

COVER SHEET

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S.E.C. Registration Number

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P	O	L	A	R		P	R	O	P	E	R	T	Y		H	O	L	D	I	N	G	S		
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(Company's Full Name)

3	R	D		L	E	V	E	L		S	T	A	R	M	A	L	L		L	A	S			
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(Business Address : No. Street/City/Province)

Jo L. Ilijay

Contact Person

571-5948

Registrant Telephone Number

1	2
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Month

3	1
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Day

Calendar Year

20-IS Definitive Information Statement

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles
Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier



SECURITIES AND EXCHANGE COMMISSION
CORPORATION FINANCE DEPARTMENT
SEC Building, EDSA Greenhills
Mandaluyong City



Attention : **Director Justina F. Callangan**

Re : Information Statement of
Starmalls, Inc.

Dear Madam:

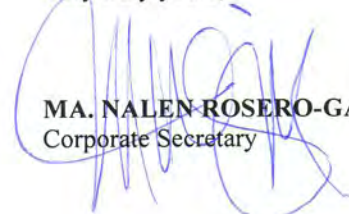
In reply to your letter dated May 17, 2013, we submit herewith for your consideration and clearance the Definitive Information Statement (“DIS”) for the annual meeting of the stockholders of Starmalls, Inc. (“Starmalls” or the “Company”) to be held on June 24, 2013, which we have revised in the light of the comments set forth in your aforementioned letter:

We address certain specific concerns as follows:

1. On page 4, we disclosed Filipino and foreign ownership as of April 30, 2013 on a per class of stock basis.
2. We take note of the Notice of the Commission dated October 20, 2006 re: Certification on Qualification of Independent Directors, and to submit the requisite certifications within thirty (30) days from date of annual meeting.
3. We also take note of the SEC Memorandum Circular No.9 Series of 2011, re: Term Limits for Independent Directors. The re-election of our incumbent independent directors to the Company’s Board of Directors will not be violative of the term limit prescribed in the said Memorandum Circular.
4. We have revised the Statement of Management’s Responsibility in accordance with the prescribed wordings under Bulletin 001 dated February 16, 2012.

We trust that you will find the attached DIS and the foregoing explanatory notes in order.

Very truly yours,


MA. NALEN ROSERO-GALANG
Corporate Secretary



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of **STARMALLS, INC.** (the “Company”) for the year 2013 will be held on 24 June 2013, Monday at 10:00 in the morning, at Monte di Portofino, Portofino Heights Subdivision, Daang Hari, Las Piñas City.

The order of business thereat as follows:

- I. Call to order
- II. Certification of service of notice and presence of quorum
- III. President’s Report
- IV. Approval of the Audited Consolidated Financial Statements for the period ended 31 December 2012 as contained in the Company’s Annual Report
- V. Election of the Directors & Independent Directors
- VI. Appointment of External Auditors
- VII. General ratification of the acts of the Board of Directors and the management in line with the usual business of the Company from the date of the last annual stockholders’ meeting up to the date of the meeting
- VIII. Other Matters
- IX. Adjournment

The Board of Directors has fixed 29 May 2013 as the record date for the determination of stockholders entitled to notice of, and to vote at, said Annual Stockholders’ Meeting.

Please bring some form of identification, such as passport, driver’s license or company ID and certification from PCD participant (if applicable) to facilitate registration which will start at 9:30 a.m.

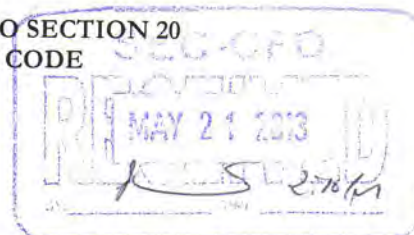


MA. NALEN SJ ROSERO-GALANG
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter: **STARMALLS, INC.**

3. **Philippines**
 Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **39587**

5. BIR Tax Identification Code **000-806-396-000**

6. **3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village,
 Pamplona, Las Piñas City** 1746
 Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 571-5948 / (632) 871-4001**

8. Date, time and place of the meeting of security holders

24 June 2013, 10:00 a.m.
 Monte di Portofino, Daang Hari, Las Piñas City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 30, 2013

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common stock	8,425,981,155 shares
Preferred stock	2,350,000,000 shares

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes No

Name of Stock Exchange: **Philippine Stock Exchange**

Class of securities listed: **Common Stocks**

7,682,687,828 Common shares are listed with the Philippine Stock Exchange as of April 30, 2013
(includes 3,533,569,997 shares that are pending for actual listing)

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

PART I

INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date: June 24, 2013
Time: 10:00 a.m.
Place: Monte di Portofino, Daang-Hari, Las Piñas City

The corporate mailing address of the principal office of the Registrant is 3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City, Philippines.

Notices of the meeting and copies of the Information Statement shall be sent to security holders as soon as practicable after the approval hereof by the Securities and Exchange Commission, but not later than **May 30, 2013**.

Dissenters' Right of Appraisal

There are no corporate matters or action that will entitle a shareholder to exercise a right of appraisal as provided under Section 81, Title X, of the Corporation Code of the Philippines ("Corporation Code").

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (3) In case of merger or consolidation; and
- (4) In case of investments in another corporation, business or purpose.

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

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further,

That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

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

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders’ meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

- (a) Number of shares outstanding as of 30 April 2013
 - Common: 8,425,981,155
 - Preferred: 2,350,000,000
- (b) Record Date: 29 May 2013

Each common share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article III, Section 3 of the Registrant’s By-Laws, every holder of voting stock may vote during all meetings, including the Annual Stockholders’ Meeting, either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides, in part, that: “...in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit....”

Equity Ownership of Foreign and Local Shareholders

Foreign and local security ownership as of April 30, 2013:

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	7,616,898,129	90.40%	809,083,026	9.60%	8,425,981,155
Preferred	2,350,000,000	100.00%	-	-	2,350,000,000
Total	9,966,898,129		809,083,026		10,775,981,155

Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant’s voting securities as of April 30, 2013:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Registrant	Name of Beneficial Owner/ Relationship with Record Owner	Citizenship	No. of Shares Held*	% of Ownership ¹
Common Common Preferred	Fine Properties, Inc. ² 3 rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	D -2,573,507,156 I -491,569,605 D- 2,350,000,000	30.54% 5.83% 100.00%
Common	Hero Holdings Corp. ³ 3 rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	D - 1,402,278,726 I - 75,165,000	16.64% 0.89%
Common	Manuela Corp. ⁴ Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	I - 1,223,102,790	14.52%
Common	Althorp Holdings Corp. ⁵ Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	D- 14,909,708 I - 439,351,000	0.17% 5.21%
Common	Land & Houses Public Company Limited ⁶ Q House Convent Building, 4 th & 5 th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	D- 808,431,465	9.60%
Common	Manuel B. Villar Jr. Caroline Masibay Street, BF Resort Village, Talon 2, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	D- 728,900,022	8.65%

* D-Direct shareholdings; I-Indirect shareholdings (through PCD Nominee Corp.)

