SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. *For the quarterly period ended* **June 30, 2012**

2. *SEC Identification Number* **AS093046**

3. *BIR Tax Identification No.* **003-831-302-000**

4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**

5. **METRO MANILA, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. (*SEC Use Only)*
   Industry classification code

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark**
   188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City
   Address of principal office

8. **(632) 70920-38 to -41**
   Registrant's telephone number, including area code

9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

Title of Each Class	*Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding*
Common	**10,269,827,979**

10. *Are any or all of these securities listed on a Stock Exchange?* **Yes, on the Philippine Stock Exchange.**

11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*

    (b) AGI has been subject to such filing requirements for the past ninety (90) days.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2011 (ACFS). The accounting policies and methods used in the interim financial statements are consistent with those applied in ACFS.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on the historical cost basis, except for the measurement of certain financial assets and liabilities. Accounting estimates, assumptions and judgments are used in preparing these statements. Although these estimates and assumptions are based on management's best knowledge of current events and actions, historical experience, and evaluation of relevant facts and circumstances, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates.

For a more thorough understanding of the accounting policies used in the preparation of the financial statements, reference should be made to the notes to the latest ACFS filed under SEC 17-A, a copy of which may be found in the Company's website [allianceglobalinc.com] and PSE website [pse.com.ph].

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions.

Subsidiaries are consolidated from the date the Company obtains control using the acquisition method of accounting (previously called "purchase method"). The excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquired subsidiary at date of acquisition is carried as goodwill and included under Intangible Assets in the consolidated statements of financial position, while the excess of the Group's interest in the net fair value of the net identifiable assets acquired over the acquisition cost is charged directly to income. (It is in this regard that AGI recognized gain in the acquisition of a new subsidiary in 2011.)

In the normal course of business, there were intercompany transactions among the Company and its subsidiaries and these intercompany balances and transactions, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented at cost as deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

The financial statements of subsidiaries are prepared for the same accounting period as the Company's, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The interim consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

During the interim period, there were no other known items –such as trends, demands, commitments, events or uncertainties- affecting assets, liabilities, equity, sales, revenues, net income or cash flows that were unusual because of their nature, size, or incidents, and that will result in or that are reasonably likely to result in the liquidity increasing or decreasing in any material way, or that would have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

Business Segments

The Group classifies its businesses into the following segments, each managed separately and each representing a strategic business unit that offers different products and serves different markets. Entities not classified under these main business segments are presented as part of corporate and investments.

- Food and beverage segment (F&B) includes the manufacture and distribution of distilled spirits (under the labels of Emperador Brandy, Generoso Brandy and The Bar flavored alcoholic beverage), glass containers and potato snack products (under Pik-Nik label). It also includes the distribution of consumer products under international labels. Emperador Distillers Inc. (EDI) front runs this segment.

  Real estate segment (RE) involves the investment in and development of real estate, lease of properties, hotel development and operations, and integrated tourism development. The real estate portfolio encompasses a wide array of products that cater to niche markets ranging from luxury, middle-income and affordable home sectors to vacation homes segment. RE segment is led by publicly-listed Megaworld Corporation (Megaworld or MEG) with its live-work-play-learn-shop community townships. Empire East and Suntrust are the middle-income and affordable housing brands. More recently, Empire East Elite brand of luxurious resort development is added with a project in Entertainment City along the coast of Manila Bay with the Kazuo Okada's group of Japan. MEG operates two Richmonde hotels, one in Ortigas Center and the other in Eastwood City.

RE segment also includes integrated tourism business under Global-Estate Resorts, Inc. (GERI), AGI's integrated tourism vehicle outside Metro Manila. GERI has rolled out the first and only tourism estate in Boracay Island in 2011 and has recently started on its vineyard resort project in Laurel, Batangas near Metro Tagaytay. It also launched Savoy Hotel in Boracay in April this year.

- Tourism – Entertainment and Gaming segment (TEG) operates under Travellers International Hotel Group, Inc. (Travellers). Travellers operates Resorts World Manila which currently houses Maxims Tower (the Philippines' first six-star luxury all-suite hotel), Marriott Hotel Manila, Remington Hotel and the Newport Performing Arts Theater. With the consolidation of Travellers in 2012, TEG, which used to fall under RE, is now presented as a separate business segment.

- Quick service restaurant business (QSR) operates under the McDonald's brand, in accordance with a master franchise agreement with McDonald's USA. Golden Arches Development Corporation represents this segment.

Please refer to Note 1 to the Interim Consolidated Financial Statements and ACFS for a comprehensive list of subsidiaries, associates and joint venture.

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

Key Performance Indicators

Presented below are the top five (5) key performance indicators of the Company and subsidiaries as of and for the six months ended June 30:

In Million Pesos	2012	2011*	Growth
REVENUES	51,070	30,247	68.8%
NET PROFIT	8,410	6,309	33.3%
NET PROFIT ATTRIBUTABLE TO OWNERS	5,734	4,723	21.4%

	2012	2011*
Net profit rate	16.5%	20.9%
Attributable to owners	11.2%	15.6%
Return on assets/investment	3.5%	4.9%
	6/30/12	12/31/11
Current ratio [times]	2.8x	3.5x
Quick ratio	1.9x	2.4x

*For comparability of results, the P3.132 billion income from acquisition of GERI in 2011, being a non-recurring item, is excluded in the presentation. This represents the excess of the proportionate share in GERI's net assets over the price paid.

- Revenue growth – measures the percentage change in sales/revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.

- o Net profit growth – measures the percentage change in net profit over a designated period of time
- o Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- o Return on investment [or capital employed] – the ratio of net profit to average total assets - measures the degree of efficiency in the use of resources to generate net income
- o Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

Results of Operations – First Six Months

In Billion Pesos	RE	TEG	F&B	QSR	Corporate & Others	TOTAL
2012						
Revenues	15.99	15.44	11.97	6.56	1.10	51.07
EBIT	5.33	2.66	3.23	0.46	1.08	12.76
Interest expense	0.47	0.77		0.06	0.74	2.04
Tax	1.24	0.04	0.87	0.14	0.02	2.31
Net profit	**3.63**	**1.85**	**2.35**	**0.26**	**0.32**	**8.41**
Net profit to owners	**2.08**	**0.85**	**2.35**	**0.12**	**0.32**	**5.73**
2011*						
Revenues*	13.97	1.17	7.83	5.69	1.59	30.25
EBIT*	4.50	1.17	1.36	0.48	1.58	9.09
Interest expense	0.50			0.05	0.80	1.35
Tax	0.95		0.33	0.13	0.02	1.43
Net profit*	**3.05**	**1.17**	**1.03**	**0.30**	**0.76**	**6.31**
Net profit to owners*	**1.72**	**1.07**	**1.03**	**0.14**	**0.76**	**4.72**

Year-on-Year change						
Revenues	14%		53%	15%	-31%	69%
EBIT	18%		137%	-4%	-31%	40%
Interest expense	-8%			14%	-6%	51%
Tax	31%		166%	5%	-30%	61%
Net profit	19%		128%	-11%	-58%	33%
Attributable to owners	20%		128%	-11%	-58%	21%

*For comparability, non-recurring income from acquisition of GERI in 2011 is excluded from the 2011numbers.

Notes:
Travellers is consolidated in 2012 only; so for 2011, it is only the group's share in net profits of Travellers that is shown under TEG. For both years, RE as presented does not reflect MEG's 10% share in net profits of Travellers, as such was classified/presented under TEG.
MEG's P2 billion gain from sale of AGI shares, as reported in its 2011 separate statements, was reclassified under Equity section, not in profit or loss, in consolidated AGI level.
Numbers may not add up due to rounding off.

AGI sustained its growth trajectory through the first half of the year with net profit rising 33% to P8.4 billion from P6.3 billion (before non-recurring income from acquisition of subsidiary) a year ago. The portion attributable to owners of the parent company grew by 21% to P5.7 billion from P4.7 billion a year ago, as propelled by the strong results from the F&B and RE segments.

