the real estate revenues for the year versus PhP3.28 Billion last year. The 7.8% increase in revenues of the Commercial Centers Division was principally due to rental escalations and strong take up of leased areas of RLC's mall space after renovation and expansion work. Significant rental contribution came from Galleria mall, Robinsons Place Manila, Robinsons Place Pioneer and Robinsons Metro Bacolod, among others.

The Company's High Rise Buildings Division realized gross revenues of PhP3.53 Billion, up by 61.9% from PhP2.18 Billion last year due to initial take up of realized revenues from three of its ongoing residential condominium properties, Adriatico Places Two and Three, and McKinley Park Residences. Likewise, the Division continues to enjoy stable recurring lease income from five of its office buildings, which have become the choice corporate addresses of reputable multinational companies as well as BPO companies, Galleria Corporate Center, Robinsons Equitable Tower, Robinsons Summit Center and Robinsons Cybergate Center Towers 1 and 2. Rental income from these five office buildings amounted to PhP570.63 Million compared to PhP322.9 Million over the same period last year. The 77% increase in lease income was largely attributable to the opening of new Cybergate Center Tower 2 in October 2006 as well as increased occupancy rates and generally higher rental rates of its office buildings.

The Hotels Division, a major contributor of RLC's recurring revenues registered gross revenues of PhP1.11 Billion, as against last year's PhP907.3 Million. The 22.2% increase in hotel revenues was principally due to revenue growth attributable to Crowne Plaza Hotel. RLC's two other hotels continue to register satisfactory occupancy rates.

The Housing and Land Development Division reported realized gross revenues of PhP715.8 Million as against PhP514.9 Million for the same period last year or an increase of 39%. The increase in realized revenues can be attributed to higher units sold, higher project completion and higher financing income.

DIGITEL posted consolidated revenues of PhP8,313.3 Million for the year ended 31 December 2007, up by 8.9% from last year's PhP7,633.6 Million largely due to increase in income reported during the year by wireless communications segment.

Consolidated service revenues amounted to PhP8,267.8 Million for the year 2007, PhP665.6 Million or 8.8% increase from last year, owing to higher service revenues generated by the wireless communications business.

The wireless communications business reported PhP3,991.3 Million service revenues in 2007, a 40.5% increase against PhP2,840.2 Million in 2006. The increase was attributable to the continued growth in subscriber base that boosted revenues in unlimited fees, voice, SMS, roaming and value added services.

Wireline voice communication services however, decreased to PhP3,895.5 Million in 2007 from PhP4,459.5 Million in 2006. This segment, being the traditional voice services, is being challenged with the advent of new technology thus, affecting revenues from international and domestic tolls. The international traffic is further dampened by the decreasing rates and the continued appreciation of peso against the dollar. Notwithstanding the challenges, the wireline voice communication services managed to curb the decline in revenues with the continued growth of ADSL and wireless telephone with broadband services, known as MANGO which showed an increase of 67.2% over last year's revenues.

Wireline data communication services generated revenues of PhP381.0 Million in 2007, higher than last year's by PhP78.5 Million or 25.9%. The increase was driven by the demand of call centers and BPOs for high bandwidth data services and for high bandwidth transport services in the case of foreign and local carriers. This was also driven by the offering of IP VPN in the last quarter of 2006.

Consolidated costs and operating expenses amounted to PhP11,732.8 Million for the year ended 31 December 2007, 35.0% higher than previous year's figure of PhP8,693.3 Million largely due to higher depreciation charges. Network-related expenses increased by 17.0% or PhP381.6 Million which is largely attributable to the aggressive roll out activities undertaken in the wireless communications business during the year.

DIGITEL registered a consolidated EBITDA of PhP2,010.7 Million in 2007, higher by 8.8% against PhP1,847.9 Million in 2006.

As a result of the foregoing, DIGITEL realized a consolidated income before income tax of PhP 2,692.1 Million in 2007, about 5 times more than last year's consolidated income before income tax of PhP449.1 Million.

DIGITEL expects to improve results of operation in the future as we continue to expand the wireless network and through introduction of new and innovative products and continued implementation of cost-containment measures to further reduce its costs and expenses.

CEB's revenues grew by 54.5% to PhP15.02 Billion for the year ended 31 December 2007 from last year's PhP9.72 Billion, a result of increased passenger load factor due to expansion of routes for the year. This was brought about by the opening of seven international routes and additional flight frequencies in several domestic and international destinations. Cost of services and operating expenses also went up relative to higher revenue. Finance costs recognized during the year amounted to PhP887.46 Million compared to PhP544.76 Million in 2006. Foreign exchange gain recognized by CEB in 2007 amounted to PhP1.97 Billion compared to PhP631.21 Million in 2006. As a result, net income increased significantly from PhP196.79 Million last year, to PhP 3.61 Billion this year.

JGSPC's revenues slightly dropped to PhP5.15 Billion for the fiscal year ended 30 September 2007, from last year's PhP5.30 Billion, mainly due to 5.7% decrease in sales volume. Gross loss of Petrochem increased from 4.2% last year to 6.0% this year. However, since no impairment loss on assets was recognized by the Company during the year, net loss dropped to PhP722.44 Million compared to last year's PhP3.36 Billion.

RSB generated net earnings of PhP285.36 Million for the year ended 31 December 2007, increased by 10.6% from last year's net income of PhP255.99 Million. As of 31 December 2007, total resources dropped to PhP12.42 Billion from last year's PhP15.47 Billion. Loans increased to PhP5.47 Billion from last year's PhP4.89 Billion, deposit liabilities decreased to PhP9.59 Billion this year compared to PhP13.16 Billion last year.

Equity in net earnings of associates and joint ventures were reported at PhP1.62 Billion for the year ended 31 December 2007, a 50.4% growth from last year's PhP1.08 Billion. Increase in

equity income is mainly due to UIC, which recorded a higher net income. **UIC** recorded a significant increase in net income from S\$492.1 Million in 2006 to S\$1.17 Billion in 2007. This includes net fair value gain on investment properties amounting to S\$1.05 Billion in 2007 compared to S\$416.32 Million in 2006. Excluding the fair value gain on investment properties, the attributable profit from operations in 2007 is S\$123.59 Million a 63.1% growth from last year's S\$75.79 Million. Increase is mainly due to higher sales of residential properties, revenue recognition on a percentage of completion basis and consolidation of the results of Pan Pacific hotel. Marina Centre Holdings, a wholly-owned subsidiary of UIC, acquired the remaining 50% interest in Pan Pacific hotel in end of March 2007. Since the Group's policy for the valuation of investment property is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets. **FPPC**, reported a net income of US\$25.38 Million, up 9.5% from last year's US\$23.18 Million. This was brought about by increased revenues of Bauang Private Power Corp. (BPPC), where FPPC owns 93.25% of BPPC's equity.