¹ Based on the total issued stocks as of April 30, 2013 of 8,425,981,155 common shares and 2,350,000,000 preferred shares

² Fine Properties, Inc. through a resolution passed by the Board of Directors, usually designate its President, Jerry M. Navarrete, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

³ Hero Holdings Corp. through a resolution passed by the Board of Directors, usually designate its Senior Vice President, Cynthia J. Javarez, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

⁴ Manuela Corp. through a resolution passed by the Board of Directors, usually designate its President, Jerry M. Navarrete, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

⁵ Althorp Holdings Corp. through a resolution passed by the Board of Directors, usually designate its President, Rowena S. Reclosado, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

⁶ Land & Houses Public Company Limited (L&H) is a foreign corporation duly organized and existing by virtue of the laws of Thailand with office address at Reg. No. 57 Q House Convent Bldg., 3rd to 5th Floor, 38 Convent Road, Silom, Bangkok 10500 Thailand. As of 2012, the members of the Board of L&H are Mr. Anant Asavabhokhin, Mr. Naporn Sunthornchitcharoes, Mr. Lin Swe Guan, Mr. Adisorn Thananun-narapool and Mr. Wit Tantiworawong. L&H usually acts through Mr. Adisorn Thananun-Narapool in matters relating to its shares of stock in the Company.

Security ownership of management as of April 30, 2012:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Pinas City	728,900,022 - Direct	Filipino	8.6506%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Pinas City	361,945,243 - Direct	Filipino	4.2956%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	.00030%
Common Shares	Frances Rosalie T. Coloma Block 1 Lot 10 Granwood Villas, Quezon City	3,500 - Direct	Filipino	.00000%
Common Shares	Anant Asavabhokhin Q. House, Convent Building, 4 th & 5 th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand	1,000 - Direct	Thai	.00000%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.00000%
Common Shares	Carolina C. Mejias No. 50 Beverly Hills Avenue, Beverly Hills Subdivision, Antipolo City	1,000 – Direct	Filipino	.00000%
AGGREGATE SHAREHOLDINGS			1,090,876,765	12.9466%

None of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

Background Information

The following are the names, ages and citizenship of the incumbent directors/independent directors and officers of the Registrant:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>CITIZENSHIP</u>
Manuel B. Villar Jr.	63	Chairman	Filipino
Jerry M. Navarrete	58	President	Filipino
Frances Rosalie T. Coloma	50	Director, Chief Financial Officer	Filipino
Manuel Paolo A. Villar	36	Director	Filipino
Anant Asavhabhokin	62	Director	Thai
Joel L. Bodegon	64	Independent Director	Filipino
Carolina C. Mejias	57	Independent Director	Filipino
Ma. Nalen Rosero-Galang	41	Corporate Secretary & Compliance Officer	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

MANUEL B. VILLAR JR., *Chairman*, 62, is an incumbent Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served as Speaker of the House of Representatives from 1998 to 2000. A certified public accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. In the early 1970’s he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been Chairman of the Board of the Company since 2012.

JERRY M. NAVARRETE, *President*, graduated from the Lyceum of the Philippines with a Bachelor’s degree in Economics and from Ateneo de Manila University with a Master’s degree in Business Administration. He previously worked as research analyst with Aguilar Shipping for one year.

Mr. Navarrete has been with the Villar Family Companies for more than 35 years. Mr. Navarrete has been President and Chief Executive Officer of the Company since 2004.

FRANCES ROSALIE T. COLOMA, *Director and Chief Financial Officer*, graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. She is a Certified Public Accountant. She worked as Finance Manager of Alcatel Philippines Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines Inc., and Deal Finance Manager of Accenture Delivery Center, Philippines. Before joining the Starmalls group in February, 2011, she was the Assistant General Manager of Maersk Global Services, Philippines. Ms. Coloma has been a Director of the Company since 2011.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since 2007.

ANANT ASAVABHOKHIN, *Director*, graduated from Chulalongkorn University with Bachelor's degree in Civil Engineering and from the Illinois Institute of Technology, IL, USA with an M.S. in Industrial Engineering. He obtained his M.B.A. degree from Thammasat University. Mr. Asavabhokhin is currently the President and Chief Executive Officer of Land and Houses Public Company Limited. Mr. Asavabhokhin has been a Director of the Company since 2012.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since 2010. Atty. Bodegon possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

CAROLINA C. MEJIAS, *Independent Director*, is a Certified Public Accountant who graduated from the Philippine School of Business Administration with a Bachelor's Degree in Business Administration major in Accounting. Presently, she is the President and General Manager of CCM Accounting Firm rendering Accounting, Taxation, Auditing and Management Services to more than a hundred clients. She also manages her two other businesses – the JF Mejias Construction & Engineering Services as Office Manager-Corporate Treasurer and CICM Enterprises, Inc. (a garments business) as President and General Manager. Ms. Mejias possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since her election as such.

MA. NALEN SJ. ROSERO-GALANG, *Compliance Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with Manuela since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She is currently a director of Masterpiece Asia Properties, Inc., Brittany Estates Corporation and Manuela Corporation. She is also the Corporate Secretary of the subsidiaries of Vista Land.

All the incumbent Directors above have one (1) year term of office.

Mr. M. Villar, Mr. Navarrete, Ms. Coloma, and Mr. M.P. Villar have been nominated for re-election to the Board of Directors. Likewise nominated for election as member of the Board of Directors is Mr. Adisorn Thananun-Narapool. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee

Realestate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002. Mr. Thananun-Narapool holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University.

Mr. Joel L. Bodegon and Ms. Carolina C. Mejias have been nominated as independent directors.

The By-Laws of the Registrant conforms with SRC Rule 38, as amended, with regard to the nomination of independent directors of the Registrant. Article IV, Sections 1-A and 2 of the Registrant's By-Laws provide as follows:

Section 1A. Independent Directors – The corporation shall have at least two (2) independent directors or at least twenty (20%) of the entire Board membership, whichever is lesser.

The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time. *(As amended on 04 October 2010)*

Section 2. Election and term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

A Nomination Committee is hereby created which may be organized from time to time upon determination of the Board of Directors. The Nomination Committee shall be composed of at least three (3) members, one of whom shall be an independent director. The Nomination Committee shall have the following functions: (A) formulate screening policies to enable the committee to effectively review the qualification of the nominees for independent directors; and (B) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time. *(As amended on 04 October 2010)*

On the other hand, SRC Rule 38, as amended, provide in part as follows:

“8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

- A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.
- B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission

and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

- E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.”

The Registrant has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The nominated independent directors, namely, Ms. Carolina C. Mejias and Mr. Joel L. Bodegon were duly nominated by Ms. Editha Dolon, a registered shareholder of the Registrant who is not a director, officer or substantial shareholder of the Registrant and who is not related to either of the said nominees. The Nominations Committee of the Registrant is composed of Mr. Manuel B. Villar Jr., Chairman, and Mr. Jerry M. Navarrete and Mr. Joel L. Bodegon, members.