All business segments posted double-digit growth in revenues. TEG beefed up total revenues as Travellers is consolidated this year. The biggest contribution to this period's revenues came from RE, followed very closely by TEG.

EDI is the main driver of profit growth for the current interim period with its net profit soaring 141% year-on-year to P2.35 billion -surpassing its 2011's P2.30 billion full year achievement- on the back of its higher sales and improved gross margin. MEG maintained its growth course steady in line with its target, with its real estate sales and rental income increasing by 10% and 38%, respectively, over same period last year.

Travellers' intensified advertising and promotions efforts have paid off well as gaming and hotel revenues jumped by 26%, with higher contribution from the VIP segment. Such expenditures and the full depreciation of Maxims starting January this year affected net profit.

The revenues and net profit of the major subsidiaries were as follows:

In Billion Pesos				Contribution	Contribution
	2012	2011*	Growth	2012	2011
Revenues					
EDI	11.51	7.45	54%	23%	25%
MEG [1]	15.18	13.55	12%	30%	45%
Travellers [2]	15.44	1.17		30%	4%
GADC	6.56	5.69	15%	13%	19%
GERI	0.80	0.43	88%	2%	1%
Others	1.58	1.96	-20%	2%	6%
Consolidated total	51.07	30.25	69%	100%	100%
Net Profit					
EDI	2.35	0.97	141%	28%	15%
MEG [1]	3.51	2.94	19%	42%	47%
Travellers [2]	1.85	1.17	58%	22%	18%
GADC	0.26	0.29	-11%	3%	5%
GERI	0.12	0.10	20%	1%	2%
Others	0.32	0.83	-60%	4%	13%
Consolidated total	8.41	6.31	33%	100%	100%

*For comparability, non-recurring income from acquisition of GERI in 2011 is excluded from the 2011numbers.

1 Adjusted to take out the 10% equity share in net profit of Travellers in 2012 and 2011 and the gain on sale of AGI shares in 2011, such gain being reported under Equity .

2 Consolidated in 2012 and accounted under equity method in 2011, thus 2012 column shows full results while 2011 column shows the group's 50% share in net profit of Travellers. Please refer to separate table for Travellers' performance.

For reference, here is the comparative performance result of Travellers:

In Billion Pesos	2012	2011	Growth
Revenues	15.44	12.41	24%
Net profit (NP)	1.85	2.34	-21%
EBITDA	3.49	3.76	-7%
NP included in AGI consolidation	**1.85**	**1.17**	**58%**
NP to owners	**0.85**	**1.07**	**-21%**

Revenues increased by 69% to P51.1 billion from P30.2 billion a year ago, primarily due to revenues from Resorts World Manila (P15.4 billion) which had been consolidated currently, 38% growth in consumer products sales (P4.9 billion) and 13% in real estate sales (P1.1 billion). Rendering of services grew by 113% due to revenues added from Travellers' hotel, cinema and mall operations.

Excluding those from TEG or Travellers, revenues climbed 22%. All the business segments reported improved revenues. RE made the highest contribution to this year's revenues but the highest contribution to growth came from F&B.

In Billion Pesos	2012	2011	Change
REVENUES			
Sales and services	48.15	25.76	86.9%
Sale of goods	17.66	12.77	38.3%
Gaming	13.63		100.0%
Real estate sales	9.77	8.64	13.1%
Rendering of services	4.81	2.25	113.4%
Realized gross profit on prior year's RE sales	1.61	1.53	5.7%
Interest income on real estate sales	0.67	0.57	17.6%
Share in net profits of associates and joint ventures	0.06	1.21	-94.9%
Finance and other income	2.86	3.28	-12.9%
TOTAL	**51.07**	**30.25**	**68.8%**

RE	15.99	13.97	14.4%
F&B	11.97	7.83	53.0%
QSR	6.56	5.69	15.3%
Others	1.10	1.59	-31.0%
Sub-total	35.63	29.08	22.5%
TEG	15.44	1.17	
TOTAL	51.07	30.25	68.8%

RE revenues come from sales of lots, condominium and office units; golf course maintenance contracts; rental/lease of office and commercial spaces; hotel operations; and finance and other income. RE portfolio targets a wide spectrum through projects of Megaworld, Empire East, Suntrust and GERI. The Group's revenues were derived from the projects in Newport City, McKinley Hill, Forbestown Center, Eastwood City, Manhattan Heights; Newcoast Shophouse and Boutique Hotel, Sta Barbara Heights, Camp John Hay Suites; California Gardens Square, Little Baguio Terraces, Pioneer Woodlands, The Cambridge Village, San Lorenzo Place, Laguna Bel-Air projects, The Sonoma; Suntrust Verona, Suntrust Capitol Plaza; plus other projects in Metro Manila.

TEG revenues come from tourism integrated business and include gaming, hotel, food and beverage, theater, cinema and retail shopping mall operations and commercial office space rentals of Travellers. Travellers is consolidated in 2012 whereas in 2011, only the group's share in net profits of Travellers was included in revenues.

Travellers increased its total revenues by 24% to P15.4 billion from P12.4 billion in same period last year. Gaming and hotel revenues jumped 26% year-on-year on the strength of higher contribution of all casino segments.

F&B revenues surged by 53% from a year ago as Emperador Brandy and The Bar flavored alcoholic drinks continued to benefit from the growing customer patronage. The demand for Emperador Light, with its catchy 'Gawin Mong Light' campaign, remained strong and it boosted sales. Pik-Nik sales, on the other hand, rose by 29% from a year ago, with its USA sales gaining 13% while international sales outside of USA expanded by 53%.

QSR revenues grew by 15%. Product sales generated from company-operated restaurants, in particular, went up by 15% and revenue from franchised restaurants by 22%. The growth came from the opening of 28 new restaurants from a year ago, the improved performance of its business extensions (24-hour delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the re-imaging of 20 company-owned restaurants and the aggressive advertising/promotional campaigns to support Breakfast, Premium Desserts, McDelivery, Iced Coffee, McSaver Meals and P25 McSavers (sundae, floats, fries and Burger McDo). Total number of restaurants nationwide is 343 as of end-June. The newly-opened restaurants contributed 5% to total system sales.

Finance and other income went down by 13% due to lower foreign currency gains booked this year. Meanwhile, interest earnings and fair value gains on bonds and securities increased but not substantially.

Share in net profits dropped substantially with the consolidation of Travellers this year.

In Billion Pesos	2012	2011	Change
COSTS AND EXPENSES			
Cost of sales and services	28.65	17.25	66.1%
Goods sold	12.51	9.58	30.6%
Gaming	7.10		100.0%
Real estate sales	6.16	5.37	14.8%
Deferred gross profit on real estate sales	2.08	1.92	8.3%
Services	0.80	0.38	108.6%
Operating expenses	9.66	3.90	147.4%
Selling expenses	5.09	1.80	183.0%
General and administrative	4.57	2.10	116.9%
Finance costs and other charges	2.04	1.35	51.4%
TOTAL	40.35	22.50	79.3%

	2012	2011	Change
RE	11.12	9.97	11.5%
F&B	8.74	6.46	35.4%
QSR	6.17	5.27	17.0%
Others	0.76	0.80	-5.9%
Sub-total	26.79	22.50	19.1%
TEG	13.56		
TOTAL	40.35	22.50	79.3%

Costs and expenses went up by 79% to P40.3 billion from P22.5 billion largely due to Travellers' costs and expenses which totaled P13.6 billion during the period. Excluding Travellers, costs and expenses expanded by 19%, reflecting robust sales and service rendition as shown in the rise in cost of goods sold, cost of real estate sales, cost of services, and selling expenses of 31%, 15%, 109% and 183%, respectively. The higher sales translated into higher commissions, advertising and promotions, freight, royalty and fuel expenses.

The top three cost components in the manufacture of alcoholic drinks were raw materials, depreciation and amortization, and factory supplies representing about 90% of cost. In the QSR, these were food and paper, rental and utilities and personnel costs, representing about 90% of cost.

General and administrative expenses rose by 117% primarily due to those expended by Travellers.

