



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

**TO: ALL STOCKHOLDERS**

NOTICE is hereby given that there will be an annual meeting of the stockholders of **VANTAGE EQUITIES, INC.** on **Saturday, 4 August 2012 at 9:30 in the morning** at the **Rigodon Ballroom, The Peninsula Manila (Corner of Ayala and Makati Avenue, Makati City)** to consider the following:

### AGENDA

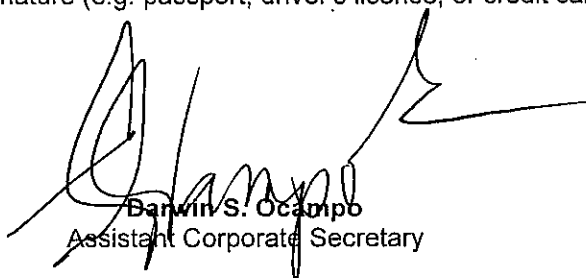
1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2011 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on **4 July 2012** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 9:00 a.m. and end promptly at 9:20 a.m.. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation at 27/F East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines. All proxies should be received by the Corporation **at least five (5) days** before the meeting, or on or before **30 July 2012**. Proxies submitted shall be validated by a Committee of Inspectors on **31 July 2012** at 10 o'clock in the morning at Unit 2703-B East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature (e.g. passport, driver's license, or credit card).

City of Pasig, Metro Manila, 28 June 2012.

  
Darwin S. Ocampo  
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter VANTAGE EQUITIES, INC.
3. Province, country or other jurisdiction of incorporation or organization:  
Metro Manila, Philippines
4. SEC Identification Number: AS092-07059
5. BIR Tax Identification Number: 002-010-620
6. Address of Principal Office: 2703-B East Tower, Philippine Stock Exchange Centre  
Ortigas Center, Pasig City 1605
7. Registrant's telephone number, including area code: (02) 689-8090 to 689-8093
8. Date, time, and place of the meeting of security holders:  
Date : 4 August 2012  
Time : 9:30 in the morning  
Venue : Rigodon Ballroom, The Peninsula Manila,  
(Corner of Ayala and Makati Avenue, Makati City)

Approximate date on which the Information Statement is first to be sent or given to security holders: 13 July 2012

10. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding (net of Treasury Shares) as of 31 May 2011
Common Stock P1.00 par value	2,235,390,633 Excluding Treasury Shares of 134,855,500

11. Are any or all of Registrant's securities listed on a Stock Exchange?  
Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**The Philippine Stock Exchange, Inc.  
Common Stocks**

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

## GENERAL INFORMATION

### Date, Time and Place of the Meeting of the Security Holders

**Date:** 4 August 2012  
**Time:** 9:30 in the morning  
**Place:** Rigodon Ballroom, The Peninsula Manila  
Corner of Ayala and Makati Avenue, Makati City

**Complete address of the principal office of the Registrant:**  
Unit 2703-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Philippines, 1605

The approximate date on which the Information Statement will be sent or given to security holders is on 13 July 2012.

### Dissenters' Right of Appraisal

The matters to be voted upon in the Annual Stockholders' Meeting of Vantage Equities, Inc. (hereinafter, the 'Company') on **4 August 2012** are not among the instances enumerated in Sections 42 and 81 of the Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and
4. In case of merger or consolidation.

Under Section 82 of the Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. However, failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

such payment, and that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

**Interest of Certain Person in or Opposition to Matters to be Acted Upon**

No person who has been a director, officer or nominee for election as Director of the Company, or an associate of such persons, have a substantial interest, direct or indirect, in any matter to be acted upon other than the election of Directors for the year 2012-2013.

No Director of the Company has informed the latter in writing that he intends to oppose any action to be taken by the Company at the meeting.