Attendance in Board Meetings

Attendance of each director if the Corporation in Board meetings held during the year 2012 as follows:

	Mar 15	Apr 13	May 14	Jun 18	Jul 9	Oct 8
Manuel B. Villar Jr.	-	-	-	P	P	P
Jerry M. Navarrete	P	P	P	P	P	P
Frances Rosalie T. Coloma	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P
Anant Asavabhokhin	-	-	-	-	-	-
Joel L. Bodegon	P	P	P	P	P	P
Carolina C. Mejias	P	P	P	P	P	P

* Mr. Manuel B. Villar Jr. and Mr. Anant Asavabhokhin were elected as Directors during the Annual Stockholders' Meeting held on June 18, 2012.

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

Resignations/Declined Nominations

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

Significant Employees

The Registrant has no other significant employee other than its Executive Officers.

Family Relationships

Mr. Manuel B. Villar Jr, and Mr. Manuel Paolo A. Villar, who are both directors of the Company, are father and son. Except for said relationship, none of the aforementioned Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

Certain Relationships and Related Transactions

Except as disclosed in the Annual Report of the Registrant (SEC Form 17-A) for the year ended December 31, 2012, the Registrant has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is, or has been, involved in any criminal or bankruptcy proceeding, or is, or has been, subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Compensation of Directors and Executive Officers

Executive Compensation

The executive officers of the Registrant are currently receiving and will continue to receive fixed salaries on a monthly basis from the respective subsidiaries or businesses of the Registrant that they manage. The compensation for its executive officers for the year 2011 and 2012 (actual) and 2013 (projected) are as shown below:

Names	Position	Year	Salary	Bonus
Jerry Navarrete Frances Rosalie T. Coloma Manuel Paolo A. Villar Ma. Nalen R. Galang Joselito G. Orense Aggregate executive compensation for above named officers	President Chief Financial Officer Director Corporate Secretary Mall operations	Actual 2011	₱3.9M	₱1.0M
		Actual 2012	₱5.0M	₱1.5M
		Projected 2013	₱10.0M	₱3.0M
Aggregate executive compensation for all other officers and directors, unnamed		Actual 2011	₱0.0M	₱0.0M
		Actual 2012	₱0.5M	₱0.3M
		Projected 2013	₱5.0M	₱1.5M

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

Standard arrangements

Other than payment of reasonable per diem of ₱30,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2011 and 2012.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2011 or 2012 for any service provided as a director.

Employment contract between the company and executive officers

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

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's named executive officers, and all officers and directors as a group.

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Independent Public Accountants

The auditing firm of Punongbayan & Araullo (P&A) is being recommended for election as external auditor for the current year.

Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. In 2012, the Registrant's auditors did not perform any substantial non-audit services for the Registrant.

Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

Since the initial audit of P&A in 2004, there was no instance where the Registrant's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Registrant had any disagreement with its public accountants on any accounting or financial disclosure issue.

The 2012 audit of the Registrant is in compliance with paragraph (3)(b)(iv) of SRC Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

For Changes in Accounting Policies, refer to Note 2 - Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Consolidated Financial Statements as of and for the years ended December 31, 2011, 2011 and 2010 included in this report.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

The Audit Committee of the Registrant is composed of Ms. Carolina C. Mejias, Chairman, and Ms. Frances Rosalie T. Coloma and Mr. Joel L. Bodegon, members.

Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by P&A.

	<u>2012</u>	<u>2011</u>
	<i>(In ₱ Millions with VAT)</i>	
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	₱ 2.59	₱ 1.24
All other fees	-	-
Total	₱ 2.59	₱ 1.24

P&A does not have any direct or indirect interest in the Company

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

OTHER MATTERS

Action with Respect to Reports

The following reports will be submitted for approval by the stockholders:

1. The President's Report; and
2. Audited Financial Statements for the year 2012.

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2012 as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover the approval of the quarterly reports of the Registrant filed with the SEC and the PSE, among others; and
2. Election of External Auditors.

Voting Procedures

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

Voting requirements

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2012, as well as the approval or ratification of the other actions set forth under the heading “Other Proposed Actions” above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

PART II

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Registrant as of and for the year ended December 31, 2012 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

Punongbayan & Araullo (P&A), independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2010, 2011 and 2012, included in this report.

From 2004 to 2011, the external auditor of the Company was the accounting firm of Punongbayan and Araullo. Ms. Dalisay B. Duque has been the Partner In-charge since 2004. Pursuant to the General Requirements of SRC Rule 68, Par 3 (Qualifications and Reports of Independent Auditors), Ms. Mailene Sigue-Bisnar became the Partner In-charge for the year 2009. Mr. Nelson J. Dinio has been the partner designated for the financial statements for the year ended December 31, 2010 to present.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. P&A. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. P&A will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by P&A.

	<u>2012</u>	<u>2011</u>
	<i>(In ₱ Millions with VAT)</i>	
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	₱ 2.59	₱ 1.24
All other fees	—	—
Total	₱ 2.59	₱ 1.24

P&A does not have any direct or indirect interest in the Company

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Company has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

REVIEW OF YEAR END 2012 VS YEAR END 2011

RESULTS OF OPERATIONS

Revenues

Rental Revenue

Rental revenue increased from nil in the year ended December 31, 2011 to ₱1.2 billion in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Equity in Net Earnings of an Associate

Equity in net earnings of an associate increased from ₱337.1 million in the year ended December 31, 2011 to ₱344.6 million in the year ended December 31, 2012. The 2% increase was due to net effect of the increase in the net income of VLL in 2012 and the disposal of 4.4% shareholdings in VLL in 2012.

Common Usage and Service Area Charges

Common usage and service area (CUSA) charges increased from nil in the year ended December 31, 2011 to ₱76.0 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Parking Fees

Parking fee revenue increased from nil in the year ended December 31, 2011 to ₱30.8 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Realized GP on Real Estate Sales

The Company recorded realized gross profit on real estate sales of ₱27.3 million in the year ended December 31, 2012, posting an increase of 1,265% from ₱2.0 million in same period last year. This was due to the collection on installment receivables from real estate sales in prior years from the real estate projects of MC namely Augustine Groove and Manuelaville.

Other operating income

Other operating income increased from ₱3.2 million in the year ended December 31, 2011 to ₱100.7 million in the year ended December 31, 2012. The 3,049% increase was due to various charges from tenants and customers of Starmall San Jose del Monte, Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center and the gain on derecognition of liabilities.

Finance Income

Finance income increased from ₱2.2 million in the year ended December 31, 2011 to ₱17.1 million in the year ended December 31, 2012. The 672.7% increase was due to the increase in savings and time deposit accounts and interest income from collections.

Income from Acquisition of a Subsidiary

The Group recorded a one-time gain as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of the transaction over acquisition cost. This was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income under Other Income (Charges) as Income from acquisition of a subsidiary.