Finance costs, which represented 5% of total costs and expenses, went up by 51% to P2.0 billion from P1.35 billion a year ago, due to interest on interest-bearing notes and bonds of Travellers, which totaled P774 million for the first half of the year.

Travellers' costs and expenses escalated by 35% year-on-year and this was attributed to marketing and advertising campaigns, overseas promotions, the front loading expenses for the soft opening of Remington and the 24-hour weekend operations of the Cinema, both in the fourth quarter of 2011, and depreciation of Maxims beginning this year. Cost of gaming, in particular, expanded by about 50% due to higher rebates in line with the increase in drops contributed by the VIP segments.

Tax expense totaled P2.3 billion from P1.4 billion a year ago as a result of increased sales and profits. The bulk of the increase came from the F&B segment.

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before acquisition income, share in net profits of associates and joint ventures, income taxes, interest expense, depreciation, amortizations and impairment provisions, amounted to P14.4 billion as compared to P8.5 billion a year ago, for 67.8% improvement year-on-year.

Financial Condition

Consolidated total assets amounted to P263 billion at end-June from P220 billion at beginning of year, with P44.5 billion coming from Travellers.

Cash and cash equivalents increased by P14.3 billion or 29.1% - from P49.1 billion at the beginning to P63.4 billion at the end of the interim period. The increase included P14.0 billion from Travellers. The increase came significantly from operations. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Financial assets at fair value through profit or loss increased by P0.7 billion or 6.5% this period, primarily due to appreciation in market prices of these bonds and securities. The fair value gains were included under Finance and Other Income in consolidated statements of comprehensive income. Financial assets classified in this category are held for selling in the short term and are measured at fair value. The Group does not actively engage in the trading of financial assets for speculative purposes.

Available-for-sale financial assets increased by P0.4 billion or 7% due to appreciation in market prices of these financial assets. The fair value gains were included under Revaluation reserves in consolidated statements of changes in equity.

Current trade and other receivables went down by P0.4 billion or 1.5% and noncurrent portion went up by P7.9 billion or 38.3% due to collection of maturing accounts and higher real estate sales booked during the period.

Inventories increased by P1.4 billion or 5.0% due to rise in real estate lots, condominium units and resort shares for sale.

Property development costs decreased by P0.8 billion or 7.7% due to completed projects.

Land for future development increased by P1.0 billion or 10.2% due to acquisition of new property.

Investment property increased by P3.1 billion or 24.1% primarily due to completed projects that are for lease. Travellers' investment property amounted to P1.4 billion as of end-June.

Property, plant and equipment increased by P25.9 billion or 395% primarily due to those at Travellers which totaled P25.2 billion as of end-June. Emperador also bought a plant facility in Laguna to augment its production capacity.

Investments in and advances to associates and other related parties decreased by P13.2 billion or 69% primarily due to consolidation of Travellers in 2012 and payment of advances to associates and other related parties. The investment in Travellers which was carried at equity totaled P12.9 billion as of end-December and such is reversed in 2012.

Deferred tax assets decreased by P0.08 billion or 12% as a result of reduction at GADC. Deferred tax liabilities, on the other hand, increased by P0.51 billion or 9% as a result of increase at Megaworld.

The increases in customers' deposits, reserve for property development, deferred income on real estate sales, trade and other payables, and other current and non-current assets/liabilities, all of which are related to RE segment, were attributed to ramping up of RE development and lease activities as well as vigorous marketing and pre-selling campaigns. The reserve pertains to cost to complete the development of various projects while the deferred income represents unearned revenue. Travellers' trade and other payables amounted to P6.3 billion at end-June.

Interest-bearing loans and borrowings current and non-current portions increased by P2.2 billion or 75% and P4.0 billion or 67%, respectively, and bonds payable by P11.6 billion or 33% primarily due to obligations carried in Travellers which totaled P19.6 billion.

Retirement benefit obligations went up by P0.1 billion or 19% on account of Travellers.

Derivative liability represents liability booked by Travellers.

The changes in equity components are presented in detail in the consolidated statements of changes in equity.

Treasury shares are AGI shares held by subsidiaries but not cancelled and are carried at cost in the consolidated statements of changes in equity. The shares are reported at cost so that fair value gains (losses) on the shares held by subsidiaries were eliminated in full and were not recognized in the consolidated financial statements. Any gain on subsequent reissuance/sale of these shares is considered as additional paid-in capital (APIC). APIC included P1.96 billion of this type of gain as of end-June. AGI, the parent company, does not hold any of its own shares as of end-June.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Philippine pesos, the Group's presentation currency.

Revaluation reserves represent cumulative changes in unrealized gain or loss in fair value of available-for-sale financial assets.

The consolidated balance sheets showed strong liquidity. Current assets as of beginning and end of the period totaled P128.6 billion and P144.4 billion, respectively, while current liabilities for the same periods remained low at P36.2 billion and P52.6 billion, respectively. Current ratios were at 3.5:1 and 2.8:1 as of the start and end of the current period, respectively. Liabilities-to-equity ratios remained low at 0.75:1 and 0.96:1 at beginning and end of the period, respectively, while interest-bearing-debt-to-equity ratios were 0.35:1 and 0.46:1 at the beginning and end of the period.

With its net cash position, the Group has the financial muscle to pursue its strategic activities. (Travellers reflected net payable of P5.6 billion at end-June.)

(In Billions)	June 30, 2012	December 31, 2011
Cash and equivalents	63.43	49.15
Interest-bearing debt [bonds included]	61.79	44.02
Net cash	1.64	5.13
Cash and cash equivalents to interest-bearing debt	103%	112%
Interest-bearing debt to controlling equity	82%	60%

Prospects for the future

AGI remains concentrated on its business programs. Management will continue to adopt prudent measures to ensure financial sustainability and look for new opportunities that will enhance the overall profitability of the group while maintaining the established markets.

In 2012, all the business segments are expected to grow revenues and profits in line with targets. Tourism will be the primary focus for this year.

Others

There were no other known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the year. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Company, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

SIGNATURE

Pursuant to the requirements of Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.
Issuer
By:

DINA D.R. INTING
First Vice President for Finance
& Corporate Information Officer
& Duly Authorized Officer
August 15, 2012

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND DECEMBER 31, 2011
(Amounts in Philippine Pesos)

		June 30, 2012		December 31, 2011
		(UNAUDITED)		(AUDITED)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**63,427,881,751**	P	49,147,857,784
Trade and other receivables - net		**25,111,614,487**		25,492,119,918
Financial assets at fair value through profit or loss		**12,051,393,712**		11,313,946,985
Inventories - net		**30,405,922,642**		28,952,674,354
Property development costs		**9,873,174,296**		10,696,529,365
Other current assets		**3,562,497,866**		3,025,158,564
Total Current Assets		**144,432,484,754**		128,628,286,970
NON-CURRENT ASSETS				
Trade and other receivables		**28,456,738,934**		20,576,511,215
Available-for-sale financial assets		**5,835,394,940**		5,444,323,686
Advances to landowners and joint ventures		**4,819,349,358**		4,876,467,682
Land for future development		**10,380,212,207**		9,419,790,279
Investments in and advances to associates and other related parties		**5,834,816,334**		18,994,274,815
Property, plant and equipment - net		**32,509,002,689**		6,560,730,099
Investment property - net		**16,170,390,790**		13,033,771,373
Intangible assets - net		**11,200,445,619**		11,257,148,522
Deferred tax assets		**590,880,783**		670,407,846
Other non-current assets - net		**2,374,892,676**		1,070,572,748
Total Non-current Assets		**118,172,124,330**		91,903,998,265
TOTAL ASSETS	**P**	**262,604,609,084**	P	220,532,285,235