**CONTROL AND COMPENSATION INFORMATION**

**Voting Securities and Principal Holders Thereof**

- (a) As of 31 May 2012, the Company has **2,235,390,633** outstanding common shares. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.
- (b) The record date for purposes of determining stockholders entitled to vote in the Annual Stockholders' Meeting to be held on **4 August 2012** is set on **4 July 2012**.
- (c) In the forthcoming Annual Stockholders' Meeting, stockholders shall be entitled to elect nine (9) members of the Board of Directors. Each stockholder may vote such number of shares for as many as nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine (9).
- d) Security Ownership of Certain Beneficial Owners and Management

**(1) Security Ownership of Certain Record and Beneficial Owners**

1. Security Ownership of Certain Record and Beneficial Owners

As of 31 May 2012, Vantage Equities, Inc. knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the following table:

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with the Company	Record (r) Beneficial (b) Owner	Citizenship	Number of Shares	Percent of Class
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	2,129,606,082	95.27%

(\*)PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of the shares under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their respective clients. No single PCD participant currently owns more than 5% of the Corporation's shares forming part of the PCDNC account except as follows:

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with Company	Amount* and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wealth Securities, Inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Finance Manager	Stockholder	1,760,679,820.00 R	Filipino	82.49%

\*The shares shall be voted by the person these shareholders shall duly authorize for the purpose. No single beneficial owner of these shares own more than 5% of the shares of the Company except as follows:

Class	Name and Address of Record Owner and Relationship with Issuer	Relationship with Company	Citizenship	Number of Shares	% Held
Common	Creative Wisdom, Inc. 21/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Ms. Ruby Tan – Corp. Sec.	Stockholder	Filipino	684,611,968	38.88%

## (2) Security Ownership of Management

The following table shows the shares owned on record by the directors and executive officers of the Company as of 31 May 2012:

Title of Class	Name	No. of Shares	Citizenship	Percentage
Common	WILSON L. SY	1,150,000.00	Filipino	0.05%
Common	VALENTINO SY	175,000.00	Filipino	0.01%
Common	WILLY OCIER	62,500.00	Filipino	0.00%
Common	ANTONIO R. SAMSON	62,500.00	Filipino	0.00%
Common	ROBERTO Z. LORAYES	25,000.00	Filipino	0.00%
Common	IGNACIO B. GIMENEZ	12,500.00	Filipino	0.00%
Common	JOSEPH LIAO ONG	12,500.00	Filipino	0.00%
Common	EDMUNDO MARCO P. BUNYI, JR.	10,000.00	Filipino	0.00%
Common	GREGORIO U. KILAYKO	10,000.00	Filipino	0.00%
Common	A. BAYANI K. TAN	1,437.00	Filipino	0.00%
	<b>TOTAL</b>	<b>1,521,437.00</b>		

## (3) Voting Trust Holders of Five Percent (5%) or More

The Company is not aware of any party which holds any voting trust or any similar agreement for five percent (5%) or more of the Company's voting securities.

#### (4) Changes in Control

The Company is not aware of any arrangement that may result in a change in control of the Company. There were also no changes in control of the Company since the beginning of the last fiscal year.

#### Directors and Executive Officers

##### Material Pending Legal Proceedings

The Company is not aware of any pending legal proceedings involving the members of its Board of Directors and its Executive Officers material to an evaluation of their ability and integrity, except as provided in the subsequent portion on Involvement in Certain Legal Proceedings.

##### Directors, Executive Officers, Promoters, and Control Persons

Office	Period Served	Name	Citizenship	Age
Director	2003 to present	Ignacio B. Gimenez	Filipino	67
Director	2002 to present	Valentino L. Sy	Filipino	56
Chairman & CEO	2005 to present			
Director President & COO	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	47
Director Treasurer	2003 to present 2003 to present	Joseph L. Ong	Filipino	58
Director	1999 to present	Willy N. Ocier	Filipino	55
Director	2011 to present	Gregorio U. Kilayko	Filipino	57
Director	2003 to present	Roberto Z. Lorayes	Filipino	68
Director	1993 to 2000 & 2003 to present	Wilson L. Sy	Filipino	59
Director	2005 to present	Antonio R. Samson	Filipino	66
Corporate Secretary	1993 to present	A. Bayani K. Tan	Filipino	56
Asst. Corporate Secretary	2011 to present	Darwin S. Ocampo	Filipino	28

In accordance with the Corporation's By-Laws, the members of the Board of Directors are elected annually and therefore serve for a year after election.