Loss from Disposal of an Investment in an Associate

In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35 million.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱72.6 million in the year ended December 31, 2011 to ₱977.7 million in the year ended December 31, 2012. The 1,247% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 14,210% from ₱3.1 million in the year ended December 31, 2011 to ₱443.6 million in the year ended December 31, 2012 due to the increase in buildings and equipment with the completion of Starmall San Jose del Monte and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in agency service fees by 100% from nil in the year ended December 31, 2011 to ₱118.4 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in salaries and employee benefits by 417% from ₱17.9 million in the year ended December 31, 2011 to ₱92.6 million in the year ended December 31, 2012 due to the increase in manpower for the operations and management of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in taxes and licenses by 7,743% from ₱0.7 million in the year ended December 31, 2011 to ₱54.9 million in the year ended December 31, 2012 due to the taxes paid for the increase in capitalization of STR, stock transaction tax for the sale of VLL shares, payment of real property taxes of the various investment properties, and business permits and other licenses for the operations of the malls and the corporate building.
- Increase in professional fees by 215% from ₱11.6 million in the year ended December 31, 2011 to ₱36.5 million in the year ended December 31, 2012 primarily due to the professional fees paid to design consultants during the year.
- Increase in repairs and maintenance by 1,089% from ₱2.8 million in the year ended December 31, 2011 to ₱33.3 million in the year ended December 31, 2012 due to the repairs made to various equipments and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in advertising and promotion by 6,767% from ₱0.3 million in the year ended December 31, 2011 to ₱20.6 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in light and power by 962% from ₱1.7 million in the year ended December 31, 2011 to ₱17.0 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in security services by 249% from ₱3.9 million in the year ended December 31, 2011 to ₱13.6 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in insurance expense by 2,500% from ₱0.5 million in the year ended December 31, 2011 to ₱13.1 million in the year ended December 31, 2012 due to the increase in investment properties to be insured with the completion of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Increase in other operating expenses by 116% from ₱30.1 million in the year ended December 31, 2011 to ₱65.1 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Interest and Financing Charges

Interest and financing charges increased by 182% from ₱10.3 million in the year ended December 31, 2011 to ₱29.1 million in the year ended December 31, 2012. This was due increased borrowing costs to finance the completion of Starmall San Jose del Monte and various improvement projects on the existing malls and office building.

Other Charges

Other charges increased by 100% from nil in the year ended December 31, 2011 to ₱61.7 million in the year ended December 31, 2012. This was due various expenses incurred by the group in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Provision for Income Tax

Tax expense for the year ended December 31, 2011 is ₱1.1 million and increased by 2,130% to ₱235.4 million for the year ended December 31, 2012. This is due to the payment of capital gains tax in relation to the share swap transaction for the acquisition of MC, regular income tax on MC and the increase in final tax and MCIT.

Net Income

As a result of the foregoing, the Company's net income increased from ₱260.5 million in the year ended December 31, 2011 to ₱9.8 billion in the year ended December 31, 2012.

For the year ended December 31, 2012, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2012 vs. December 31, 2011

Total assets as of December 31, 2011 were ₱6.9 billion compared to ₱21.7 billion as of December 31, 2012, or a 213% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 1,687.0% from ₱83.5 million as of December 31, 2011 to ₱1.5 billion as of December 31, 2012 due to the sale of VLL shares, receipt of dividends from VLL and the securing of interest-bearing loans.
- Net Receivables decreased by 2,234% from ₱22.7 million as of December 31, 2011 to ₱688.7 million as of December 31, 2012 mainly due to receivables from tenants of Starmall San Jose Del Monte and the consolidation of the receivables from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Due from related parties increased by 72% from ₱184.3 million as of December 31, 2011 to ₱316.6 million as of December 31, 2012 due to advances made to affiliates.
- Real estate for sale and development increased by 88% from ₱381.2 million as of December 31, 2011 to ₱715.7 million as of December 31, 2012 due to the consolidation of real estate properties owned by MC primarily its real estate projects Augustine Grove and Manuelaville.
- Prepayments and other current assets increased by 450% from ₱75.3 million as of December 31, 2011 to ₱414.2 million as of December 31, 2012 due mainly to the increase in input taxes from the construction of Starmall San Jose del Monte, additional creditable withholding taxes from tenants of Starmall San Jose del Monte and consolidation of prepayments and other current assets of MC.
- Available for sale financial assets increased by 49% from ₱19.6 million as of December 31, 2011 to ₱29.2 million as of December 31, 2012 due mainly to the increase in the fair values of investment in Dizon Copper Silver Mines Inc. shares in 2012.
- Investment in associate decreased by 43% from ₱2.97 billion as of December 31, 2011 to ₱1.68 billion as of December 31, 2012 due to the net effect of the equity in net income of VLL, dividends received from VLL and the disposal of VLL shares in 2012.
- Property and equipment increased by 612% from ₱33.6 million as of December 31, 2010 to ₱239.4 million as of December 31, 2012 due purchases of various furniture and equipments of Starmall San Jose del Monte and the consolidation of the furniture and equipments of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Investment properties increased by 407% from ₱3.2 billion as of December 31, 2010 to ₱16.0 billion as of December 31, 2012. The increase was due to completion of Starmall San Jose del Monte, purchase of a property for development in Mandaluyong City and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Other non-current assets increased by 2,092% from ₱4.9 million as of December 31, 2011 to ₱107.4 million as of December 31, 2011 due to the increase in long-term installment contracts receivable and refundable deposits with the consolidation of MC.

Total liabilities as of December 31, 2011 were ₱677.1 million compared to ₱2.5 billion as of December 31, 2012, or a 274% increase. This was due to the following:

- Current portion of liability for land acquisition increased by 128% from ₱9.7 million as of December 31, 2011 from ₱22.1 million as of December 31, 2011 due to the increase in currently amount due of the liability for the purchase of land in Bulacan.
- Interest bearing loans and borrowings – current increased by 38% from ₱86.0 million as of December 31, 2011 from ₱118.8 million as of December 31, 2012 due to the additional interest bearing loans obtained in 2012.
- Accounts and other payables increased by 475% from ₱144.8 million as of December 31, 2011 to ₱832.9 million as of December 31, 2012 due mainly to the increase in accounts payable to suppliers and contractors for the operations of Starmall San Jose del Monte and those of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.
- Due to related parties decreased by 24% from ₱353.1 million as of December 31, 2011 to ₱270.0 million as of December 31, 2012 due to payments made during the year and the consolidation of MC.

- Income tax payable increased by 100% from nil as of December 31, 2011 to ₱30.9 million as of December 31, 2012 due to the income tax payable of MC.
- Other current liabilities increased by 89% from ₱7.1 million as of December 31, 2011 to ₱13.4 million as of December 31, 2012 due to the consolidation of the payable of MC.
- Non-current portion of liability for land acquisition decreased by 30% from ₱33.8 million as of December 31, 2011 to ₱23.6 million as of December 31, 2011 due to the increase in currently amount due of the liability for the purchase of land in Bulacan.
- Interest bearing loans – non-current increased by 16,156% from ₱3.9 million as of December 31, 2011 from ₱634.0 million as of December 31, 2012 due to the additional interest bearing loans obtained in 2012.
- Retirement benefit obligation increased by 108% from ₱11.8 million as of December 31, 2011 to ₱24.5 million as of December 31, 2012 due to the actuarial adjustments and the consolidation of the retirement benefit obligation of MC.
- Deferred gross profit increased by 4,144% from ₱0.9 million as of December 31, 2011 to ₱38.2 million as of December 31, 2012 due to the consolidation of the deferred gross profit on the real estate sales of MC.
- Deferred tax liabilities posted an increase of 265% from ₱11.3 million as of December 31, 2011 to ₱41.3 million as of December 31, 2012. The difference is due to the increased in temporary tax differences of MAPI and the consolidation of the deferred tax liabilities of MC.
- Other non-current liabilities increased by 220,750% from ₱0.2 million as of December 31, 2011 to ₱441.7 million as of December 31, 2012 mainly due to the consolidation of the increase in security deposits from tenants of Starmall San Jose del Monte and the consolidation of security deposits from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Total stockholder's equity increased from ₱6.3 billion as of December 31, 2011 to ₱19.2 billion as of December 31, 2012 due mainly to the net income for the year and revaluation increase of financial assets.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2012	12/31/2011
Current ratio ^(a)	2.81:1	1.24:1
Debt-to-equity ratio ^(b)	0.135:1	0.099:1
Interest expense/Income before Interest expense ^(c)	4.1%	3.7%
Return on assets ^(d)	1.9%	3.8%
Return on equity ^(e)	2.2%	4.2%