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	June 30, 2012 (UNAUDITED)	December 31, 2011 (AUDITED)
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**P 5,078,918,137**	P 2,906,873,289
Trade and other payables	**28,349,655,624**	17,093,308,119
Customers' deposits	**5,046,310,034**	4,243,036,370
Income Tax Payable	**625,280,264**	520,771,936
Reserve for property development	**6,841,569,629**	5,331,262,967
Deferred income on real estate sales	**4,756,918,000**	3,967,374,256
Other current liabilities	**1,876,120,539**	2,191,916,904
Total Current Liabilities	**52,574,772,227**	36,254,543,841
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**9,929,192,346**	5,960,519,598
Bonds payable	**46,783,990,814**	35,156,343,267
Customers' deposits	**1,124,374,174**	456,003,854
Advances from related parties	**121,993,090**	224,177,805
Retirement benefit obligation	**701,520,249**	591,342,731
Reserve for property development	**3,595,282,210**	4,337,575,073
Deferred tax liabilities	**6,099,816,295**	5,590,007,701
Redeemable preferred shares	**443,483,518**	417,656,730
Derivative Liability	**1,253,288,309**	
Deferred income on real estate sales	**1,855,200,574**	2,160,283,199
Other non-current liabilities	**4,255,914,109**	3,378,728,233
Total Non-current Liabilities	**76,164,055,688**	58,272,638,191
Total Liabilities	**128,738,827,915**	94,527,182,032
EQUITY		
Equity attributable to owners of the parent company:		
Capital stock	**10,269,827,979**	10,269,827,979
Additional paid-in capital	**33,501,908,751**	33,501,908,751
Treasury shares	**(1,018,752,369)**	(1,018,752,369)
Revaluation reserves	**(1,258,642,686)**	(1,542,070,301)
Accumulated translation adjustments	**(681,054,846)**	(392,143,385)
Dilution gain	**1,295,661,132**	1,289,847,712
Share options	**1,890,149**	1,890,149
Retained earnings	**33,468,445,613**	31,372,319,070
	75,579,283,723	73,482,827,606
Non-controlling interest	**58,286,497,446**	52,522,275,597
Total Equity	**133,865,781,169**	126,005,103,203
TOTAL LIABILITIES AND EQUITY	**P 262,604,609,084**	P 220,532,285,235

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(Amounts in Philippine Pesos)
UNAUDITED

	2012		2011	
	Year-to-Date	**Quarter**	Year-to-Date	Quarter
REVENUES				
Sale of goods	**P 17,657,336,986**	P 9,219,846,617	P 12,770,642,133	P 6,783,634,461
Gaming	**13,633,368,253**	7,506,783,253		
Real estate sales	**9,769,670,126**	5,405,884,473	8,640,475,841	5,144,958,196
Finance and other income	**2,857,662,832**	818,044,501	3,280,606,998	1,780,381,874
Rendering of services	**4,806,851,976**	2,573,592,458	2,252,379,400	1,127,878,050
Realized gross profit on prior years' real estate sales	**1,609,264,000**	808,716,315	1,522,172,459	727,496,398
Share in net profits of associates and joint ventures - net	**61,336,431**	- 39,631,988	1,208,083,112	672,328,008
Interest income on real estate sales	**674,029,123**	351,747,783	573,007,022	336,825,069
	51,069,519,727	26,724,247,388	30,247,366,965	16,573,502,056
COSTS AND EXPENSES				
Cost of goods sold	**12,509,317,569**	6,415,626,578	9,576,711,632	5,165,532,661
Cost of gaming	**7,095,843,597**	3,808,278,597		
Cost of real estate sales	**6,165,504,250**	3,448,339,088	5,370,510,515	3,195,792,436
Selling expenses	**5,093,983,952**	2,824,288,974	1,799,992,584	990,940,339
General and administrative expenses	**4,570,226,101**	2,069,765,774	2,106,935,450	1,173,580,764
Deferred gross profit on real estate sales	**2,075,562,078**	1,071,108,922	1,916,484,734	833,673,080
Finance costs and other charges	**2,040,062,971**	997,866,308	1,347,139,016	742,138,357
Cost of services	**800,422,777**	423,359,341	383,725,723	211,780,802
	40,350,923,295	21,058,633,582	22,501,499,654	12,313,438,439
PROFIT BEFORE TAX AND ACQUISITION INCOME	**10,718,596,432**	5,665,613,806	7,745,867,311	4,260,063,617
TAX EXPENSE	**2,308,710,769**	1,406,950,308	1,436,947,823	797,848,153
NET PROFIT BEFORE ACQUISITION INCOME	**8,409,885,663**	**4,258,663,498**	**6,308,919,488**	**3,462,215,464**
Income from acquisition of a subsidiary	**-**	-	3,131,993,894	
Preacquisition income	**-**	-	(6,133,073)	(6,133,073)
NET PROFIT	**8,409,885,663**	4,258,663,498	9,434,780,309	3,456,082,391
OTHER COMPREHENSIVE INCOME				
Net unrealized fair value gains (losses) on available-for-sale financial assets	**283,427,615**	(304,864,083)	226,759,586	351,555,420
Translation adjustments	**(288,911,461)**	(137,258,855)	(44,576,805)	11,055
	(5,483,846)	(442,122,938)	182,182,781	351,566,475
TOTAL COMPREHENSIVE INCOME	**P 8,404,401,817**	P 3,816,540,560	P 9,616,963,090	P 3,807,648,866

	2012				2011			
	Year-to-Date		Quarter		Year-to-Date		Quarter	
Net profit attributable to:								
Owners of the parent company								
Before acquisition income	**P**	**5,734,470,351**	**P**	**2,773,589,931**		4,722,711,107		2,509,615,584
Income from acquisition of a subsidiary		-		-		3,131,993,894		-
Preacquisition income		-		-		(6,133,073)		(6,133,073)
Total		**5,734,470,351**		**2,773,589,931**		7,848,571,928		2,503,482,511
Non-controlling interest		**2,675,415,312**		**1,485,073,567**		1,586,208,381		952,599,880
	P	**8,409,885,663**	**P**	**4,258,663,498**	P	9,434,780,309	P	3,456,082,391
Total comprehensive income attributable to:								
Owners of the parent company	**P**	**5,728,986,505**	**P**	**2,331,466,993**		8,030,754,709		2,855,048,986
Non-controlling interest		**2,675,415,312**		**1,485,073,567**		1,586,208,381		952,599,880
	P	**8,404,401,817**	**P**	**3,816,540,560**	P	9,616,963,090	P	3,807,648,866
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Basic and Diluted	**P**	**0.57**	**P**	**0.27**	P	0.81	P	0.25

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Amounts in Philippine Pesos)
UNAUDITED

	June 30, 2012	June 30, 2011
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		
Capital Stock	**P 10,269,827,979**	P 10,269,827,979
Additional Paid-in Capital		
Balance at beginning of year	**33,501,908,751**	27,175,173,772
Sale of treasury shares	**-**	6,370,703,920
Balance at end period	**33,501,908,751**	33,545,877,692
Treasury Shares - at cost		
Balance at beginning of year	**(1,018,752,369)**	(3,194,861,260)
Net sale (purchase) of treasury shares	**-**	1,843,787,693
Balance at end of period	**(1,018,752,369)**	(1,351,073,567)
Revaluation Reserves		
Balance at beginning of year	**(1,542,070,301)**	(61,488,392)
Net unrealized fair value gains (losses) on available-for-sale financial assets	**283,427,615**	226,759,587
Balance at end of period	**(1,258,642,686)**	165,271,195
Accumulated Translation Adjustments		
Balance at beginning of year	**(392,143,385)**	(530,783,788)
Currency translation adjustments during the period	**(288,911,461)**	(44,576,805)
Balance at end of period	**(681,054,846)**	(575,360,593)
Balance carried forward	**P 40,813,286,829**	P 42,054,542,706