Other Supplementary Business, JGSCMC revenues increased during the year, from PhP 105.73 Million to PhP312.73 Million for the year ended 31 December 2007 mainly due to recognition of higher foreign exchange gain. Net profit registered a significant increase from last year's PhP28.78 Million to PhP163.08 Million this year.

Results from Discontinued Operations

On 13 October 2006, the Group's BOD approved the cessation of operations of Litton Mills, Inc. (LMI) effective at close of business hours on 30 November 2006. LMI is a manufacturer, buyer and seller of textiles and fabrics. In relation to the cessation of operations, LMI will sell the remaining property and equipment except for land, land improvements, and buildings and improvements, which will be leased out to certain related parties.

Also in 2006, the Group announced management's decision to dispose of Premiere Printing Company, Inc. (PPCI). PPCI is a proprietor and publisher of journals, magazines, books and other literary works and undertakings.

In fiscal 2008, LMI filed an Amended Articles of Incorporation with the SEC amending its secondary purpose, which now includes leasing out of its real properties including but not limited to lands, office buildings and warehouses.

The results of LMI and PPCI are presented below:

2007

	LMI	PPCI	Total
Revenues:			
Sales and services	PhP391,957,032	PhP -	PhP391,957,032
Others	96,810,777	171,044	96,981,821
Total Revenues	488,767,809	171,044	488,938,853
Expenses:			
Cost of sales and services	656,531,730	-	656,531,730
Operating expenses	59,035,230	824,743	59,859,973
Financing costs and other charges	1,795,023	-	1,795,023
Provision for income tax	(34,063,621)	-	(34,063,621)
Total Expenses	683,298,362	824,743	684,123,105
Loss for the year from discontinued operations	(PhP194,530,553)	(PhP653,699)	(PhP195,184,252)

2006

	LMI	PPCI	Total
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Revenues:			
Sales and services	PhP2,254,296,485	PhP26,728,809	PhP2,281,025,294
Others	207,231,552	1,750,712	208,982,264
Total Revenues	2,461,528,037	28,479,521	2,490,007,558
Expenses:			
Cost of sales and services	2,136,915,189	33,259,154	2,170,174,343
Operating expenses	334,118,036	97,653,176	431,771,212
Financing costs and other charges	34,701,655	—	34,701,655
Provision for income tax	(26,892,354)	—	(26,892,354)
Total Expenses	2,478,842,526	130,912,330	2,609,754,856
Loss for the year from discontinued operations	(PhP17,314,489)	(PhP102,432,809)	(PhP119,747,298)

B) FINANCIAL RESOURCES AND LIQUIDITY

Changes in the Financial Position for the Period Ended 30 June 2009 vs. 31 December 2008

As of 30 June 2009, the Company's balance sheet remains solid, with consolidated assets of PhP260.90 Billion from PhP251.24 Billion as of 31 December 2008. Current ratio stood at 1.03. The Company's indebtedness remained manageable with a gearing ratio of 1.07:1 and net debt to equity of 0.86:1 as of 30 June 2009.

Cash and cash equivalents totaled PhP9.37 Billion as of 30 June 2009 up by 21.0% from PhP 7.74 Billion as of 31 December 2008. The principal sources of cash were from operating and financing activities amounting to PhP11.94 Billion and PhP1.14 Billion, respectively. As of 30 June 2009, net cash used in investing activities amounted to PhP11.46 Billion mainly for the Company's capital expenditure program. The Company's financial assets, including those held at fair value through profit and loss, available for sale investments and held-to-maturity investments, increased 5.1% from PhP15.21 Billion as of 31 December 2008 to PhP16.0 Billion as of 30 June 2009.

Receivables-current went up 2.6% from PhP21.58 Billion as of 31 December 2008 to PhP22.14 Billion as of 30 June 2009 due to higher finance receivables and other receivables of the banking business.

Biological assets, including the noncurrent portion, dropped 9.4% as of 30 June 2009 from PhP 1.44 Billion in 31 December 2008 due to decrease in population of livestock, which was partially compensated by the increase in market prices of hogs.

Other current assets dropped 24.9% to PhP6.84 Billion as of 30 June 2009 from PhP9.12 Billion as of 31 December 2008 due to decline in balance of refundable deposits of the airline business.

Assets of disposal group classified as held for sale pertains to Tianjin Pacific Foods Manufacturing Co., Ltd., a subsidiary of the food group.

Investments in associates and joint ventures increased 5.8% due to increase in equity ownership in UIC during the period and higher translated value of foreign-denominated investments.

Investment properties increased by 12.2% from PhP27.69 Billion as of 31 December 2008 to PhP 31.06 Billion as of 30 June 2009 mainly due to adoption of revised PAS 40, wherein the Company's assets which are being constructed or developed for future use has been reclassified from construction in progress under Property, plant and equipment to this account.

Property, plant and equipment rose to PhP128.65 Billion as of 30 June 2009, from PhP121.92 Billion in 31 December 2008 mainly due to the on-going expansion of the facilities of the cellular telecommunications business, additional aircrafts by the airline division, expansion of the branded consumer foods business and continuous construction of the real estate business.

Other noncurrent assets decreased by 32.7% from PhP6.45 Million in 31 December 2008 to PhP4.34 Billion as of 30 June 2009 due to higher security deposits during the period.

Accounts payable and accrued expenses increased by 7.5% from PhP27.31 Billion as of year-end 2008 to PhP29.36 Billion due to higher level of accrued expenses as the Group continues to beef up its marketing and promotional activities in the foods and mobile phone businesses.

Short-term debt dropped by 10.7% from PhP25.14 Billion as of 31 December 2008 to PhP22.46 Billion as of 30 June 2009 due to settlement of loans/trust receipts by the food business upon its issuance of a PhP3.0 Billion peso bond.

Derivative liabilities, including noncurrent portion, dropped by 66.9% to PhP978.21 Million as of 30 June 2009 from PhP2.96 Billion in 31 December 2008 mainly due to settlement of air transportation's fuel hedges.

Income tax payable dropped by 49.5% to PhP148.08 Million as of 30 June 2009 from PhP293.0 Million as of 31 December 2008 mainly due to lower level of the real estate business' interim tax payable.

Other current liabilities increased by 20.5% to PhP5.59 Billion as of 30 June 2009 from PhP4.64 Billion as of 31 December 2008 due to higher level of customer deposits of the real estate business and unearned revenue of the airline business.

Long-term debt, including current portion, increased by 5.8% from PhP76.94 Billion as of 31 December 2008 to PhP81.34 Billion due to recovery of the US dollar, which affected the translated level of the Group's foreign-denominated obligations. In addition, certain subsidiaries also availed of additional loans to meet their capital expenditure requirements.

Other noncurrent liabilities increased by 6.9% to PhP16.10 Billion as of 30 June 2009 due to higher level of accrued project costs recorded by the telecoms business and accrued maintenance cost by the airline business.