Notes:

- (a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) *Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- (d) *Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2012 increased from that of December 31, 2011 due to the increase in cash and receivables.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest expense as a percentage of income before interest expense for the year ended December 31, 2012 increased than the ratio for the year ended December 31, 2011 because the increase in interest expense from borrowings.

Return on asset posted a lower ratio for December 31, 2012 compared to that on December 31, 2011 due to higher asset base in 2012 as a result of the consolidation of MC.

Return on equity is lower as a result of higher equity base with the capital increase and subscription to the capital increase.

Material Changes to the Company's Balance Sheet as of December 31, 2012 compared to December 31, 2011 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 1,687.0% from ₱83.5 million as of December 31, 2011 to ₱1.5 billion as of December 31, 2011 due to the sale of VLL shares, receipt of dividends from VLL and the securing of interest-bearing loans.

Net Receivables decreased by 2,234% from ₱22.7 million as of December 31, 2011 to ₱688.7 million as of December 31, 2012 mainly due to receivables from tenants of Starmall San Jose Del Monte and the consolidation of the receivables from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Due from related parties increased by 72% from ₱184.3 million as of December 31, 2011 to ₱316.6 million as of December 31, 2012 due to advances made to affiliates.

Real estate for sale and development increased by 88% from ₱381.2 million as of December 31, 2011 to ₱715.7 million as of December 31, 2012 due to the consolidation of real estate properties owned by MC primarily its real estate projects Augustine Grove and Manuelaville.

Prepayments and other current assets increased by 450% from ₱75.3 million as of December 31, 2011 to ₱414.2 million as of December 31, 2012 due mainly to the increase in increase in input taxes from the construction of Starmall San Jose del Monte, additional creditable withholding taxes from tenants of Starmall San Jose del Monte and consolidation of prepayments and other current assets of MC.

Available for sale financial assets increased by 49% from ₱19.6 million as of December 31, 2011 to ₱29.2 million as of December 31, 2012 due mainly to the increase in the fair values of investment in Dizon Copper Silver Mines Inc. shares in 2012.

Investment in associate decreased by 43% from ₱2.97 billion as of December 31, 2011 to ₱1.68 billion as of December 31, 2012 due to the net effect of the equity in net income of VLL, dividends received from VLL and the disposal of VLL shares in 2012.

Property and equipment increased by 612% from ₱33.6 million as of December 31, 2010 to ₱239.4 million as of December 31, 2012 due purchases of various furniture and equipments of Starmall San Jose del Monte and the consolidation of the furniture and equipments of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Investment properties increased by 407% from ₱3.2 billion as of December 31, 2010 to ₱16.0 billion as of December 31, 2012. The increase was due to completion of Starmall San Jose del Monte, purchase of a property for development in Mandaluyong City and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Other non-current assets increased by 2,092% from ₱4.9 million as of December 31, 2011 to ₱107.4 million as of December 31, 2012 due to the increase in long-term installment contracts receivable and refundable deposits with the consolidation of MC.

Current portion of liability for land acquisition increased by 128% from ₱9.7 million as of December 31, 2011 to ₱22.1 million as of December 31, 2012 due to the increase in currently amount due of the liability for the purchase of land in Bulacan.

Interest bearing loans and borrowings – current increased by 38% from ₱86.0 million as of December 31, 2011 to ₱118.8 million as of December 31, 2012 due to the additional interest bearing loans obtained in 2012.

Accounts and other payables increased by 475% from ₱144.8 million as of December 31, 2011 to ₱832.9 million as of December 31, 2012 due mainly to the increase in accounts payable to suppliers and contractors for the operations of Starmall San Jose del Monte and those of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Due to related parties decreased by 24% from ₱353.1 million as of December 31, 2011 to ₱270.0 million as of December 31, 2012 due to payments made during the year and the consolidation of MC.

Income tax payable increased by 100% from nil as of December 31, 2011 to ₱30.9 million as of December 31, 2012 due to the income tax payable of MC.

Other current liabilities increased by 89% from ₱7.1 million as of December 31, 2011 to ₱13.4 million as of December 31, 2012 due to the consolidation of the payable of MC.

Non-current portion of liability for land acquisition decreased by 30% from ₱33.8 million as of December 31, 2011 to ₱23.6 million as of December 31, 2012 due to the increase in currently amount due of the liability for the purchase of land in Bulacan.

Interest bearing loans – non-current increased by 16,156% from ₱3.9 million as of December 31, 2011 to ₱634.0 million as of December 31, 2012 due to the additional interest bearing loans obtained in 2012.

Retirement benefit obligation increased by 108% from ₱11.8 million as of December 31, 2011 to ₱24.5 million as of December 31, 2012 due to the actuarial adjustments and the consolidation of the retirement benefit obligation of MC.

Deferred gross profit increased by 4,144% from ₱0.9 million as of December 31, 2011 to ₱38.2 million as of December 31, 2012 due to the consolidation of the deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted an increase of 265% from ₱11.3 million as of December 31, 2011 to ₱41.3 million as of December 31, 2012. The difference is due to the increased in temporary tax differences of MAPI and the consolidation of the deferred tax liabilities of MC.

Other non-current liabilities increased by 220,750% from ₱0.2 million as of December 31, 2011 to ₱441.7 million as of December 31, 2012 mainly due to the consolidation of the increase in security deposits from tenants of Starmall San Jose del Monte and the consolidation of security deposits from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Total stockholder's equity increased from ₱6.3 billion as of December 31, 2011 to ₱19.2 billion as of December 31, 2012 to due mainly to the net income for the year and capital increase and subscription to the capital increase.

Material Changes to the Company's Statement of income for the year ended December 31, 2012 compared to the year ended December 31, 2011 (increase/decrease of 5% or more)

Rental revenue increased from nil in the year ended December 31, 2011 to ₱1.2 billion in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Equity in net earnings of an associate increased from ₱337.1 million in the year ended December 31, 2011 to ₱344.6 million in the year ended December 31, 2012. The 2% increase was due to net effect of the increase in the net income of VLL in 2012 and the disposal of 4.4% shareholdings in VLL in 2012.