	June 30, 2012	June 30, 2011
Balance brought forward	**P 40,813,286,829**	P 42,054,542,706
Dilution Gain		
Balance at beginning of year	**1,289,847,712**	1,196,566,827
Dilution gain recognized during the period	**5,813,420**	-
Balance at end of period	**1,295,661,132**	1,196,566,827
Share Options	**1,890,149**	-
Retained Earnings		
Appropriated		
Balance at beginning of year	**300,000,000**	446,297,286
Reversal of appropriation	**(300,000,000)**	-
Balance at end of period	-	446,297,286
Unappropriated		
Balance at beginning of year	**31,072,319,070**	22,946,739,663
Net profit for the period	**5,734,470,351**	7,848,571,928
Reversal of appropriation	**300,000,000**	
Cash dividends declared	**(3,638,343,808)**	-
Balance at end of period	**33,468,445,613**	30,795,311,591
Total Retained Earnings	**33,468,445,613**	31,241,608,877
Total	**75,579,283,723**	74,492,718,410
NON-CONTROLLING INTEREST		
Balance at beginning of year	**52,522,275,597**	33,466,430,520
Non-controlling interest in additional investments	**3,597,852,103**	15,535,578,592
Share in consolidated net profits	**2,675,415,312**	1,586,208,381
Dividends	**(509,045,566)**	(510,226,131)
Balance at end of period	**58,286,497,446**	50,077,991,362
TOTAL EQUITY	**P 133,865,781,169**	P 124,570,709,772

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Amounts in Philippine Pesos)

	June 30, 2012	June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax and acquisition income	P 10,718,596,432	P 7,745,867,311
Adjustments for:		
Interest expense	2,040,062,971	1,347,139,016
Interest income	(1,933,002,469)	(1,561,856,585)
Depreciation and amortization	1,591,376,283	613,462,545
Fair value losses (gains) - net	(678,155,468)	(36,926,931)
Unrealized foreign currency losses - net	170,683,071	6,622,762
Share in net profits of associates and a joint venture	(61,336,431)	(1,208,083,112)
Amortization of trademarks	50,628,638	50,628,638
Impairment losses	6,394,446	(1,036,028)
Dividend income	(1,025,265)	(6,227,542)
Operating income before working capital changes	11,904,222,208	6,949,590,074
Increase in trade and other receivables	(5,431,537,366)	(4,419,778,642)
Decrease (increase) in financial assets at fair value through profit or loss	(59,291,259)	4,031,991,401
Decrease (increase) in inventories	(1,335,461,696)	197,407,652
Decrease in property development costs	823,355,069	1,264,241,304
Increase in other current assets	(338,832,675)	(276,879,680)
Increase in trade and other payables	6,194,581,974	1,284,352,509
Increase (decrease) in reserve for property development	768,013,799	(141,481,887)
Increase in deferred income on real estate sales	484,461,119	257,586,167
Increase in customers' deposits	1,471,643,984	59,848,485
Increase (decrease) in retirement benefit obligations	52,701,843	(15,704,182)
Increase (decrease) in other liabilities	415,402,072	(447,761,373)
Cash generated from operations	14,949,259,072	8,743,411,829
Cash paid for taxes	(1,610,536,285)	(995,023,156)
Net Cash From Operating Activities	13,338,722,787	7,748,388,673
Balance carried forward	P 13,338,722,787	P 7,748,388,673

	June 30, 2012	June 30, 2011
Balance brought forward	**P 13,338,722,787**	P 7,748,388,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Reductions in (additions to):		
Property, plant and equipment and investment property	**(6,427,052,165)**	(1,278,792,710)
Investments in and advances to associates and other related parties	**(2,318,925,850)**	(3,705,884,563)
Land for future development	**(960,421,928)**	(1,068,926,926)
Available-for-sale financial assets	**(83,699,989)**	711,286,730
Advances to landowners and joint ventures	**57,118,324**	(226,559,597)
Other non-current assets	**(1,054,837,526)**	10,941,282
Interest received	**1,849,685,946**	1,535,964,213
Cash dividends received	**1,025,265**	6,227,542
Net Cash From Used In Investing Activities	**(8,937,107,923)**	(4,015,744,029)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in interest-bearing loans and borrowings	**(2,419,344,321)**	6,183,146,810
Net decrease in advances from related parties	**(102,184,715)**	(1,148,152,171)
Interest paid	**(2,269,404,700)**	(1,782,758,257)
Dividends paid	**(3,638,343,808)**	
Sale of treasury shares	**-**	8,214,491,613
Net Cash From (Used In) Financing Activities	**(8,429,277,544)**	11,466,727,995
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,027,662,680)**	15,199,372,639
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**49,147,857,784**	47,264,487,187
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES	**18,307,686,647**	2,225,104,831
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P 63,427,881,751**	P 64,688,964,657

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company or AGI) was incorporated in the Philippines on October 12, 1993, and is authorized to carry out a general mercantile and commercial business of holding, importing and exporting, manufacturing, buying and distributing products of all classes and descriptions, either as principal or distributor, selling and disposing of real and personal properties, including debt and equity securities of any corporation.

Currently, the Company operates primarily as a holding company with ownership interests in the following subsidiaries, associates and jointly controlled entities (collectively, together with the Company, hereinafter referred to as the Group):

Subsidiaries/Associates/Jointly Controlled Entity	Explanatory Notes	Percentage of Effective Ownership of AGI June 30, 2012	December 31 2011
Subsidiaries			
Real Estate			
Megaworld Corporation (Megaworld)	(a)	**59%**	58%
New Town Land Partners, Inc. (NTLPI)	(b)	**100%**	100%
First Centro, Inc. (FCI)		**100%**	100%
Oceanic Realty Group International, Inc.	(c)	**100%**	100%
ERA Real Estate Exchange, Inc.	(c)	**100%**	100%
Megaworld Resort Estates, Inc. (MREI)	(d)	**79%**	79%
Adams Properties, Inc. (Adams)	(e)	**60%**	60%
Megaworld Land, Inc.	(f)	**59%**	58%
Prestige Hotels and Resorts, Inc.	(f)	**59%**	58%
Mactan Oceanview Properties and Holdings, Inc.	(f)	**59%**	58%
Megaworld Cayman Islands, Inc. (MCII)	(f, t)	**59%**	58%
Richmonde Hotel Group International (RHGI)	(f, k)	**59%**	58%
Eastwood Cyber One Corporation (ECOC)	(f)	**59%**	58%
Forbes Town Properties and Holdings, Inc.	(f)	**59%**	58%
Megaworld Newport Property Holdings, Inc.	(f)	**59%**	58%
Oceantown Properties, Inc.	(f)	**59%**	58%
Piedmont Property Ventures, Inc.	(f, z)	**59%**	58%
Stonehaven Land, Inc.	(f, z)	**59%**	58%
Streamwood Property, Inc.	(f, z)	**59%**	58%
Suntrust Properties, Inc. (SPI)	(f,m)	**48%**	48%
Townsquare Development, Inc. (Townsquare)	(f)	**47%**	47%
Empire East Land Holdings, Inc. (EELHI)	(f,m)	**36%**	35%
Valle Verde Properties, Inc.	(g)	**36%**	35%
Empire East Communities, Inc.	(g)	**36%**	35%
Sherman Oak Holdings, Inc.	(g)	**36%**	35%
Eastwood Property Holdings, Inc.	(g)	**36%**	35%
Megaworld-Daewoo Corporation	(f)	**35%**	35%
Megaworld Central Properties, Inc.	(f)	**43%**	30%
Megaworld Globus Asia, Inc.	(f)	**29%**	29%
Philippine International Properties, Inc.	(f, z)	**29%**	28%