Equity attributable to equity holders of the Parent Company grew to PhP77.81 Billion as of 30 June 2009 from PhP72.91 Billion at the end of 2008. Minority interest reached PhP20.84 Billion, bringing total equity to PhP98.65 Billion. Book value per share improved from PhP10.73 per share as of 31 December 2008 to PhP11.45 per share as of 30 June 2009.

Changes in the Financial Position for the Period Ended 31 December 2008 versus 31 December 2007

Cash and cash equivalents dropped significantly from PhP13.29 Billion as of 31 December 2007 to PhP7.74 Billion as of 31 December 2008 mainly due to the settlement of a US\$125 Million note and the buyback by the food division of its own shares. The Issuer's financial assets, including those held at fair value through profit and loss, available for sale investments and held-to-maturity investments, dropped by 37.2% with the sale of certain debt securities and more significantly, due to the decline in the market value of these financial assets greatly affected by the crisis which hit the financial markets globally.

Cash from operating activities amounted to PhP15.68 Billion and cash from financing activities amounted to PhP19.11 Billion. Cash was principally used for the capital expenditure program of the Company's operating subsidiaries and to service debt maturity. The Group spent PhP12.53

Billion on DIGITEL's capital expenditures as DIGITEL continues its network rollout on its mobile phone business; RLC spent about PhP9.49 Billion in its landbanking and high-rise projects; CEB's aircraft acquisitions cost around PhP6.08 Billion, while URC's PhP5.06 Billion capex was used in the expansion of its snackfoods production facilities, sugar mills, refinery and farms and the acquisition of GMC machineries.

Derivative assets dropped 65.5% from PhP3.30 Billion to PhP1.14 Billion this year mainly due to the effect of the turmoil in the credit markets, which greatly affected JGSCMC's trading position. Aside from this, the telecommunications business' balance of derivative assets related to its embedded derivatives in foreign denominated purchase orders and contracts for network-related projects significantly went down during the period by PhP879.7 Million.

Receivables-current increased to PhP21.58 Billion as of 31 December 2008 from last year's PhP 16.94 Billion due to higher trade and finance receivables.

Inventories grew 15.0% from PhP10.30 Billion as of 31 December 2007 to PhP11.85 Billion as of 31 December 2008 mainly due to increase in inventory level of raw materials, finished goods and materials in transit of the food business.

Biological assets, including the noncurrent portion, increased 37.4% to PhP1.44 Billion this year, from PhP1.05 Billion last year due to expansion of breeder stock and increase in market value of hogs.

Other current assets increased by 56.9% from last year's PhP5.81 Billion to PhP9.12 Billion due to higher level of input tax of the telecommunication business in relation to their acquisition of equipment for the continuous expansion project of its wireless communications segment.

Assets of disposal group classified as held for sale dropped significantly from PhP791.63 Million in 2007 to PhP197.42 Million in 2008 since last year's balance include the assets of textile business which were already disposed during the year. Assets remaining in this account, pertains to a subsidiary of the food group, Tianjin Pacific Foods Manufacturing Co., Ltd.

Investment properties rose by 15.2% from PhP24.04 Billion as of 31 December 2007 to PhP27.69 Billion as of 31 December 2008 due to acquisition of land for future development of the real estate business of the Company.

Property, plant and equipment increased by 15.6% from PhP105.50 Billion to PhP121.92 Billion attributed mainly to the on-going expansion of the facilities of the cellular telecommunications business, additional aircrafts by the airline division, expansion of the branded consumer foods business and continuous construction of the real estate business.

Intangibles increased by 122.0% mainly due to acquisition of trademark and product formulation of the food business during the year.

Other noncurrent assets grew by 44.3% from PhP4.47 Billion in 2007 to PhP6.44 Billion in 2008 due to higher level of miscellaneous deposits of airline business, related to commitment fees and pre-delivery payments of new aircrafts.

Consolidated total assets reached PhP251.24 Billion due to all these factors.

Accounts payable and accrued expenses increased 10.5% from PhP24.71 Billion as of 31 December 2007 to PhP27.31 Billion as of 31 December 2008, which can be attributed to higher trade payables of the telecommunications, real estate and airline businesses.

Short-term debt increased by 43.9% from PhP17.47 Billion as of 31 December 2007 to PhP25.14 Billion as of 31 December 2008 mainly due to higher level of bank loans and trust receipts of the

food business during the year to meet its working capital requirements. RLC also obtained a new loan of PhP677 Million during the year.

The cumulative redeemable preferred shares account was reclassified from noncurrent to current liability this year since this will mature on the third quarter of 2009.

Derivative liabilities, including noncurrent portion, increased significantly from PhP978.16 Million in 2007 to PhP2.96 Billion in 2008 due to recognition of fuel hedging losses of the airline business and the mark-to-market losses recorded by an offshore subsidiary from its interest rate swap activity.

Long-term debt, including current portion, grew by 22.6% from PhP62.75 Billion as of 31 December 2007 to PhP76.94 Billion as of 31 December 2008 as the Group availed of new credit facilities. The Parent Company and RLC availed of new peso corporate notes amounting to PhP 4.31 Billion and PhP2 Billion, respectively. DIGITEL and CEB's outstanding foreign borrowings, mostly supplier's credit and export loans, increased during the period. All these, plus the effect of peso depreciation contributed to the increase in this year's balance of long-term debt.

Deferred income tax liabilities dropped to PhP4.99 Billion, from last year's PhP6.42 Billion which is due to deferred tax effects of unrealized foreign exchange losses and mark-to-market losses of financial instruments.

Other noncurrent liabilities increased significantly from PhP10.89 Billion last year to PhP15.06 Billion mainly due to higher level of accrued project cost of the telecommunications business. This account also includes the noncurrent portion of derivative liability arising from interest rate swap amounting to PhP862.25 Million this year.

Equity attributable to equity holders of the Parent Company, stood at PhP72.91 Billion as of 31 December 2008 from PhP76.77 Billion.

Changes in the Financial Position for the Period Ended 31 December 2007 versus 31 December 2006

Cash and cash equivalents dropped significantly from PhP24.83 Billion as of 31 December 2006 to PhP13.29 Billion as of 31 December 2007 as proceeds from last year's follow-on offerings were used for capex availment and debt settlements. Investments in bonds and other securities, classified as financial assets at fair value through profit and loss, available-for-sale investments and held-to-maturity investments with the adoption in 2005 of PAS 39, dropped by 10.7% with the sale of certain debt securities and the lower translated level of dollar-denominated investments due to the peso's appreciation.

Cash from operating activities amounted to PhP10.50 Billion and cash from financing activities amounted to PhP4.70 Billion. Cash was principally used for the capital expenditure program of the Company's operating subsidiaries and to service debt maturity. Significant capital expenditures of the Group includes: DIGITEL's capital expenditures of PhP9.89 Billion as DIGITEL continues its network rollout on its mobile phone business; RLC spent about P8.9 Billion in its landbanking and high-rise projects; CEB's aircraft acquisitions cost around PhP4.53 Billion, while URC's PhP4.12 Billion capex was used in the expansion of its snackfoods production facilities, sugar mills and refinery and the acquisition of the production facilities for its bottled water business.