All present members of the Board of Directors, except Mr. Gregorio Kilayko who was elected on 7 May 2012, were elected during the annual stockholders' meeting last year. The term of the current members of the Board shall hold office until the next stockholders' meeting, or on 4 August 2012.

The following is a brief write-up of the Board of Directors and Executive Officers.

##### **Valentino C. Sy**

Mr. Sy, Filipino, 56, is currently the Chairman of the Board of Directors and Chief Executive Officer of the Company. He has been a Director of the Company since 2002. He is the President of Equinox International Corp. (1996 - present). He was the Regional Manager of Duferco International Trading Ltd., Taiwan (1987 - 1995) and Erlanger Metals Ltd., Hong Kong (1979 - 1986). All these companies are engaged in trading of steel. He holds a degree in Industrial Management Engineering

from the De La Salle University.

**Edmundo P. Bunyi, Jr,**

Mr. Bunyi, Filipino, 47, is currently a Director of the Company and its President and Chief Operations Officer. He became a Director of the Company in October 2006. Concurrently, he is a Director (2006-present) of Yehey! Corporation, an online search engine and web portal. & e-Business Services, Inc., a Western Union franchise (2006-Jan, 2008). He was appointed President and Chief Executive Officer of eBusiness Services, Inc. effective February 2008. He is also the President and Chief Operations Officer of Philequity Management, Inc., an investment company adviser, since October 2006. He is the former Senior Vice President and Treasurer of International Exchange Bank, Assistant Vice President and Head of FCDU & FX Sales of United Coconut Planters Bank, Assistant Manager for Corporate Banking Group of Far East Bank and Trust Company, and Assistant Manager for the Corporate Banking Department of Union Bank of the Philippines. He holds a degree in Management Engineering from the Ateneo de Manila University.

**Ignacio B. Gimenez**

Mr. Gimenez, Filipino, 67, became a Director of the Company in 2003. He is the Treasurer of I. B. Gimenez Securities, Inc., a stock brokerage firm (1976 - present). He is the President of the following mutual funds, namely, Philequity Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Index Fund, Inc. and Philequity Money Market Fund, Inc. He is also the Sales and Marketing Manager of Society Publishing, Inc. (1991 - present). He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967).

**Gregorio U. Kilayko**

Mr. Kilayko, Filipino, is one of the Company's independent directors and is presently the Chairman of ABBA Motors; a Director of The Royal Bank of Scotland; and an Independent Director of Belle Corporation, SM Prime Holdings, Inc. and Highlands Prime Leisure, Inc. He was founding head of ING Barings' stock brokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

**Joseph L. Ong**

Mr. Ong, Filipino, 58, is a Director and the treasurer of the Company and became a director in 2003. He is a director as well of Yehey! Corporation, eBusiness Services Inc, and Philequity Management Inc. Currently, he is president of Chemcenter Corporation, a company engaged in import and distribution of industrial chemicals. Previously, he was connected with Exxon Chemical/Exxon Corp holding positions in sales, marketing, planning, and audit functions both here and abroad. He holds a degree in Chemical Engineering, Magna Cum Laude, from De La Salle University.

**Willy N. Ocier**

Mr. Ocier, 55, Filipino, is a Director of the Company. He is also the Chairman and President of Pacific Online Systems Corporation and has been a Director since 1999. He also serves as Co-Vice Chairman of Belle Corporation and Highlands Prime, Inc. and as Chairman of Tagaytay Midlands Golf Club, Inc., APC Group, Inc., and Sinophil Corporation. He is also the current Vice Chairman of Tagaytay Highlands



International Golf Club, Inc.. He was also previously affiliated with Eastern Securities Development Corporation being its past President and Chief Operations Officer.

**Roberto Z. Lorayes**

Mr. Lorayes, 68, Filipino, became a Director of the Company in 2003. Currently, he is the Chairman (1994 – present) of Philequity Management, Inc., a fund management company, and President (1993 – present) of Strategic Equities Corporation, a stockbrokerage firm. He is also a Director (1998 – present) of Hiedelberg Motors Corporation, dealer of automobiles.