Subsidiaries/Associates/Jointly Controlled Entity	Explanatory Notes	Percentage of Effective Ownership of AGI June 30, 2012	December 31, 2011
Subsidiaries			
Real Estate			
Gilmore Property Marketing Associates Inc. (Gilmore)	(f, l)	**41%**	41%
Manila Bayshore Property Holdings, Inc.	(n, z)	**52%**	52%
Global Estate Resorts, Inc. (GERI)	(h)	**62%**	62%
Fil-Estate Properties, Inc. (FEPI)	(i)	**62%**	62%
Aklan Holdings Inc.	(i)	**62%**	62%
Blu Sky Airways, Inc.	(i)	**62%**	62%
Fil-Estate Subic Development Corp.	(i)	**62%**	62%
Fil-Power Construction Equipment Leasing Corp.	(i)	**62%**	62%
Golden Sun Airways, Inc.	(i)	**62%**	62%
La Compaña De Sta. Barbara, Inc.	(i)	**62%**	62%
MCX Corporation	(i)	**62%**	62%
Pioneer L-5 Realty Corp.	(i)	**62%**	62%
Prime Airways, Inc.	(i)	**62%**	62%
Sto. Domingo Place Development Corp.	(i)	**62%**	62%
Fil-Power Concrete Blocks Corp.	(i)	**62%**	62%
Fil-Estate Golf and Development, Inc	(i)	**62%**	62%
Golforce, Inc.	(i)	**62%**	62%
Fil-Estate Urban Development Corp.	(i)	**62%**	62%
Novo Sierra Holdings Corp.	(i, z)	**62%**	62%
Megaworld Global-Estate, Inc.	(j, z)	**61%**	60%
Fil-Estate Industrial Park, Inc.	(i)	**49%**	49%
Sherwood Hills Development Inc.	(i)	**34%**	34%
Fil-Estate Ecocentrum Corp.	(i)	**35%**	34%
Philippine Aquatic Leisure Corp.	(i)	**35%**	34%
Twin Lakes Corp.	(i, z)	**33%**	33%
Sonoma Premiere Land, Inc. (SPLI)	(o)	**62%**	61%
Travellers International Hotel Group Inc. (Travellers)	(w)	**46%**	**-**
Apec Assets Limited (Apec)	(x,k)	**46%**	-
Brightleisure Management, Inc.	(x)	**46%**	-
Grand Integrated Hotels and Recreations, Inc.	(x)	**46%**	-
Grand Services, Inc.	(x)	**46%**	-
Grand Ventrue Management Services, Inc.	(x)	**46%**	-
Net Deals Inc.	(x)	**46%**	-
Food and Beverage			
Emperador Distillers, Inc. (EDI)		**100%**	100%
Anglo Watsons Glass, Inc. (AWGI)	(r)	**100%**	100%
Tradewind Estates, Inc. (TEI)	(b)	**100%**	100%
Great American Foods, Inc. (GAFI)	(q)	**100%**	100%
McKester America, Inc.	(q)	**100%**	100%
The Bar Beverage, Inc.	(r, z)	**100%**	100%
Quick Service Restaurant			
Golden Arches Development Corporation (GADC)		**49%**	49%
Golden Arches Realty Corporation (GARC)	(s)	**49%**	49%
Clark Mac Enterprises, Inc.	(s)	**49%**	49%
Golden Laoag Foods Corporation	(s)	**38%**	38%
Advance Food Concepts Manufacturing, Inc.	(s)	**37%**	37%
Davao City Food Industries, Inc.	(s)	**37%**	37%
First Golden Laoag Ventures	(s)	**34%**	34%
Retiro Golden Foods, Inc.	(s)	**34%**	34%

Subsidiaries/Associates/Jointly Controlled Entity	Explanatory Notes	Percentage of Effective Ownership of AGI June 30, 2012	December 31, 2011
Subsidiaries			
Corporate and Others			
Alliance Global Brands, Inc. (AGBI)		**100%**	100%
McKester Pik-nik International Limited (MPIL)	(b, k)	**100%**	100%
Emperador International Ltd. (EIL)	(r, k)	**100%**	100%
Venezia Universal Ltd. (Venezia)	(k)	**100%**	100%
Travellers Group Ltd. (TGL)	(k, z)	**100%**	100%
Alliance Global Group Cayman Islands, Inc (AG Cayman)	(t)	**100%**	100%
Greenspring Investment Holdings Properties Ltd. (Greenspring)	(k)	**100%**	100%
Laguna Bel-Air School, Inc.	(g)	**26%**	25%
Associates			
Alliance Global Properties, Inc. (AGPL)	(t)	**28%**	30%
Suntrust Home Developers, Inc. (SHDI)	(u)	**25%**	25%
First Oceanic Property Management, Inc. (FOPMI)	(p)	**25%**	25%
Citylink Coach Services, Inc. (CCSI)	(p)	**25%**	25%
Palm Tree Holdings and Development Corporation	(u)	**23%**	23%
Oceanfront Properties, Inc.	(v)	**31%**	31%
Fil-Estate Network, Inc.	(v)	**12%**	12%
Fil-Estate Sales, Inc.	(v)	**12%**	12%
Fil-Estate Realty and Sales Associates, Inc.	(v)	**12%**	12%
Fil-Estate Realty Corp.	(v)	**12%**	12%
Nasugbu Properties, Inc.	(v)	**9%**	9%
Genting Star Tourism Academy, Inc.	(x)	**23**%	-
Jointly Controlled Entities			
Golden City Food Industries, Inc (GCFII)	(y)	**24%**	24%
Travellers	(w)	-	46%

Explanatory notes:

(a) AGI's percentage of effective ownership also includes indirect interests through FCI and NTLPI. Megaworld is presently engaged in the real estate business, hotel operations and marketing services; its shares are publicly listed in the Philippine Stock Exchange (PSE).

(b) Wholly owned subsidiaries of AGBI.

(c) Wholly owned subsidiaries of FCI.

(d) A subsidiary of which AGI directly owns 49%, while Megaworld owns 51%, which is equivalent to effective ownership interest by AGI through Megaworld of 30%.

(e) Adams is owned 60% by AGI and 40% by a subsidiary of Genting Hong Kong Limited; it holds 25% of Travellers shares.

(f) Subsidiaries of Megaworld; Percentage ownership represents effective interest of AGI through Megaworld which slightly increased in 2012.

(g) Subsidiaries of EELHI.

(h) GERI was acquired and consolidated in 2011. It is presently engaged in the real estate business, in tourism-oriented community development in particular; its shares are publicly listed in the PSE.

(i) Subsidiaries of GERI; Percentage ownership represents effective interest of AGI through GERI.

(j) A subsidiary which GERI directly owns 60% while Megaworld owns 40%, which is equivalent to effective ownership interest by AGI through GERI and Megaworld of 61%.

(k) Foreign corporations operating under the Business Companies Act of the British Virgin Islands.

(l) Gilmore is owned 52% by EELHI and 48% by Townsquare, so it is effectively 41% owned by AGI.

(m) EELHI specializes in multi-cluster condominium projects and multi-phase subdivision developments in Manila and Laguna and sets the trend for transit-oriented developments , while SPI focuses in socialized housing developments in Cavite and Laguna.

(n) MBPHI was incorporated in October 2011. MBPHI is 50% owned by Megaworld and 50% owned by Travellers. Megaworld has 55% effective ownership of MBPHI since it owned 10% of Travellers.

(o) SPLI is owned 60% by EELHI and 40% by FCI.

(p) FOPMI is wholly owned by SHDI and CCSI is wholly owned by FOPMI.
(q) Wholly owned subsidiaries of MPIL. Operate in the United States of America (USA).
(r) Wholly owned subsidiaries of EDI.
(s) Subsidiaries of GADC; Percentage ownership represents effective interest of AGI.
(t) Finance subsidiaries incorporated under the laws of the Cayman Islands.
(u) Associates of Megaworld.
(v) Associates of GERI; Percentage ownership represents effective interest of AGI through GERI.
(w) Travellers operates Resorts World Manila. It is owned 25% by AGI and FCI, 10% by Megaworld, 25% by Adams, and 40% by Genting companies. It is consolidated in 2012.
(x) Wholly owned subsidiaries of Travellers.
(y) Incorporated joint venture of GADC.
(z) Has not yet started commercial operations as of December 31, 2011 and June 30, 2012.

Except for MPIL, GAFI, MAI, EIL, Venezia, RHGI, MCII, TGL, AGPL, AG Cayman, Greenspring, and Apec, the foregoing companies were incorporated in the Philippines and operate within the country.

The Company's shares and those of Megaworld, GERI, EELHI and SHDI are listed in the PSE.

The Company's registered office and primary place of business is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

2. BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should thus be read in conjunction with the audited consolidated financial statements of the Group for the year ended December 31, 2011.

The preparation of the interim consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The interim consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency. Except for MPIL, GAFI, MAI, EIL, Venezia, RHGI, MCII, TGL, AG Cayman, AGPL, Greenspring, and Apec whose functional currency is the U.S. dollar, all entities in the Group have Philippine peso as their functional currency.