Receivables-current increased to PhP16.94 Billion as of 31 December 2007 from last year's PhP14.53 Billion due to higher trade receivables of real estate and petrochemicals businesses.

Inventories increased by 15.1% from PhP8.95 Billion as of 31 December 2006 to PhP10.30 Billion as of 31 December 2007 mainly due to higher level of finished goods and packaging materials of the food business.

Derivative assets grew 117.2% from PhP1.52 Billion to PhP3.30 Billion this year mainly due to JGSCMC's good trading position in the currency market as they took advantage of continuing peso appreciation.

Other current assets increased by 80.2% from last year's PhP3.22 Billion to PhP5.81 Billion due to higher level of input tax of the telecommunication business.

Assets of disposal group classified as held for sale pertains to total assets of the textile and printing businesses, which ceased operation during the year. This account dropped significantly due to disposal and write down of textile assets during the year.

Investment properties rose by 28.7% from PhP18.69 Billion as of 31 December 2006 to PhP24.04 Billion as of 31 December 2007 due to acquisition of land for future development and renovations of existing malls of the real estate business of the Company.

Property, plant and equipment increased 11.6% from PhP94.58 Billion to PhP105.50 Billion attributed mainly to the on-going expansion of the facilities of the cellular telecommunications business, additional aircrafts by the airline division, expansion of the branded consumer foods business and continuous construction of the real estate business.

Biological assets, including noncurrent portion, increased 28.6% to PhP1.05 Billion this year, from PhP817.0 Million last year due to higher population of live stocks and increase in market value of hogs.

Other noncurrent assets grew by 24.2% from PhP3.60 Billion in 2006 to PhP4.47 Billion in 2007 due to higher level of miscellaneous deposits of airline business, related to commitment fees and pre-delivery payments made for the 10 ATR 72-500 and 10 Airbus A320 during the year.

Consolidated total assets reached PhP229.88 Billion due to all these factors.

Accounts payable and accrued expenses declined by 23.5% from PhP32.29 Billion as of 31 December 2006 to PhP24.71 Billion as of 31 December 2007, which can be attributed to a drop in deposit liabilities of RSB and settlement of obligations under finance lease of the telecommunication business amounting to PhP2.48 Billion.

Short-term debt increased by 19.3% from PhP14.64 Billion as of 31 December 2006 to PhP17.47 Billion as of 31 December 2007 mainly due to Parent Company's new loan amounting to PhP3.43 Billion during the year.

Income tax payable increased 25.3% from PhP246.25 Million to PhP308.46 Million this year mainly due to real estate business.

Derivative liabilities increased significantly from PhP276.56 million in 2006 to PhP978.16 million in 2007 resulting from JGSCMC's long trading position in the currency market where the peso continuously appreciated against the US Dollar.

Other current liabilities went up by 52.4% from last year's PhP3.17 Billion to PhP4.83 Billion this year due to recognition of higher unearned revenues by the airline business and higher customer deposits of real estate business.

Long-term debt, including current portion, declined 10.0% from PhP69.74 Billion as of 31 December 2006 to PhP62.75 Billion as of 31 December 2007 mainly due to drop in exchange rate during the period.

Deferred income tax liabilities rose to PhP6.42 Billion, up by 52.2% from last year's PhP4.22 Billion which is due to deferred tax effects of unrealized foreign exchange gain and mark-to-market gain of financial instruments.

Other noncurrent liabilities increased significantly from PhP2.61 Billion last year to PhP10.89 Billion mainly due to higher level of accrued project cost of the telecommunications business.

Equity attributable to equity holders of the Parent Company stood at PhP76.77 Billion as of 31 December 2007 from PhP69.55 Billion.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURES

EXTERNAL AUDIT FEES AND SERVICES

AUDIT AND AUDIT - RELATED FEES

The following table sets out the aggregate fees billed to the Company for each of the last three (3) years for professional services rendered by SyCip, Gorres Velayo & Co.

	2008 (PhP)	2007 (PhP)	2006 (PhP)
Audit and Audit-Related Fees			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	1,309,125	1,309,125	1,168,861
Professional fees for due diligence review for bond offerings	4,638,500	4,250,000	-
Tax Fees	None	None	None
All Other Fees	None	None	None
Total	5,947,625	5,559,125	1,168,861

No other service was provided by external auditors to the Company for the calendar years 2008, 2007 and 2006.

Audit Committee's approval policies and procedures for the services rendered by the external auditors

The Corporate Governance Manual of the Issuer provides that the audit committee shall among others:

- Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Issuer.
- Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
- Ensure the compliance of the Issuer with acceptable auditing and accounting standards and regulations.

CHANGES IN AND DISAGREEMENTS WITH THE ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The names of directors and executive officers of the Issuer as of 30 June 2009 are as follows:

DIRECTORS

Position	Name	Nationality
Director, Chairman Emeritus	John Gokongwei, Jr.	Filipino
Director, Chairman and Chief Executive Officer	James L. Go	Filipino
Director, President and Chief Operating Officer	Lance Y. Gokongwei	Filipino
Director	Johnson Robert G. Go, Jr.	Filipino
Director	Lily G. Ngochua	Filipino
Director	Patrick Henry C. Go	Filipino
Director	Gabriel C. Singson	Filipino
Director	Ricardo J. Romulo	Filipino
Director	Robina Y. Gokongwei-Pe	Filipino
Director (Independent)	Cornelio T. Peralta	Filipino
Director (Independent)	Jose T. Pardo	Filipino

MEMBERS OF ADVISORY BOARD

Position	Name	Nationality
Member of Advisory Board	Aloysius B. Colayco	Filipino
Member of Advisory Board	Washington Z. Sycip	Filipino

EXECUTIVE OFFICERS

Position	Name	Nationality
Senior Vice President/ Chief Financial Officer - Treasurer	Eugenie ML. Villena	Filipino
Senior Vice President - Corporate Controller	Constante T. Santos	Filipino
Senior Vice President - Corporate Planning	Bach Johann M. Sebastian	Filipino
Senior Vice President - Corporate Human Resources	Nicasio L. Lim	Filipino
Assistant Treasurer	Chona R. Ferrer	Filipino
Corporate Secretary	Rosalinda F. Rivera	Filipino

Directors

A brief description of the directors' and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

John L. Gokongwei, Jr., 82, is the founder and Chairman Emeritus of JG Summit Holdings, Inc. (JGSHI). He continues to be a member of the Board of Directors of JGSHI and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JGSHI and is Chairman Emeritus of certain of its subsidiaries. He is currently Chairman of the Gokongwei Brothers Foundation, Inc. (GBFI), Deputy Chairman and Director of United Industrial Corporation, Limited (UIC) and Singapore Land Limited (Singland), and a director of JG Summit Capital Markets Corporation (JGSCMC), Digital Telecommunications Phils., Inc. (DIGITEL), Oriental