**Wilson L. Sy**

Mr. Sy, Filipino, 59, was reelected to the Board in 2005. He is a former Director of the Company (1993 – 2000). Currently, he is the Vice Chairman of Asian Alliance Holdings, Corp. and Director of Philequity Management, Inc., Xcell Property Ventures, Inc., and Monte Oro Resources & Energy, Inc. Mr. Sy is also an Independent Director of the reporting corporations The Country Club at Tagaytay Highlands, Inc., Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa and Lodge at Tagaytay Highlands. He is presently the Chairman of the Manila Stock Exchange Foundation, Inc. He was a former Chairman of the Philippine Stock Exchange, Inc., a Director of Basic Petroleum & Minerals, Basic Diversified Ind., Belle Corp., Saniwares Manufacturing, A. Brown Corporation, and Jollibee Foods Corporation; and a trustee of the PSE Foundation, Inc. He holds a degree in Management Engineering from the Ateneo de Manila University.

**Antonio R. Samson**

Mr. Samson, Filipino, 66, became a Director of the Company in 2005. He is concurrently the Group Chairman, Chief Business Strategist of DDB Worldwide Communications Group, Inc., an advertising company. He is the former President and CEO of OMD Philippines, where he also previously served as Chairman. The company is an international media planning and buying agency with regional office in Singapore. He is also a thrice-weekly columnist of Business World (since 1984 in then Business Day) and is the President of the Manila Chamber Orchestra Foundation and the Metropolitan Museum, and Chairman of the Advertising Foundation. From 1982 to 2003, Mr. Samson worked with the Philippine Long Distance Telephone Company, where his last position from 1999 until his early retirement was Executive Vice President, and concurrently President and CEO of MediaQuest Holdings, Inc.

Mr. Samson holds a Bachelor's of Arts Degree in Economics from the Ateneo de Manila University, a Masters Degree in Business Administration from the Asian Institute of Management, and a Masters Degree in Business Economics from the University of the Asia and the Pacific (then Center for Research and Communication).

**A. Bayani K. Tan**

Atty. Tan, Filipino, 56, is the Corporate Secretary of the Company. He is also currently a Director, Corporate Secretary, or both, of the following reporting companies: First Abacus Financial Holdings Corporation, Belle Corporation, Sinophil Corporation, Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., The Spa and Lodge at Tagaytay Highlands, Inc., Vantage Equities, Inc., Touch Solutions, Inc., I-Remit Inc., Destiny Financial Plans, Inc., Philequity Funds, Inc., Philequity PSE Index Funds,

Inc., Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc. Philequity Strategic Growth Fund, Inc. and TKC Steel Corporation. He is the Managing Partner of Tan Venturanza Valdez Law Offices and also a Director, Corporate Secretary, or both of private companies such as Sterling Bank of Asia Inc, Oakridge Properties, Inc., JTKC Equities, Inc., The Discovery Leisure Company, Inc., Goodyear Steel Pipe Corporation, Southern Visayas Property Holdings, Inc., Hella-Phil, Inc., Monte Oro Resources & Energy Inc., FHE Properties, Inc., SCT Furnishing, Inc. City Cane Corporation, Destiny LendFund, Inc., E-Business Services, Inc. Yehey Corporation, Treasure Steelworks Corporation, Tera Investments, Inc., Star Equities, Inc., Medicare Plus, Inc., Pharex HealthCorp., and Highlands Gourmet Specialist Corp. Atty. Tan is a member of the Philippine Bar. He holds a Bachelor of Arts Degree from the San Beda College, a Bachelor of Laws Degree from the University of the Philippines College of Law, and a Master of Laws Degree from the New York University School of Law.

#### **Darwin S. Ocampo**

Atty. Ocampo, Filipino, 28, is the Assistant Corporate Secretary of the Company. He is also currently the Assistant Corporate Secretary of the following reporting companies: Tagaytay Highlands International Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands Inc, Yehey! Corporation, Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Balanced Fund, Inc., and Philequity Dollar Income Fund, Inc. He is also the Director, Corporate Secretary, or Assistant Corporate Secretary of private companies such as Mio Magazine, Inc., Arquee Corporation, Elevate Financial Solutions Inc., Hambrecht & Quist Philippines, Inc., and Professional Parking Management Corporation. Atty. Ocampo is a member of the Philippine Bar and a Special Lecturer in the Pamantasan ng Lungsod ng Maynila. He holds a Bachelor of Arts in Political Science Degree and a Juris Doctor Degree from the University of the Philippines.