2.1 Basis of Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the financial statements of the Company, and its subsidiaries as enumerated in Note 1, as of June 30, 2012 and December 31, 2011, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Company acquired by any of the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity at cost. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as under Additional Paid-in Capital.

The Group accounts for its investments in subsidiaries and associates, interests in joint ventures, and transactions with non-controlling interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill . If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associates is included in the amount recognized as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Share in Net Profits (Losses) of Associates in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for AFS financial assets, are recognized in consolidated other comprehensive income and equity of the Group.

(c) Interests in Joint Ventures

For interest in a jointly controlled entity, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a jointly controlled entity is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with jointly controlled entity are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(d) Transactions with Non-controlling Interest

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

The consolidated financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

(b) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

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

(c) Translation of Financial Statements of Foreign Subsidiaries and an Associate

The operating results and financial position of MPIL, GAFI, MAI, EIL, Venezia, RHGI, MCII, TGL, AG Cayman, AGPL, Greenspring and Apec, which are measured using the U.S. dollars, their functional currency, are translated to Philippine pesos, the Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

3. ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim consolidated financial statements are consistent with those applied in the Group's annual consolidated financial statements as of and for the year ended December 31, 2011.

The Group has decided not to early adopt any PFRS for its 2011 annual financial reporting and therefore, the interim consolidated financial statements do not reflect the impact of any PFRS, including PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This PFRS is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39, *Financial Instruments: Recognition and Measurement* in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed. The Group would not make an early adoption for its 2012 financial reporting. The Group does not expect to implement and adopt PFRS 9 until its effective date in 2015 or until all chapters of this new standard have been published, at which time the Group can comprehensively assess the impact of all changes in the revised standard.

The policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Regular purchases and sales of financial assets are recognized on their trade date.

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

More detailed descriptions of the Group's relevant financial assets are as follows:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading in the short-term or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. Derivatives, if any, fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

The financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at FVTPL may not be subsequently reclassified.

The Group's financial assets included in this category consist mainly of investments in marketable debt securities and derivative assets.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables.

The Group's financial assets categorized as loans and receivables include Cash and Cash Equivalents, Trade and Other Receivables and Advances to Associates and Other Related Parties.

(c) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in the non-current assets section in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in Revaluation Reserves is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

The Group's AFS financial assets include investments in marketable equity securities where the Group held no significant influence and shares that are not listed in the stock exchange and investments in marketable debt securities designated by management at initial recognition.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs and Other Charges or Finance and Other Income in the consolidated statement of comprehensive income.

A financial asset is presented net of a financial liability when the Group: (i) currently has a legally enforceable right to set off the recognized amounts; and, (ii) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.2 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method, except for food, paper and promotional items which use the first-in, first-out method.

3.3 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs. Once a revenue transaction occur on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Residential and Condominium Units for Sale under Inventories account.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for Property Development account.

Land for Future Development, Property Development Costs, Residential and Condominium Units For Sale (under Inventories account) are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

3.4 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land held for use in production or administration is stated at cost less any impairment in value.

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the assets or the term of the lease, whichever is shorter.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets. The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting period.

3.5 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and carried at cost net of accumulated depreciation and any impairment in value. Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

3.6 Financial Liabilities

The categories of financial liabilities relevant to the Group are the following:

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held for trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

Included in this category is Derivative Liability account which represents the cumulative changes in net fair value losses arising from Travellers' interest rate swap. Derivatives are initially recognized at fair value and subsequently re-measured at fair value. These are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The changes in fair value are taken directly to net profit or loss for the period.

(b) *Financial Liabilities at Amortized Costs*

This category pertains to financial liabilities that are not held-for-trading or not designated as FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities, which include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables, Advances from Related Parties, Redeemable Preferred Shares, Obligations under Finance Lease, Security Deposits and Payable to MRO under Stock Option Plan are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Board of Directors.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

3.7 Provisions and Contingencies

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

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

3.8 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured when it is probable that future economic benefits will flow to the Group. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.

(b) *Sale of residential and condominium units* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (current and non-current liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded as part of Customers' Deposits account in the consolidated statement of financial position.

Any adjustments relative to previous years' sales are recorded in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Group.

(c) *Sale of undeveloped land and golf and resort shares for sale* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

(d) *Gaming revenues* – Revenue is recognized from the net wins (losses) from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.

A patron is provided with a membership card. Members earn points on gaming activity, and such points are redeemable for complimentary goods and services such as rooms, food, beverages and others. Members may also earn special coupons or awards in marketing promotions. A provision (and a corresponding promotional allowance) in profit or loss for the value of the points earned by members are recorded by reference to the relative fair values of the complimentary goods or services.

(e) *Franchise fees* – Revenue from franchised McDonald's restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees. Continuing fees are recognized in the period earned.

(f) *Rental and hotel income* – Revenue is recognized when the performance of mutually agreed tasks has been performed. Rental income is recognized on a straight-line basis over the lease terms.

Advance rentals and refundable rental deposits, if any, are recorded as deferred rental. Deferred rental is measured at amortized cost using the effective interest rate method.

(g) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Unearned income pertains to advances received from customers arising from the construction contracts.

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

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

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs and estimated costs to complete the project, determined based on estimates made by the project engineers.

3.9 Equity

Capital stock represents the nominal value of shares that have been issued.

APIC includes any premiums received on the initial issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds over acquisition cost of treasury shares is also added to APIC.

Treasury shares are AGI shares reacquired by the Company or held by its subsidiaries but not cancelled and are carried at cost.

Revaluation reserves represent fair value gains or losses recognized on AFS financial assets and share in other comprehensive income of associates and joint ventures attributable to the Group.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency.

Dilution gain or loss arises when an investor exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the investee's offer price at the time the rights are exercised. This also includes the Company's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries.

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss.

Retained earnings include all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income.

3.10 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potentially dilutive shares.

4. *SEGMENT INFORMATION*

4.1 Business Segments

The Group is organized into four major business segments, namely real estate, quick service restaurant, food and beverage, and tourism entertainment and gaming. Entities not classified under the three main business segments are retained as part of corporate and investments. Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Real Estate (RE)* segment is engaged in the development of real estate, leasing of properties, hotel operations and tourism-oriented businesses.

(b) The *Tourism – Entertainment and Gaming (TEG)* segment represents the integrated tourism-related business of Travellers that includes leisure, entertainment and gaming.

(c) The *Quick Service Restaurant (QSR)* includes operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement with McDonald's Corporation, USA.

(d) The *Food and Beverage (F&B)* segment includes the manufacture and distribution of distilled spirits, glass containers and potato snacks products.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, customers' deposits and bonds payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The tables that follow present revenue and profit information regarding business segments for June 30, 2012 and 2011 and certain asset and liability information regarding segments as at June 30, 2012 and 2011 (amounts in millions).