Petroleum and Minerals Corporation (OPMC), First Private Power Corporation and Bauang Private Power Corporation. He is also a non-executive director of A. Soriano Corporation. Mr. Gokongwei received a Master's degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

James L. Go, 70, is the Chairman and Chief Executive Officer of JGSHI. He had been President and Chief Operating Officer of JGSHI and was elected to his current position effective 1 January 2002. As Chairman and Chief Executive Officer, he heads the Executive Committee of JGSHI. He is currently the Chairman and Chief Executive Officer of Universal Robina Corporation (URC), Robinsons Land Corporation (RLC), JG Summit Petrochemical Corporation (JGSPC), CFC Corporation (CFC), Robinsons Inc., and OPMC. In addition, he is the President and a Trustee of GBFI and the Vice Chairman, President and Chief Executive Officer of DIGITEL. He is also a director of First Private Power Corporation, Bauang Private Power Corporation, CEB, Inc., Panay Electric Co., UIC, Singland, Marina Center Holdings, Inc. and JGSCMC. He received a Bachelor of Science and a Master of Science in Chemical Engineering from the Massachusetts Institute of Technology. He is the brother of Mr. John Gokongwei, Jr.

Lance Y. Gokongwei, 42, is the President and Chief Operating Officer of JGSHI. He had been Executive Vice President of JGSHI and was elected President and Chief Operating Officer effective 1 January 2002. He is also President and Chief Operating Officer of URC and JGSPC. He is the Vice-Chairman and Deputy Chief Executive Officer of RLC. In addition, he is the President and Chief Executive Officer of CEB, Inc., Chairman of Robinsons Savings Bank (RSB), Vice Chairman of JGSCMC, and a director of DIGITEL, OPMC, UIC and Singland. He is a trustee, secretary and treasurer of GBFI. He received a Bachelor of Science in Finance and a Bachelor of Science in Applied Science from the University of Pennsylvania. He is the son of Mr. John Gokongwei, Jr.

Johnson Robert G. Go, Jr., 44, was elected as a director of JGSHI on 18 August 2005. He is currently a director of URC, RLC, RSB and CFC. He is also the President of Robinsons Convenience Stores, Inc. and General Manager of Robinsons Cinemas. He is a trustee of the GBFI. He received a Bachelor of Arts in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is the nephew of Mr. John Gokongwei, Jr.

Lily G. Ngochua, 78, has been a director of JGSHI since its formation in 1990. She is responsible for overseeing the Company's hotel and agro-industrial business in Cebu. She also supervises the purchasing and treasury departments of the URC Biscuit and Noodle Plants in Cebu and handles the treasury and accounting functions of the retail business in Cebu. She received a Bachelor of Arts degree from Maryknoll College in Quezon City in 1957.

Patrick Henry C. Go, 39, has been a director of JGSHI since 2000. He is currently a director and Vice President of URC and the Business Unit General Manager of URC Packing Division. In addition, he is a director of RLC, CFC, RSB and JGSPC where he is also Business Unit General Manager. He is also a trustee of GBFI. He received a Bachelor of Science Degree in Management from the Ateneo De Manila University and attended a General Manager Program from Harvard Business School. Mr. Patrick Henry C. Go is the nephew of Mr. John Gokongwei, Jr.

Gabriel C. Singson, 80, has been a director and Senior Adviser of JGSHI since 1999. He is the Chairman of the Board of Directors and President of JGSCMC, director of UIC, Multinational Finance Group Ltd., Summit Forex Brokers Corporation, Summit Point Corporation, and a trustee of the GBFI, and of the Tan Yan Kee Foundation. He is also the Chairman of Great Pacific Life Insurance. He was former Governor of the Bangko Sentral ng Pilipinas (1993-1999) and President of the Philippine National Bank (1992-1993). He obtained his LL.B degree, cum laude, from the Ateneo Law School and received his Master of Laws from the University of Michigan Law School as a Dewitt Fellow and Fulbright scholar.

Ricardo J. Romulo, 76, was elected as a director of JGSHI on 26 July 2000. He is the Chairman of CEB, Inc., DIGITEL, Federal Phoenix Assurance Company, Inc., and InterPhil Laboratories, Inc. He is a Senior Partner in Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles Law Office. He is a director of SM Development Corporation, Philippine American Life and General Insurance Company, Planters Development Bank and Zuellig Pharma Corporation. He received his Bachelor of Laws degree from Georgetown University and Doctor of Laws degree from Harvard Law School.

Robina Y. Gokongwei-Pe, 47, was elected as a director of JGSHI on 15 April 2009. She is also a director of RLC, CEB, Inc. and RSB. She is currently the Senior Vice President and Group General Manager of the Robinsons Retail Group consisting of Robinsons Department Store, Robinsons Supermarket, Handyman, True Value, Robinsons Specialty Stores, Robinsons Appliances and Toys R Us. She obtained her Bachelor of Arts in Journalism from the New York University. She is the daughter of Mr. John Gokongwei, Jr.

Cornelio T. Peralta, 76, was elected as a director of JGSHI on 26 July 2000. He is a director of the Philippine Stock Exchange, University of the East, UERM Medical Center, Inc., Makati Commercial Estate Association, Inc., Securities Clearing Corporation of the Philippines, Philippine Airlines, Wan Hai Lines, Inc., Philippine Dealing System, and Grow Holdings Phils., Inc. where he is one of the incorporators. He is also the appointed Chairman of the Management Committee of Pacific East Asia Cargo Airlines, Inc. and ZIPP Cargo Corporation. He was formerly Chairman, CEO and President of Kimberly Clark Philippines Inc. (1971-1998) and former President of P.T. Kimsari Paper Indonesia (1985-1998). He finished Bachelor of Arts, cum laude, and Bachelor of Laws degrees from the University of the Philippines and took up Advanced Management Program at Harvard Graduate School of Business.

Jose T. Pardo, 70, was elected as a director of JGSHI on 6 August 2003. He is presently the Chairman of Philippine Savings Bank, Associated Broadcast Corporation (ABC 5), Asian Holdings Corporation and Electronic Commerce Payment Networks, Inc. (ECPay). He is also a director of Bank of Commerce, San Miguel Pure Foods Co., Inc., Mabuhay Philippine Satellite Corporation and Bank of Commerce Investment Corporation. In addition, he is a director of Radio Veritas Global Broadcasting System Inc. He also held positions in government as former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. He obtained his Bachelor of Science in Commerce, Major in Accounting and his Masters Degree in Business Administration from the De La Salle University.

Members of Advisory Board

Aloysius B. Colayco, 59, was appointed to the advisory board of JGSHI in August 2001 and is presently the Country Chairman for the Jardine Matheson Group in the Philippines. He is also Managing Director of Argosy Partners, a private equity firm. He is the Chairman of Republic Cement and Colliers Philippines. Previously, Mr. Colayco was president of AIG Investment Corporation in New York, the AIG subsidiary responsible for managing the Group's investment portfolios outside the US (primarily Europe, Asia, Latin America, the Middle East and Africa).