#### **Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Revised Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws. The Nomination Committee constituted by the Company's Board of Directors, indorsed the respective nominations given in favor of Mr. Samson (by Mr. A. Bayani K. Tan) and Mr. Kilayko (by Mr. Edmundo Marco P. Bunyi, Jr.).

The Nomination Committee, composed of Mr. Lorayes (Chairman), Mr. Kilayko and Mr. Ong, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Amended Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above, are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

#### **Significant Employees**

The Company has no significant employees.

### **Family Relationships Among Directors**

Messrs. Valentino Sy and Wilson Sy are brothers.

### **Involvement in Certain Legal Proceedings**

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

Except as provided below, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- (a) Any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and
- (c) Any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Certain Relationships and Related Party Transactions**

The Company has not been a party during the last two (2) years to any other transaction or proposed transaction, in which any director or executive officer of the Company, or any security holder owning 10% or more of the securities of the Company or any member of the immediate family of such persons, had a direct or indirect material interest.

The Company is not under the control of any parent company.

The following are the transactions presented in the Notes to Audited Financial as Related Party Transactions:

- 12.1 Short-term advances made by Philequity Management, Inc. to Philequity Fund, Inc. were presented under 'Loans and receivables' in the amount of ₱5M.
- 12.2 Philequity Management, Inc. has a consultancy agreement with a board member of the Company amounting to ₱1.8M accrued in 2011 and subsequently paid in February 2012.
- 12.3 In 2011, Yehey! Corporation, eBiz Financial Services, Inc. and Philequity Fund, Inc. participated in the Parent Company's investment in credit-linked note by purchasing ₱359.52M at face value. The Company serves as the receiving agent of all coupon interest for the entire duration of the participation.

- 12.4 The Company waived the collection of rental for the lease of office of Yehey! Corporation of the years 2010 and 2011.
- 12.5 In 2011, 2010 and 2009, the Parent Company paid certain expenses of e-Business, Yehey! Corporation, Philequity Management, Inc. and iCurrencies, which were later billed for reimbursement.
- 12.6 Compensation of key management personnel of the Group:

	2011	2010	2009
Salaries and wages	15,555,985.00	16,445,855.00	17,880,831.00
Retirement benefits	848,770.00	220,140.00	141,738.00
	16,404,755.00	16,665,995.00	18,022,569.00

#### Disagreement with Director

None of the Directors have resigned or have declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

#### Compensation of Directors and Executive Officers

##### Summary Compensation Table (Annual Compensation)

Except for Messrs. Edmundo P. Bunyi, Jr., all of the Company's directors and officers have not received any form of compensation from inception up to present other than a per diem of ₱6,000.00 for each meeting attended and annual per diem during stockholders' meeting. There is no employment contract between the Company and the above-named executive officer or current executive officers. In addition, except as provided below, there are no compensatory plans or arrangements with respect named executive officers that resulted in or will result from the resignation, retirement or termination of such executive director or from a change-in-control in the Company.

##### Summary Compensation Table (Annual Compensation)

Name and Principal Position	Year	Annual Compensation
Valentino C. Sy Chairman & CEO		
Edmundo P. Bunyi, Jr. President & COO		
Joseph L. Ong Treasurer		
All officers and directors as a group	2012 (Estimate)	5,511,000.00
	2011	6,087,284.15
	2010	5,261,529.24
	2009	5,185,558.74

### **Independent Public Accountants**

The auditing firm of Sycip Gorres Velayo & Company (SGV & Co.) will be nominated and recommended to security holders for appointment as external auditor for the year 2012-2013. Representatives of said firm are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire. In compliance with the requirement on Rotation of External Auditors under SRC Rule 68, paragraph 3 (b) (iv), as amended, the assignment of SGV & Co.'s engagement partner for the Company shall not exceed five (5) consecutive years. Ms. Vicky B. Lee-Salas was assigned as SGV & Co.'s engagement partner for the Company, beginning the year 2009.