2012

	RE	TEG	QSR	F&B	Corp & Others	Elimination	Consolidated
TOTAL REVENUES							
Sales to external customers	P 14,686	P 15,316	P 6,462	P 11,687	P -	P -	P 48,151
Finance and other income							
Interest Income	938	99	18	16	862	-	1,933
Other income	308	29	84	270	234	-	925
Share in net profits of assoc.							
& joint venture	60	-	1	-	-	-	61
	15,992	15,444	6,565	11,973	1,096	-	51,070
Intersegment sales	-	-	-	643	-	(643)	-
	P 15,992	P 15,444	P 6,565	P 12,616	P 1,096	P (643)	P 51,070
RESULTS							
Segment results	P 5,333	P 2,655	P 458	P 3,229	P 1,084	P -	P 12,759
Finance cost	(461)	(774)	(61)	-	(744)	-	(2,040)
Profit before tax	4,872	1,881	397	3,229	340	-	10,719
Tax expense	(1,244)	(35)	(139)	(874)	(17)	-	(2,309)
Net Profit	P 3,628	P 1,846	P 258	P 2,355	P 323	P -	P 8,410
SEGMENT ASSETS AND LIABILITIES							
Total Assets	P 164,454	P 44,439	P 8,749	P 12,688	P 32,275	P -	P 262,605
Total Liabilities	P 64,970	P 28,083	P 4,673	P 4,663	P 26,350	P -	P 128,739
OTHER SEGMENT INFORMATION							
Depreciation and amortization	P 349	P 829	P 308	P 156	P -	P -	P 1,642

2011

	RE	TEG	QSR	F&B	Corp & Others	Elimination	Consolidated
TOTAL REVENUES							
Sales to external customers	P 12,616	P -	P 5,590	P 7,552	P -	P -	P 25,758
Finance and other income							
Interest Income	746	-	18	53	745	-	1,562
Other income	573	-	85	218	843	-	1,719
Share in net profits of associates							
and joint venture	38	1,169	1	-	-	-	1,208
	13,973	1,169	5,694	7,823	1,588	-	30,247
Intersegment sales	-	-	-	471	4	(475)	-
Share in net profit for Travellers	1,169	(1,169)	-	-	-	-	-
	P 15,142	P -	P 5,694	P 8,294	P 1,592	P (475)	P 30,247
RESULTS							
Segment results	P 4,506	P 1,169	P 477	P 1,363	P 1,578	P -	P 9,093
Finance cost	(501)	-	(53)	-	(793)	-	(1,347)
Profit before tax	4,005	1,169	424	1,363	785	-	7,746
Tax expense	(951)	-	(132)	(329)	(25)	-	(1,437)
Net Profit before acquisition income	3,054	1,169	292	1,034	760	-	6,309
Pre-acquisition income	(6)	-	-	-	-	-	(6)
Income from acquisiton of subsidiary	-	-	-	-	3,132	-	3,132
Net Profit	P 3,048	P 1,169	P 292	P 1,034	P 3,892	P -	P 9,435
SEGMENT ASSETS AND LIABILITIES							
Total Assets	P 154,821	P -	P 7,764	P 10,104	P 45,196	P -	P 217,885
Total Liabilities	P 62,263	P -	P 4,145	P 2,273	P 24,634	P -	P 93,315
OTHER SEGMENT INFORMATION							
Depreciation and amortization	P 277	P -	P 251	P 85	P -	P -	P 613

5. EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

	June 30, 2012	June 30, 2011
Basic:		
Net profit attributable to owners of the parent company	**P 5,734,470,351**	P 7,848,571,928
Divided by the weighted average number of outstanding common shares	**10,106,510,579**	9,661,682,842
	P 0.57	P 0.81
Diluted:		
Net profit attributable to owners of the parent company	**P 5,734,470,351**	P 7,848,571,928
Divided by the weighted average number of outstanding common shares	**10,153,010,579**	9,661,682,842
	P 0.57	P 0.81

As of June 30, 2012, there are 46.5 million potentially dilutive shares from the Company's ESOP. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, on the 2012 diluted EPS.

6. COMMITMENTS AND CONTINGENCIES

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on their consolidated interim financial statements.

In addition, there are no material off-balance sheet transaction, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

7. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans and borrowings, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

7.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. The currency exchange risk arises from the U.S. dollar-denominated cash and cash equivalents, loans and bonds which have been used to fund new projects. Foreign currency denominated financial assets and liabilities, translated into Philippine peso at period-end closing rate are as follows:

	June 30, 2012		December 31, 2011	
	U.S. Dollars	**Pesos**	U.S. Dollars	Pesos
Financial assets	**$ 983,815,180**	**P 41,619,576,610**	$ 832,519,052	P 36,570,896,936
Financial liabilities	**(940,195,474)**	**(39,755,209,236)**	(710,618,405)	(31,216,045,288)
	$ 43,619,706	**P 1,864,367,374**	$ 121,900,647	P 5,354,851,648

The sensitivity of the consolidated income before tax for the period in regards to the Group's financial assets and the US dollar – Philippine peso exchange rate assumes +/-18.3% and +/-16.2% changes of the Philippine peso/U.S. dollar exchange rate for the periods ended June 30, 2012 and December 31, 2011, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated income before tax would have decreased by P0.34 billion and P0.87 billion for the period ended June 30, 2012 and December 31, 2011, respectively. Conversely, if the Philippine peso had weakened against the U.S. dollar by the same percentage, then consolidated income before tax would have increased by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated time deposits in times when the Philippine peso is appreciating.

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

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. The long-term borrowings are usually at fixed rates. All other financial assets and liabilities are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/-3.92% for Philippine peso and +/-0.68% for US dollar in 2012 and +/-2.72% for Philippine peso and +/-0.66% for US dollar in 2011 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at June 30, 2012 and December 31, 2011, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.1 billion for the periods ended June 30, 2012 and December 31, 2011. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

7.2 Credit Risk

Generally, the Group's credit risk is attributable to accounts receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

Trade and other receivables past due but not impaired can be shown as follows:

	June 30, 2012	Dec 31, 2011
Not more than 30 days	**P 5,735,676,626**	P 4,954,379,107
31 to 60 days	**4,113,874,118**	2,993,354,256
Over 60 days	**1,719,454,853**	2,674,208,611
	P 11,569,005,597	P 10,621,941,974

7.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, preferred shares and finance leases.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at June 30, 2012, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 23,765,697,676	P 4,583,957,948	P -	P -
Interest-bearing loans and borrowings	3,825,633,716	1,529,958,026	10,254,696,524	1,085,856,000
Bonds payable	1,126,326,994	1,126,326,994	27,275,881,494	29,396,954,759
Derivative liabilities	-	-	1,253,288,309	-
Security deposits	31,057,612	11,344,631	44,950,552	38,961,356
Redeemable preferred shares	-	-	-	1,574,159,348
Payable to MRO stock option	-	-	3,163,683	-
Advances from related parties	-	-	162,636,155	-
	P 28,748,715,998	**P 7,251,587,599**	**P 38,994,616,717**	**P 32,095,931,463**

As at December 31, 2011, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 12,386,360,799	P 4,706,947,320	P -	P -
Interest-bearing loans and borrowings	1,269,502,132	1,807,918,679	5,575,739,113	1,085,856,000
Bonds payable	713,862,500	713,862,500	10,710,900,000	31,931,639,490
Derivative liabilities	-	413,420,187	-	-
Security deposits	-	27,195,607	53,876,245	30,327,636
Redeemable preferred shares	-	-	-	1,574,159,348
Payable to MRO stock option	-	-	3,163,683	-
Advances from related parties	-	-	224,177,805	-
	P 14,369,725,431	**P 7,669,344,293**	**P 16,567,856,846**	**P 34,621,982,474**

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

7.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

8. SEASONAL FLUCTUATIONS

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

ALLIANCE GLOBAL GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
JUNE 30, 2012 AND DECEMBER 31, 2011

	6/30/12	12/31/11
Current ratio	2.75	3.55
Quick ratio	1.91	2.37
Debt-to-equity ratio	0.96	0.75
Interest-bearing debt to total capitalization ratio	0.45	0.37
Asset -to-equity ratio	1.96	1.75
		6/30/11
Interest rate coverage ratio	625%	675%
Net profit margin [before acquiition income in 2011]	16.47%	20.86%
Return on assets	3.48%	4.94%
Return on equity/investment	3.20%	7.57%
Return on equity/investment of owners	7.59%	10.51%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Debt-to-equity ratio - computed as total liabilities divided by stockholders'equity.
Interest-bearing debt to total capitalization ratio - computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense ("EBIT") divided by interest.
In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS
Net margin - computed as net profit divided by revenues
Return on assets - net profit divided by average total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners- net profit attributable to owners of the parent divided by equity attributable to ownersof the parent company.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
UNDER CURRENT ASSETS
JUNE 30, 2012
(Amounts in Philippine Pesos)

Trade Receivables		
Current	P	12,663,686,736
1 to 30 days		5,735,676,626
31 to 60 days		4,113,874,118
Over 60 days		1,719,454,853
Total		24,232,692,333
Due to other related parties		878,922,154
Balance at June 30, 2012	**P**	**25,111,614,487**