Washington Z. Sycip, 88, was appointed to the advisory board of JGSHI in August 2001 and is the founder of The SGV Group, a firm of auditors and management consultants. He is also Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management, member of Board of Overseers, Columbia University's School of Business, member of the International Advisory Board of American International Group and Council on Foreign Relations, Counsellor of the Conference Board and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange (1997-2004). Among his awards are the Management Man of the Year given by the Management Association of the Philippines, Ramon Magsaysay Award for International Understanding, Office's Cross of the Order of Merit given by the Federal Republic of Germany and Philippine Legion of Honor, degree of Commander conferred by the Philippine Government.

Executive Officers

Eugenie ML. Villena has been the Senior Vice President and Chief Financial Officer – Treasurer of JGSHI since 1992. She is responsible for the finance and treasury operations of the Company. She is also Senior Vice President - Chief Financial Officer of URC. Prior to joining the Company, she worked for Bancom Development Corporation, Philippine Pacific Capital Corporation and Pacific Basin Securities, Co., Inc. She is a member of the Financial Executives Institute of the Philippines. She received her Bachelor of Science in Business Administration and Masters in Business Administration degrees from the University of the Philippines.

Constante T. Santos, 61, has been the Senior Vice President — Corporate Controller of JGSHI since 1998. He is also Senior Vice President — Corporate Controller of URC and RLC. Prior to joining the Company, he practiced public accounting with SGV & Co. in the Philippines and Ernst & Whinney in the United States. He is a member of the Philippine Institute of Certified Public Accountants. Mr. Santos obtained his Bachelor of Science in Business Administration from the University of the East and attended the Management Development Program at the Asian Institute of Management.

Bach Johann M. Sebastian, 48, was appointed as Senior Vice President - Corporate Planning of JGSHI on 28 June 2007. He is also the Senior Vice President - Corporate Planning of URC and RLC. Prior to joining the Company in 2002, he was Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also Chief Economist, Director of the Policy and Planning Group at the Department of Trade and Industry. He received a Bachelor of Arts in Economics from the University of the Philippines and his Master in Business Management degree from the Asian Institute of Management.

Nicasio L. Lim, 52, was appointed as Senior Vice President - Corporate Human Resources of JGSHI on 1 March 2008. He is a top human resource executive with more than 30 years solid training and experience in the Philippines and abroad in all aspects of Human Resources management. Prior his current role, he joined JGSHI in May 2004 as Director, Human Resources of URC. In that role, he managed HR functions for the whole URC group comprising of several businesses: Branded Consumer Foods, Agro-Industrial, Flour, Sugar, Packaging, CFC Flexible and Hot Loops. He established his credibility as an HR practitioner in his 20-year stint with San Miguel Corporation (SMC) which culminated his appointment as Vice President, HR & Communication, Beer Division for Philippines and International. After SMC, he joined multinational Kraft Foods International where he stayed for 4 years. In Kraft, he led the review, development and installation of various HR systems and processes throughout the Southeast Asia region. He holds a Bachelor of Science Degree in Business Administration at the De La Salle University, Manila and completed the Human Resource Executive Program at the University of Michigan, USA in 1989. In 2007, the People Management Association of the Philippines (PMAP) conferred him the highest honor a Filipino HR practitioner can receive, the People Manager of the Year Award.

Chona R. Ferrer, 52, was appointed as Assistant Treasurer on 15 September 2008. She is also the First Vice President - Corporate Treasury of URC, Treasurer for Outreach Home Development Corporation and Director of Consolidated Global Imports, Inc. Prior to joining the Company in 1983, she was Assistant Treasurer of Guevent Industrial Development Corporation. She received a Bachelor of Science in Business Administration from the University of the Philippines.

Rosalinda F. Rivera, 39, was appointed as Corporate Secretary of JGSHI on 6 August 2003 and had been Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of URC, RLC, CEB, Inc., JGSPC, CFC Corporation and JG Cement Corporation. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in

International Banking from the Boston University School of Law. She was admitted to the Philippine Bar in 1995.

SIGNIFICANT EMPLOYEES

There are no persons who are not executive officers of the Company who are expected to make a significant contribution to the business.

FAMILY RELATIONSHIPS

Mr. James L. Go is the brother of John L. Gokongwei Jr.
Ms. Lily G. Ngochua is the sister of John L. Gokongwei Jr.
Mr. Lance Y. Gokongwei is the son of John L. Gokongwei Jr.
Mr. Patrick Henry C. Go is the nephew of John L. Gokongwei Jr.
Mr. Johnson Robert G. Go is the nephew of John L. Gokongwei Jr.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS (OVER THE PAST 5 YEARS)

As of 30 June 2009:

None of the members of the Company's Board, nor its executive officers:

- have been involved in any criminal, bankruptcy or insolvency investigations or proceedings;
- have any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- have been subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulations and the judgment has not been reversed, suspended, or vacated.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Issuer, in its regular conduct of business, has engaged in transactions with certain of its subsidiaries and related parties. The principal ongoing related party transactions within the Group are as follows: sales and purchases, advances and reimbursement of expenses, various guarantees, regular banking transactions, leasing of properties from RLC, and management and administrative services.

Sales and purchases are made across the group and among the different subsidiaries. These transactions are done on an arms length basis and under commercial terms at least as favorable as the terms available to non-affiliated parties.

The Issuer and certain of its subsidiaries also conduct regular banking transactions with RSB, which are entered into on an arms length basis. In particular, all loans by RSB to related parties are within statutory limits required by the BSP and are made substantially on the same terms as with other individuals and businesses of comparable risks.

The Issuer leases certain of its properties from RLC, its real estate and property development division. RLC is also a lessor to certain other subsidiaries and affiliates. RLC's lease contracts and/or supply services with its affiliate companies are under commercial terms at least as favorable as the terms available to non-affiliated parties.

To support the financing requirements of certain of its subsidiaries, the Issuer also guaranteed certain of its subsidiaries' indebtedness, namely, JGSPL \$300 million notes due January 2013; JGSHPL \$300M term loan facility due 2013; Cebu Air Inc. Export Credit Loan Agency (ECA) - backed 12 year finance lease agreement; and various Digitel bank loans. Any expense arising from these guarantees are determined on a cost-reimbursement basis.

The Issuer provides and obtains advances to and from its subsidiaries and other related parties, to support their operations and expansion activities. Any interest charged on these advances is determined on a cost-reimbursement basis.

The Issuer also provides the Group and its subsidiaries with certain corporate center services including corporate finance, corporate planning, procurement, human resources, legal and corporate communications, in order to support the Group and its subsidiaries' operations, as well as provide intra-group synergies. Management fees related to these shared services are determined on a cost-reimbursement basis.

Interest and other income earned by the Issuer on transactions with related parties amounted to PhP796.1 million in 2008 and PhP610.9 million in 2007. Interest expense incurred amounted to PhP160.4 million in 2008 and PhP139.5 million in 2007.