Common usage and service area (CUSA) charges increased from nil in the year ended December 31, 2011 to ₱76.0 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Parking fee revenue increased from nil in the year ended December 31, 2011 to ₱30.8 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

The Company recorded realized gross profit on real estate sales of ₱27.3 million in the year ended December 31, 2012, posting an increase of 1,265% from ₱2.0 million in same period last year. This was due to the collection on installment receivables from real estate sales in prior years from the real estate projects of MC namely Augustine Groove and Manuelaville.

Other operating income increased from ₱3.2 million in the year ended December 31, 2011 to ₱100.7 million in the year ended December 31, 2012. The 3,049% increase was due to various charges from tenants and customers of Starmall San Jose del Monte, Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center and the gain on derecognition of liabilities.

Finance income increased from ₱2.2 million in the year ended December 31, 2011 to ₱17.1 million in the year ended December 31, 2012. The 672.7% increase was due to the increase in savings and time deposit accounts and interest income from collections.

The Group recorded a one-time gain as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of the transaction over acquisition cost. This was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income under Other Income (Charges) as Income from acquisition of a subsidiary.

In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35 million.

Increase in depreciation and amortization by 14,210% from ₱3.1 million in the year ended December 31, 2011 to ₱443.6 million in the year ended December 31, 2012 due to the increase in buildings and equipment with the completion of Starmall San Jose del Monte and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in agency service fees by 100% from nil in the year ended December 31, 2011 to ₱118.4 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in salaries and employee benefits by 417% from ₱17.9 million in the year ended December 31, 2011 to ₱92.6 million in the year ended December 31, 2012 due to the increase in manpower for the operations and management of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in taxes and licenses by 7,743% from ₱0.7 million in the year ended December 31, 2011 to ₱54.9 million in the year ended December 31, 2012 due to the taxes paid for the increase in capitalization of STR, stock transaction tax for the sale of VLL shares, payment of real property taxes of the various investment properties, and business permits and other licenses for the operations of the malls and the corporate building.

Increase in professional fees by 215% from ₱11.6 million in the year ended December 31, 2011 to ₱36.5 million in the year ended December 31, 2012 due to the professional fees paid to design consultants during the year.

Increase in repairs and maintenance by 1,089% from ₱2.8 million in the year ended December 31, 2011 to ₱33.3 million in the year ended December 31, 2012 due to the repairs made to various equipments and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in advertising and promotion by 6,767% from ₱0.3 million in the year ended December 31, 2011 to ₱20.6 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in light and power by 962% from ₱1.7 million in the year ended December 31, 2011 to ₱17.0 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in security services by 249% from ₱3.9 million in the year ended December 31, 2011 to ₱13.6 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in insurance expense by 2,500% from ₱0.5 million in the year ended December 31, 2011 to ₱13.1 million in the year ended December 31, 2012 due to the increase in investment properties to be insured with the completion of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in other operating expenses by 116% from ₱30.1 million in the year ended December 31, 2011 to ₱65.1 million in the year ended December 31, 2012 due to the operations of Starmall San Jose

del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Interest and financing charges increased by 182% from ₱10.3 million in the year ended December 31, 2011 to ₱29.1 million in the year ended December 31, 2012. This was due increased borrowing costs to finance the completion of Starmall San Jose del Monte and further improvements in the existing investment assets.

Other charges increased by 100% from nil in the year ended December 31, 2011 to ₱61.7 million in the year ended December 31, 2012. This was due various expenses incurred by the group in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Tax expense for the year ended December 31, 2011 is ₱1.1 million and increased by 2,130% to ₱235.4 million for the year ended December 31, 2012. This is due to the payment of capital gains tax in relation to the share swap transaction for the acquisition of MC, regular income tax on MC and the increase in final tax and MCIT.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2011 VS YEAR END 2010

RESULTS OF OPERATIONS

Revenues

Equity in Net Earnings of an Associate

Equity in net earnings of an associate increased from ₱256.8 million in the year ended December 31, 2010 to ₱337.1 million in the year ended December 31, 2011. The 31% increase was due to increase in the net income of VLL in 2011.

Realized GP on Real Estate Sales

The Company recorded realized gross profit on real estate sales of ₱2.0 million in the year ended December 31, 2011, posting an increase of 216% from ₱0.6 million in same period last year. This was due to the collection on installment receivables from real estate sales in prior years.

Finance Income

Finance income increased from ₱1.1 million in the year ended December 31, 2010 to ₱2.2 million in the year ended December 31, 2011. The 95% increase was due to the increase in interest income from deposits and collections.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱17.5 million in the year ended December 31, 2010 to ₱59.6 million in the year ended December 31, 2011. The 240% increase in the account was primarily attributable to the following:

- Increase in administrative expenses from ₱13.7 million in the year ended December 31, 2010 to ₱41.1 million in the year ended December 31, 2011 due to the increase in payments for salaries and employee benefits as well as professional and services fees.
- Selling and distribution costs decreased from ₱0.6 million in the year ended December 31, 2010 to ₱0.3 million in the year ended December 31, 2011. The 48% decrease was due to the decrease in commission and promotional expense.

- Other expenses increased from ₱3.2 million in the year ended December 31, 2010 to ₱17.8 million in the year ended December 31, 2011 due to write-off of receivables as well as increase in costs of transportation, utilities and other expenses.

Interest and Financing Charges

Interest and financing charges increased by 956% from ₱1.0 million in the year ended December 31, 2010 to ₱10.3 million in the year ended December 31, 2011. This was due increased borrowing costs to finance the construction of the commercial building in Bulacan.

Provision for Income Tax

Tax income for the year ended December 31, 2010 is ₱0.59 million while the provision for income tax for the year ended December 31, 2011 is ₱1.1 million. This is due to the increase in payment of final tax as well as deferral tax on temporary difference between financial income and taxable income.

Net Income

As a result of the foregoing, the Company's net income increased from ₱240.8 million in the year ended December 31, 2010 to ₱260.5 million in the year ended December 31, 2011.

For the year ended December 31, 2011, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2011 vs. December 31, 2010

Total assets as of December 31, 2010 were ₱6,099.2 million compared to ₱6,943.5 million as of December 31, 2011, or a 14% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 18.0% from ₱70.7 million as of December 31, 2010 to ₱83.5 million as of December 31, 2011 due to receipt of dividends from VLL and the securing of interest-bearing loans.
- Net Receivables decreased by 46% from ₱49.9 million as of December 31, 2010 to ₱25.0 million as of December 31, 2011 mainly due to the write-off of receivables of BEC.
- Due from related parties decreased by 23.5% from ₱240.9 as of December 31, 2010 to ₱184.3 million as of December 31, 2011 due to receipt of payments of advances to affiliates.
- Real estate for sale and development increased by 5.0% from ₱363.2 million as of December 31, 2010 to ₱381.2 million as of December 31, 2011 due to backed out sales of BEC.
- Available for sale financial assets increased by 142% from ₱8.1 million as of December 31, 2010 to ₱19.6 million as of December 31, 2011 due mainly to the increase in the fair values of the financial assets in 2011.
- Investment in associate increased by 9% from ₱2,716.1 million as of December 31, 2010 to ₱2,971.6 million as of December 31, 2011 due to the recognition of the Company's share in the net earnings of VLL.