### **Changes in and Disagreements with Accountants on Accounting or Financial Disclosure**

There are no changes and matters of disagreement with accountants on any accounting & financial disclosures the last two (2) most recent fiscal years.

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, who are appointed upon the recommendation of the Audit Committee.

The aggregate fees billed for each of the last two years for professional services rendered by the Company's external auditors, SGV & Co., in connection with annual audit of the Consolidated and Parent Company Financial Statements for statutory and regulatory filings are summarized below:

	<b>2011</b>	<b>2010</b>
Audit Fee	704,704.00	666,344.00
Tax Services	-	-
Other Fees	-	-
<b>TOTAL</b>	<b>704,704.00</b>	<b>666,344.00</b>

The Independent Accountant does not render tax accounting compliance, advice, planning and other forms of tax services for the Corporation. The Independent Accountant also does not render other services for the Corporation.

### **Compensation Plans**

The Company has a stock option plan covering all its officers, directors and regular employees. Under the plan, the option price should not be less than the average closing price of the Company's stock listed in the stock exchange on the last trading day immediately preceding the effectivity of the grant. The number of shares covered by this plan and the subscription price are subject to adjustment for any stock dividend, stock splits or rights, merger, consolidation, recapitalization and the like. As of report date, the Company has not designated the number of shares to be covered by the plan. Thus, there are no potential common shares that would result in the dilution of EPS.

## **OTHER MATTERS**

### **Action with Respect to Reports**

The Company will seek the stockholders' approval of the Minutes of the 2011 Stockholders' Meeting during which the following were taken up: (1) Call to Order, (2) Certification of Notice and Quorum, (3) Approval of the Minutes of the Previous Stockholders' Meeting, (4) Approval of Audited Financial

Statements and Annual Report, (5) Ratification of all acts and resolutions of the Board of Directors, Officers and Management of the Corporation, (6) Election of Directors, (7) Appointment of SGV & Co. as External Auditors, and (8) Adjournment.

Management reports which summarize the acts of management for the year 2011, are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereof.

### **Acts of the Board of Directors**

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, such as, but not limited to: the opening of bank accounts and designation of bank signatories; the financing and investment activities of the Company; and the appointments in compliance with corporate governance policies.

### **Voting Procedures**

- a. Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.
- b. Three inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.
- c. Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.
- d. The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or *viva voce*.
- e. Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with. If actual counting of votes cannot be dispensed with, the appointed inspectors mentioned in item (b), or in their absence, the auditors of the Company present during the meeting, are authorized to count the votes cast.

Items 9, 10, 11, 12, 13, 14, 16, 17, and 18 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. This report is signed in the City of Pasig on 28 June 2012.

**VANTAGE EQUITIES, INC.**

By:

**Edmundo Marco P. Bunyi**

President and COO

## VANTAGE EQUITIES, INC.

### **BUSINESS AND GENERAL INFORMATION**

Vantage Equities, Inc. (the "Corporation"), formerly iVantage Corporation, was incorporated in 20 October 1992 and is organized as an investment and financial holding company. It has authorized capital stock of One Billion Nine Hundred Million Pesos (₱1,900,000,000), all of which are in common shares with a par value of ₱1.00 per share. Of the authorized capital stock, 1,788,312,570 are outstanding and 111,687,430 remain unsubscribed. On 12 January 2009, Securities & Exchange Commission (SEC) approved the increase of authorized capital stock of the Corporation to Two Billion Two Hundred Fifty Million Pesos ₱2,250,000,000.00. Furthermore, the SEC has authorized the Corporation to issue 447,078,142 common shares out of its authorized but unissued capital stock to cover the twenty five percent (25%) stock dividend declared by the Corporation's Board of Directors on 4 June 2008 and ratified by its shareholders on 27 June 2008. As of 31 March 2011, the Corporation has an authorized capital stock of Two Billion Two Hundred Fifty Million Pesos (₱2,250,000,000.00) divided into 2,250,000,000 common shares with par value of ₱1.00 per share. Out of the authorized capital stock, 2,235,390,633 shares are outstanding and 14,609,367 shares are unsubscribed.