As of 31 December 2008 and 2007, the Issuer had receivables from related parties amounting to PhP37.9 billion and PhP31.9 billion, respectively. As of 31 December 2008 and 2007, the Issuer had payables to related parties amounting to PhP7.2 billion and PhP6.6 billion, respectively.

The year-end balances (in millions) in respect of Parent Company with its subsidiaries follow:

Related Party	Relationship	Financial Statement		2008	2007
		Account			
DIGITEL	Subsidiary	Due from related parties		PhP11,004.7	PhP15,340.0
		Held-to-maturity investments		1,074.4	875.1
Digitel Mobile Phils, Inc.	-do-	Due from related parties		9,155.8	-
JG Summit (Cayman), Ltd.	-do-	Due from related parties		9,142.5	9,179.4
JG Summit Capital Services Corporation	-do-	Due to related parties		4,186.4	3,835.8
JG Summit Petrochemicals Corporation	-do-	Due from related parties		2,707.9	2,581.9
Robinsons Land Corporation	-do-	Due from related parties		1,068.3	1,113.9
Litton Mills, Inc.	-do-	Due to related parties		1,018.4	511.9
JG Summit Philippines Ltd.	-do-	Due from related parties		972.3	1,152.6
Universal Robina Corporation	-do-	Due to related parties		749.0	372.0
Express Holdings, Inc.	-do-	Due from related parties		656.8	614.0
JG Summit Capital Markets Corp	-do-	Due from related parties		108.5	83.0
Cebu Air, Inc.	-do-	Due from related parties		58.5	1,450.1
Others	-do-	Due from related parties		3,045.5	446.2
	-do-	Due to related parties		1,270.1	1,836.2

These intercompany transactions are eliminated in the consolidated financial statements.

Related party transactions that are not eliminated in the consolidated financial statements follows:

	2008	2007
Due from related parties	PhP 2.1 billion	PhP1.6 billion
Due to related parties	PhP 2.0 billion	PhP2.4 billion

EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The aggregate compensation of executive officers and directors of the Issuer for the last 2 years and projected for the ensuing year 2009 are as follows:

	ACTUAL (PhP) 2007			
	Salary	Bonus	Others	2008 Total
CEO and Five (5) most highly compensated Executive officers	47,921,191	500,000	110,000	48,531,191
All directors and executive officers as a group unnamed	117,350,693	1,700,000	310,000	119,360,693
	ACTUAL (PhP) 2008			
	Salary	Bonus	Others	2008 Total
CEO and Five (5) most highly compensated Executive officers	51,464,725	800,000	80,000	52,344,725
All directors and executive officers as a group unnamed	127,682,263	2,300,000	220,000	130,202,264

	PROJECTED 2009 (PhP)			
	Salary	Bonus	Others	Total
CEO and Five (5) most highly compensated Executive officers	55,076,866	800,000	110,000	55,986,866
All directors and executive officers as a group unnamed	129,979,793	2,100,000	260,000	132,339,793

The following are the five (5) highest compensated directors/or executive officers of the Issuer:

Chairman Emeritus- John Gokongwei, Jr.;
 Director, Chairman and CEO – James L. Go;
 Director, President and COO– Lance Y. Gokongwei;
 Director – Johnson Robert G. Go Jr.; and
 Senior Vice President – Ignacio Gotao

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Issuer are compensated, or are to be compensated, directly or indirectly, for any services rendered provided as a director for the last completed fiscal year and the ensuing year.

There are no other arrangements pursuant to which any director of the Issuer was compensated, or is to be compensated, directly or indirectly, during the Issuer's last completed fiscal year, and the ensuing year, for any service provided as a director.

There are no special employment contracts between the Issuer and the named executive officers.

There are no outstanding warrants or options held by the Issuer's CEO, its named executive officers and directors.

DESCRIPTION OF ISSUER'S CONSOLIDATED TOTAL BORROWINGS

The following table sets forth the outstanding consolidated long and short term debt of JGSHI as of 30 June 2009 as compared to 31 December 2008:

Consolidated short term debt

(In thousand PHP)	30 June 2009 (Unaudited)	31 December 2008 (Audited)
Parent Company:		
Philippine Peso - with interest rates ranging from 6.25% to 8.75% in 2009	PhP2,332,195	PhP3,125,600
Subsidiaries:		
Foreign currencies - with interest rates ranging from 1.359% to 5.25% in 2009	PhP15,737,938	19,784,999
Philippine Peso - with interest rates ranging from 6.75% to 8.975% in 2009	4,387,200	2,226,000
	20,125,138	22,010,999
	PhP22,457,333	PhP25,136,599

Consolidated long-term debt (net of debt issuance costs):

(In thousand PHP)	30 June 2009 (Unaudited)	31 December 2008 (Audited)
Parent Company:		
Foreign currencies:		
Bayerische HypoVereinsbank AG (HypoVereinsbank) loan	PhP1,776,093	PhP2,284,357
Philippine Peso:		
HSBC	4,275,250	4,271,850
	6,051,343	6,556,207
Subsidiaries:		
Foreign currencies:		
URC HypoVereinsbank term loan facilities	42,760	62,441
URC US\$200 Million 8.25 % guaranteed notes	9,388,689	9,368,966
JGSPL US\$300 Million 8% guaranteed notes	12,423,148	12,390,472
DIGITEL zero coupon convertible bonds	2,014	2,204
JGSPL US\$300 Million term loan	14,284,612	14,080,553
DIGITEL term loan facilities	12,176,687	11,064,478
CAI commercial loan from foreign banks	3,581,188	3,729,504
CAI export credit loan agreement	15,195,390	14,227,026
Minimum capacity purchase agreement	72,195	71,280
	67,166,683	64,996,924
Philippine Peso:		
RLC PhP1 Million loan facility	115,000	340,000
Philippine Sugar Corporation restructured loan	39,991	46,395
RLC PhP2 Million loan facility	2,000,000	2,000,000
RLC PhP3 Million loan facility	3,000,000	3,000,000

URC PhP3 Million loan facility	2,972,277	-
	8,127,268	5,386,395
Total long-term debt	81,345,294	76,939,526

The exchange rates used to translate the foreign denominated debts were PhP48.13 to US\$1.00 and PhP47.52 to US\$1.00 as of 30 June 2009 and 31 December 2008, respectively, except for the foreign denominated debts of certain subsidiaries with fiscal year ending 30 September, which were restated at PhP48.33 and PhP47.05 as of 31 March 2009 and 30 September 2008, respectively.

Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up except with any of its subsidiaries; prohibit purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

CUMULATIVE REDEEMABLE PREFERRED SHARES

As of 30 June 2009 and 31 December 2008, the details as to the number of preferred shares of the Parent Company follow:

Authorized	2,000,000,000
Issued:	
12.00% preferred stock, PhP1.00 par value	255,000,000
11.75% preferred stock, PhP1.00 par value	171,900,000
	426,900,000

The preferred shares are nonconvertible, nonvoting, nonparticipating, cumulative and redeemable. Such shares enjoy preference in case of liquidation but are excluded from the preemptive rights in the issuance of preferred and common shares.