- Investment properties increased from ₱2,602.6 as of December 31, 2010 to ₱3,166.7 million as of December 31, 2011. The 22% increase was due to improvements made in the parcel of land in Bacoor, acquisition of the parcel of land in Bulacan and construction of commercial buildings to be leased out in the future in the property in Dasmariñas, Cavite and Bulacan.
- Property and equipment increased from ₱0.04 as of December 31, 2010 to ₱33.6 million as of December 31, 2011 due purchases of construction equipment and office furniture and equipments during the year.
- Other assets increased by 61% from ₱47.7 million as of December 31, 2010 to ₱76.8 million as of December 31, 2011 due to the increase in input taxes and advances to contractors.

Total liabilities as of December 31, 2010 were ₱104.7 million compared to ₱677.1 million as of December 31, 2011, or a 546% increase. This was due to the following:

- Liability for land acquisition increased by 1,655% from ₱2.5 million as of December 31, 2010 from ₱43.5 million as of December 31, 2011 due to the liability for the purchase of land in Bulacan.
- Interest bearing loans and borrowings increased by 693% from ₱11.3 million as of December 31, 2010 from ₱89.9 million as of December 31, 2011 due to the additional interest bearing loans obtained in 2011.
- Accounts and other payables increased by 194% from ₱49.3 million as of December 31, 2010 to ₱144.8 million as of December 31, 2011 due mainly to the increase in accounts payable to suppliers and contractors.
- Estimated liability for property development decreased by 100% from ₱1.1 million as of December 31, 2010 to nil as of December 31, 2011 due to the completion of houses sold in prior years.
- Due to related parties increased by 2,004% from ₱16.8 million as of December 31, 2010 to ₱353.1 million as of December 31, 2011 due to the additional advances made for the development of Bulacan and Cavite properties.
- Customers' advances and deposits decreased by 28% from ₱8.2 million as of December 31, 2010 to ₱6.0 million as of December 31, 2011 due to the payments of various customer miscellaneous charges.
- Pension liability increased by 589% from ₱1.7 million as of December 31, 2010 to ₱11.8 million as of December 31, 2011 due to the actuarial adjustments.
- Deferred gross profit decreased by 69% from ₱2.9 million as of December 31, 2010 to ₱0.9 million as of December 31, 2011 due to the recognition of gross profit on prior years' sales.
- Deferred tax liabilities posted an increase of 6% from ₱10.7 million as of December 31, 2010 to ₱11.3 million as of December 31, 2011. The difference is due to the increased in temporary tax differences in the current year.

Total stockholder's equity increased from ₱5,994.4 million as of December 31, 2010 to ₱6,266.4 million as of December 31, 2011 to due mainly to the net income for the year and revaluation increase of financial assets.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2011	12/31/2010
Current ratio ^(a)	1.24:1	8.89:1
Debt-to-equity ratio ^(b)	0.099:1	0.012:1
Interest expense/Income before Interest expense ^(c)	3.7%	0.4%
Return on assets ^(d)	3.8%	3.9%
Return on equity ^(e)	4.2%	4.0%

Notes:

- (a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) *Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- (d) *Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2011 declined from that of December 31, 2010 due to the increase in interest-bearing loans and accounts payables.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2011 compared to the ratio for the year ended December 31, 2010 due to the significant increase in interest expense incurred by the Company.

Return on asset posted a lower ratio for December 31, 2011 compared to that on December 31, 2010 due primarily to the fact that the percentage increase in total assets was higher than the percentage increase in net income.

Return on equity increased due to the increased in net income as of December 31, 2011 compared to that of December 31, 2010.

Material Changes to the Company's Balance Sheet as of December 31, 2011 compared to December 31, 2010 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 18.0% from ₱70.7 million as of December 31, 2010 to ₱83.5 million as of December 31, 2011 due to receipt of dividends from VLL and the securing of interest-bearing loans.

Net Receivables decreased by 46% from ₱49.9 million as of December 31, 2010 to ₱25.0 million as of December 31, 2011 mainly due to the write-off of receivables of BEC.

Due from related parties decreased by 23.5% from ₱240.9 as of December 31, 2010 to ₱184.3 million as of December 31, 2011 due to receipt of payments of advances to affiliates.

Real estate for sale and development increased by 5.0% from ₱363.2 million as of December 31, 2010 to ₱381.2 million as of December 31, 2011 due to backed out sales of BEC.

Available for sale financial assets increased by 142% from ₱8.1 million as of December 31, 2010 to ₱19.6 million as of December 31, 2011 due mainly to the increase in the fair values of the financial assets in 2011.

Investment in associate increased by 9% from ₱2,716.1 million as of December 31, 2010 to ₱2,971.6 million as of December 31, 2011 due to the recognition of the Company's share in the net earnings of VLL.

Investment properties increased from ₱2,602.6 as of December 31, 2010 to ₱3,166.7 million as of December 31, 2011. The 22% increase was due to improvements made in the parcel of land in Bacoor, acquisition of the parcel of land in Bulacan and construction of commercial buildings to be leased out in the future in the property in Dasmariñas, Cavite and Bulacan.

Property and equipment increased by 76376% from ₱0.04 as of December 31, 2010 to ₱33.6 million as of December 31, 2011 due purchases of construction equipment and office furniture and equipments during the year.

Other assets increased by 61% from ₱47.7 million as of December 31, 2010 to ₱76.8 million as of December 31, 2011 due to the increase in input taxes and advances to contractors.

Liability for land acquisition increased by 1,655% from ₱2.5 million as of December 31, 2010 from ₱43.5 million as of December 31, 2011 due to the liability for the purchase of land in Bulacan.

Interest bearing loans and borrowings increased by 693% from ₱11.3 million as of December 31, 2010 from ₱89.9 million as of December 31, 2011 due to the additional interest bearing loans obtained in 2011.

Accounts and other payables increased by 194% from ₱49.3 million as of December 31, 2010 to ₱144.8 million as of December 31, 2011 due mainly to the increase in accounts payable to suppliers and contractors.

Estimated liability for property development decreased by 100% from ₱1.1 million as of December 31, 2010 to nil as of December 31, 2010 due to the completion of houses sold in prior years.

Due to related parties increased by 2,004% from ₱16.8 million as of December 31, 2010 to ₱353.1 million as of December 31, 2011 due to the additional advances made for the development of Bulacan and Cavite properties.

Customers' advances and deposits decreased by 28% from ₱8.2 million as of December 31, 2010 to ₱6.0 million as of December 31, 2011 due to the payments of various customer miscellaneous charges.

Pension liability increased by 589% from ₱1.7 million as of December 31, 2010 to ₱11.8 million as of December 31, 2011 due to the actuarial adjustments.

Deferred gross profit decreased by 69% from ₱2.9 million as of December 31, 2010 to ₱0.9 million as of December 31, 2011 due to the recognition of gross profit on prior years' sales.

Deferred tax liabilities posted an increase of 6% from ₱10.7 million as of December 31, 2010 to ₱11.3 million as of December 31, 2011. The difference is due to the increased in temporary tax differences in the current year.

Revaluation reserves increased by 147% from ₱7.8 million as of December 31, 2010 from ₱19.3 million as of December 31, 2011 due to the increase in fair values of the available for sale financial assets.