The Corporation reverted to its original name by majority vote of the Board of Directors in November 2007, which the Securities and Exchange Commission subsequently approved in April 2008. The change in corporate name is consistent with the Company's re-alignment of its investment focus towards the broad financial sector *vis-a-vis* its information technology focus during the early 2000's.

#### Purpose

The Company was originally organized with the primary purpose of oil and gas exploration, and investments and developments as among its secondary purposes. On 3 October 2000, the Securities and Exchange Commission (SEC) approved the change in the Corporation's primary purpose to financial holdings and investments, including but not limited to information technology companies and related ventures. Since the Registrant is an investment holding company, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

#### Investments

In June 2006, the Corporation divested its shareholdings in International Exchange Bank ("iBank"), its largest single investment at that time. The iBank sale generated ₱2.9 billion in cash and a ₱1.6 billion gain, capping an 11-year investment period that yielded a 16% compound annual return. The PSE Index, by comparison, only broke even during the same period. The divestment was timely in light of the substantial decline in financial markets in the following years.

The Corporation decided to invest its ₱2.9 billion "war chest" in portfolio of equity and fixed-income securities. The mandate is to attain above market returns while adhering to prudent risk parameters, i.e. credit, liquidity and market risk. For this purpose, the Company hired its current President in October 2006 along with a team of finance professionals. The current team is also tasked to further professionalize management of the Vantage Group of Companies.

The operating subsidiaries that comprise the Vantage Group are the following:



### **e-Business Services, Inc. ("eBiz") - 100% ownership**

Acquired in 2000, eBiz is involved in the money transfer and remittance business as a direct agent of Western Union, Inc. ("WU"). WU is the global leader in the field with a presence in over 200 countries through more than 410,000 agent locations worldwide.

The remittance market in the Philippines is over USD 17 billion annually based on official figures in 2009. With its strong brand name, WU is the recognized leader in this highly competitive market.

eBiz is among the top three (3) direct agents of WU in the Philippines. At end of 2011, eBiz had over 1,000 locations nationwide: 157 in company-owned branches and the rest in sub-agent locations. eBiz employs more than 400 employees.

### **eBiz Financial – 100% ownership**

eBiz Financial is wholly owned by e-Business. eBiz Financial was incorporated on 11 April 2005 and started commercial operations on 9 May 2005. eBiz Financial is engaged in financing business.

### **iCurrencies – 100% ownership**

iCurrencies, Inc. was incorporated on 3 February 2000 and started commercial operations on 31 May 2000. iCurrencies is organized primarily to engage in the business of buying and selling of foreign currencies.

In May 2001, the iCurrencies effectively stopped its business of buying and selling currencies as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on 26 October 2000. Among others, the new circular required additional documentation for sale of foreign currencies and required Foreign Exchange Corporations (FxCorps) to have a minimum paid-up capital of P50.0 million.

The Circular effectively aligned the regulations under which FxCorps are to operate to that of banks. To avoid duplication and direct competition with its previous major stockholder, iCurrencies decided to stop its business of buying and selling foreign currencies. The stockholders likewise decided not to increase its paid-up capital.

In the meantime, iCurrencies is sustained by income on its investments and interest income on its funds while awaiting for regulatory changes.

### **Philequity Balanced Fund, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. As of 31 December 2011, the Fund has not yet launched its capital shares to the public.

### **Philequity Foreign Currency Fixed Income, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of 31 December 2011, the Fund has not yet launched its capital shares to the public.

### **Yehey! Corporation (“Yehey”) – 68.35% ownership**

From a pioneering web portal in the late 1990's, Yehey has grown into a leading digital on-line marketing solutions provider in the country. The company currently counts several established corporation in its roster of customers.

To support its growth, Vantage infused ₱250 million capital in Yehey in 2007. The following year, Vantage also declared and distributed a 5% property dividend in the form of Yehey shares. This has reduced Vantage's ownership in Yehey to 68% from 99% pre-dividend. The balance of 32% is now owned by Vantage shareholders by way of said property dividend.