On 27 July and 2 August 2004, the Parent Company's BOD authorized the offer and issuance of 255.0 Million and 171.9 Million cumulative redeemable preferred shares, respectively. The issuances were designated as Tranche 1 Series A and Tranche 2 Series A, respectively. On said dates, the BOD further resolved that the preferred stock shall have a par value of PhP1.00 per share and an issue price of PhP5.00 per share, and shall be redeemed on the fifth year from issue date. The dividend rate shall be 12.00% and 11.75% for Tranche 1 Series A and Tranche 2 Series A, respectively, and shall be payable quarterly until final redemption. The Parent Company has established a sinking fund for the preferred stock and for the sole purpose of providing funds to pay the redemption value amounting to PhP3.9 Billion

Tranche 1 Series A and Tranche 2 Series A will mature on 29 July 2009 and 29 August 2009, respectively.

Debt Covenants

Under its existing loan agreements and guarantees, the Company is required to maintain certain financial ratios, which are set out below.

Ratio	Requirement
Consolidated current assets to consolidated current liabilities	Not less than 1:1

Consolidated Total Borrowings to Not more than 2:1
Consolidated Total Equity Ratio

These covenants are similar in definition to the financial covenants of the Bonds, as discussed under Financial Covenants under the Section "Description and Terms and Conditions" of the Bonds of this Prospectus . The Company has complied with these debt covenants.

Certain of the Company's subsidiaries are also required to comply with certain financial covenants arising from their debt obligations, as follows:

	Ratio	Requirement
URC	Debt to Equity Ratio ¹	Not more than 2:1
	interest coverage ratio ²	Not less than 2:1
RLC	Debt to Equity Ratio	Not more than 1.5:1
	interest coverage ratio ³	Not less than 1.5:1

(1) "Debt to Equity Ratio" for both URC and RLC means the ratio of Financial Indebtedness to total equity based on the consolidated balance sheets of URC and RLC, respectively.

(2) URC's "interest coverage ratio" means the URC Consolidated EBITDA divided by Consolidated Net Interest Expense, where "Consolidated EBITDA" means the sum of URC's consolidated net income plus (minus) taxes, consolidated interest expense (consolidated interest income); depreciation and amortization; exchange losses (gains); and any other non-cash items such as mark-to-market losses (gains); and "Consolidated Net Interest Expense" means URC's consolidated interest expense minus consolidated interest income.

(3) RLC's "Interest Coverage Ratio" means the ratio of RLC's Consolidated EBITDA, plus (to the extent of reducing net income) Consolidated Interest Expense and minus (to the extent increasing net income) Consolidated Interest Income, to Consolidated Net Interest Expense; where "Consolidated EBITDA" means RLC's consolidated income before income taxes, depreciation and amortization; and "Consolidated Net Interest Expense" means RLC's Consolidated Interest Expense minus the Consolidated Interest Income.

The subsidiaries have complied with their respective covenants.

CORPORATE GOVERNANCE

The Issuer adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and pertinent SEC Circulars. Continuous improvement and monitoring have been undertaken to ensure that the Issuer observes good governance and management practices.

The Board of Directors has approved its Corporate Governance Compliance Evaluation System in 2003 in order to check and assess the level of compliance of the Issuer with leading practices on good corporate governance as specified in its Corporate Governance Manual and pertinent SEC Circulars. The system likewise highlights areas for compliance improvement and actions to be taken. One of the system's output is the Annual Corporate Governance Compliance Evaluation Form submitted to the SEC and PSE on or before 30 January of every year starting with calendar year 2003.

Likewise, the Issuer has consistently strived to raise its level of reporting to adopt and implement the prescribed Philippine Financial Reporting Standards.

DEVIATION FROM THE CORPORATE GOVERNANCE MANUAL

There has been no deviation from the Company's Corporate Governance Manual.

INTEREST OF NAMED EXPERTS

LEGAL MATTERS

All legal opinions/matters in connection with the issuance of the Bonds, which are subject of this Offer, shall be passed upon by Romulo Mabanta Buenaventura Sayoc & de los Angeles, for the Joint Lead Managers, and Bolos Reyes-Beltran and Associates for the Company.

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co. (SGV), independent auditors, audited consolidated financial statements of JG Summit as of 31 December 2008 and 2007 and for each of the three years in the period ended 31 December 2008 included in this Prospectus.

SGV also audited the consolidated financial statements of JG Summit as of 31 December 2007 and 2006 and for each of the three years in the period ended 31 December 2007 included in this Prospectus.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Group has not applied the following and new amended PFRS and Philippine Interpretation which are not yet effective for the calendar year ended 2009.

Effective in 2010

Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*

The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively, while changes introduced by the revised

PAS 27 must be applied retrospectively with a few exceptions. The changes will affect future acquisitions and transactions with non-controlling interests.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

The Amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*

This Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are: a) distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and, b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*

This Interpretation covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to

connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective 2012

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

This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

Improvements to PFRS

In April 2009, the IASB issued its second omnibus of amendments to certain standards as approved by the Financial Reporting Standards Council in its meeting in May 2009. The following are the separate transitional provisions for each standard and the Group will assess the impact of improvements to these standards once effective.

PFRS 2, Share-based Payment

The amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.

PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations

The amendment clarifies that the disclosures required in respect of noncurrent assets or disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.

It also clarifies that the general requirements of PAS 1 still apply, particularly paragraphs 15 (to achieve fair presentation) and 125 (sources of estimation and uncertainty) of PAS 1.

PFRS 8, Operating Segments

The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

PAS 1, Presentation of Financial Statements

The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

PAS 7, Statement of Cash Flows

The amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

PAS 17, Leases

The amendment removes the specific guidance on classifying land as lease so that only the general guidance remains.

PAS 18, Revenue

The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as agent. The features indicating an entity is acting as a principal are whether the entity: (a) has primary responsibility for providing the goods or services; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.

PAS 36, Impairment of Assets

The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in PFRS 8 before aggregation for reporting purposes.

PAS 38, Intangible Assets

The amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives.

It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

PAS 39, Financial Instruments: Recognition and Measurement

The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

The amendment also clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

It also clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

IFRIC 9, Reassessment of Embedded Derivatives

The improvement clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation

The improvement states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign

operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

FINANCIAL INFORMATION

The following pages set forth the Company's: (1) audited consolidated financial statements as of 31 December 2008 and 2007 and for each of the three years in the period ended 31 December 2008; (2) audited consolidated financial statements as of 31 December 2007 and 2006 and for each of the three years in the period ended 31 December 2007; and (3) unaudited consolidated financial statements as of 30 June 2009 and for the six-months period ended 30 June 2009 and 2008.

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