Retained earnings increased from ₱1,094.2 million as of December 31, 2010 to ₱1,354.7 million as of December 31, 2011 due mainly to the net income for the year.

Material Changes to the Company's Statement of income for the year ended December 31, 2011 compared to the year ended December 31, 2010 (increase/decrease of 5% or more)

Equity in net earnings of an associate increased from ₱256.8 million in the year ended December 31, 2010 to ₱337.1 million in the year ended December 31, 2011. The 31% increase was due to increase in the net income of VLL in 2011.

The Company recorded realized gross profit on real estate sales of ₱2.0 million in the year ended December 31, 2011, posting an increase of 216% from ₱0.6 million in same period last year. This was due to the collection on installment receivables from real estate sales in prior years.

Finance income increased from ₱1.1 million in the year ended December 31, 2010 to ₱2.2 million in the year ended December 31, 2011. The 95% increase was due to the increase in interest income from deposits and collections.

Increase in administrative expenses by 202% from ₱13.7 million in the year ended December 31, 2010 to ₱41.1 million in the year ended December 31, 2011 due to the increase in payments for salaries and employee benefits as well as professional and services fees.

Selling and distribution costs decreased from ₱0.6 million in the year ended December 31, 2010 to ₱0.3 million in the year ended December 31, 2011. The 48% decrease was due to the decrease in commission and promotional expense.

Other expenses increased by 451% from ₱3.2 million in the year ended December 31, 2010 to ₱17.8 million in the year ended December 31, 2011 due to write-off of receivables as well as increase in costs of transportation, utilities and other expenses.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

IV. NATURE AND SCOPE OF BUSINESS

Starmalls Inc. (STR), formerly *Polar Property Holdings Corp.*, was incorporated in Metro Manila, Philippines, on October 16, 1969 originally to pursue mineral exploration. After obtaining SEC approval in 2004, the Company changed its primary business and is now presently engaged in investment and real estate business.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corp. to Starmalls, Inc. The SEC approved the Company's application for the change in corporate name on June 22, 2012.

The Company's subsidiaries include the following:

- *Brittany Estates Corporation (BEC)*. BEC is engaged in developing and selling real estate properties, particularly residential house and lots;
- *Masterpiece Asia Properties Inc. (MAPI)*. MAPI is currently in the operations and development of commercial properties for lease.
- *Manuela Corporation (MC)*. MC is currently in the operations and development of commercial properties for lease.

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines.

The Company's principal place of business is at the 3rd Floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

Registrant's common shares are listed with the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2013		2012		2011	
	High	Low	High	Low	High	Low
1 st	4.09	3.51	3.67	2.32	5.75	3.28
2 nd			4.45	3.14	4.74	3.28
3 rd			4.50	3.78	3.70	2.40
4 th			4.00	3.55	2.89	2.40

The market capitalization of STR as of December 31, 2012, based on the closing price of ₱3.98/share, was approximately ₱33.54 billion.

As of March 31, 2013, STR's market capitalization stood at ₱33.7 billion based on the ₱4.00 per share closing price.

Price Information as of the Latest Practicable Trading Date

<u>Trading Date</u>	<u>High</u>	<u>Low</u>
08 April 2013	4.05	4.00

Stockholders

There are approximately 452 holders of common equity security of the Company as of December 31, 2012 (based on the number of accounts registered with the Stock Transfer Agent). The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)¹
1.	Adelfa Properties Inc. ²	2,573,507,156	30.5425%
2.	PCD Nominee Corporation (Filipino)	2,297,337,254	27.2649%
3.	Hero Holdings Corporation	1,402,278,726	16.6423%
4.	Land & Houses Public Company Ltd.	808,431,465	9.5945%
5.	Manuel B. Villar Jr.	728,900,022	8.6506%
6.	Manuel Paolo A. Villar	361,945,243	4.2956%
7.	Mark A. Villar	232,015,541	2.7536%
8.	Althorp Holdings Inc.	14,909,708	0.1769%
9.	Peter O. Tan	1,798,000	0.0213%
10.	Peter Tan &/or Marilou Tan	1,524,000	0.0181%
11.	PCD Nominee Corporation (Foreign)	519,003	0.0062%
12.	Campos, Lanuza & Co. Inc.	210,000	0.0025%
13.	Ching Kuan Lim	150,000	0.0018%

14.	Arthur Winikoff FAO OBMVM	120,000	0.0014%
15.	Orion-Squire Capital Inc.	82,000	0.0010%
16.	Orion-Squire Securities Inc.	77,900	0.0009%
17.	Cua, Ang & Chua Securities Inc.	66,000	0.0008%
18.	Dees Securities Corp.	60,715	0.0007%
19.	Paic Securities Corporation	60,400	0.0007%
20.	Tansengco & Co. Inc.	56,000	0.0007%
		8,424,051,533	99.9771%

¹ based on the total shares issued of 8,425,981,155

² The Securities and Exchange Commission approved the merger of Fine Properties Inc. and Adelfa Properties Inc. on March 30, 2010 with Fine Properties, Inc. as the surviving entity.

2,350,000,000 preferred shares were issued to Fine Properties Inc. at the issue price equivalent to the par value of the same preferred shares of P0.01 per share.

Dividends

The Company did not declare any dividends in 2012, 2011 and 2010. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There are no restrictions that limit the ability of the Company to pay dividends on common equity other than the above mentioned conditions.

Dividend Policy

The Registrant's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Registrant's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Registrant's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Banko Sentral ng Pilipinas.

The Registrant is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Company's Board has adopted a Revised Manual on Corporate Governance. The Company's Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value. Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's three standing committees:

- The Audit Committee is charged with internal audit oversight over all of the Company's business transactions and the effective management of risk.
- The Nomination Committee is charged with ensuring that potential candidates for the Board are fully qualified as well as ensuring that the Board maintains adequate independent membership.
- The Compensation and Remuneration Committee is charged with ensuring that fair and competitive compensation policies are maintained.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business. Each January, the Company will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of December 31, 2012, there are no known material deviations from the Company's Manual of Corporate governance. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

Starmalls, Inc.
3rd Level Starmall Las Piñas C.V. Starr Avenue,
Philamlife Village, Pamplona, Las Piñas City,
Philippines

Attention: Jo L. Ilijay

REPORT ACCOMPANYING INFORMATION SHEET

- (A) Notice of Agenda for the Annual Stockholders' Meeting
- (B) 2012 Annual Report
- (C) Financial Statements as of 31 December 2012
- (D) Interim Financial Statements

PART III

SIGNATURE PAGE


After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this Report is true, complete and correct. This Report is signed in Las Piñas City on 21 May 2013.

By:


MA. NALEN ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAY 21 2013, Affiant exhibiting to me her Passport No. EB2116785 valid until 17 March 2016 issued in Manila.

Doc. No. 72;
Page No. 14;
Book No. 11;
Series of 2013.


ATTY. JO MARIE C. MAARO-LIM
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
ROLL NO. 48738
PTR No. 1627121/08 Jan. 2013 / Mandaluyong City
IBP No. 914269 / 03 Jan. 2013, RSM