The property dividend has transformed Yehey into a widely-held company that qualifies it to list by way of introduction in the Philippine Stock Exchange. Such listing is scheduled in 2012.

### **Philequity Management, Inc. (“PEMI”) – 51% ownership**

Vantage acquired 51% of PEMI in 2007 for ₱32 million. PEMI is an asset-management company with about P3 billion in assets under management at end-2008. Its flagship Philequity Fund Inc. has been the top performing equity mutual fund over the past decade as ranked by the Investment Company Association of the Philippines.

### **Competition**

Vantage Equities Inc. is a publicly-listed holding company whose main focus is to make strategic investments in companies that are in the financial services industry. Under the Philippine Stock Exchange (PSE) there are about seventeen companies that are classified as holding firms with about ₱ 585-billion in float-adjusted market capitalization. Most of the holding companies are owned by well-known families in the Philippines which have diversified investments ranging from properties, banking, food, power and retail. Most of the firms in this industry can be labeled as mature and has a long track record of existence as such there are not many changes in terms of additions in this industry. But the most recent addition to the holding firm industry is the public listing of GT Capital of the Ty family of Metrobank.

Although the Corporation is not listed in this sector of the PSE, there are similar companies that we would consider its competitors and we think would be appropriate to do a comparison. Two main aspects where firms in this industry compete on are pricing and services. Firms offering more competitive pricing coupled with excellent customer service normally increase the popularity of their brand and thus their appeal to retail and institutional clients. In addition companies with complementary businesses often win clients by packaging themselves as a one-stop shop service provider.

The closest competitor of Vantage equities that have financial services business under their company is Aboitiz Equity Ventures (AEV) which has UnionBank and CitiSavings under its financial segment. AEV has a market capitalization of about P116-billion as of June 7, 2012 and has three business segments namely power, financial services and food. In terms of size and market capitalization, Vantage Equities pales in comparison but the main advantage of Vantage Equities is its combination of two financial services business namely Philequity Management, Inc. and e-Business Services, Inc. with Philequity Management, Inc. having one of the best performing funds this together with the extensive network of e-Business Services, Inc. branches will enable Vantage Equities, Inc. to effectively market its products and services to its targeted customers.

## **Competition of Subsidiaries**

### **eBusiness Services, Inc. (“eBiz”) - 100% ownership**

eBiz is characterized by a relatively strong competition among direct agents and sub-agents of Western Union. Agents primarily compete through location and customer service. It appears that the competition with other money transfer companies like Moneygram, Xoom, iRemit does not substantially affect the business of the Corporation.

### **Philequity Management, Inc. (“PEMI”) – 51% ownership**

As of April 2012, the Philippine mutual fund industry is composed of 48 funds with about ₱121.8 billion in assets under management (AUM). This in comparison to the mutual fund industry situation during 2002 where there are only 22 funds with a consolidated AUM of P24.6 billion. The mutual fund industry is sub-divided into four categories – stock, balanced, bond and money market funds with 44% of the total AUM invested in bond funds. In addition, whereas in 2002 there were about fourteen companies offering twenty two mutual funds today we have about seven major players offering forty-eight mutual funds. This is proof that the mutual fund industry is very competitive with sizeable and bank-initiated funds persisting thru different economic cycles. It is no surprise that the ebbs and flow of the mutual fund industry is mainly driven by the economic and capital markets condition of the country as the not to recent financial crisis of 2008-2009 has shown.

Philequity Management Inc. (PEMI) has four funds namely Philequity Fund (PEFI), Philequity PSE Index Fund (PPSE), Philequity Peso Bond Fund (PPBF) and Philequity Dollar Income Fund (PDIF) which mainly compete in the stock and bond funds only. The flagship fund of PEMI is PEFI which competes in the stock fund category of the mutual fund industry. PEMI's funds like any other mutual funds are marketed throughout the Philippines but concentration is mostly in Metro Manila where disposable and investable income is higher. PEMI mostly markets its funds through sales agents, advertisement through website and print publication.

The main area of competition is through return performance and pricing. On the return performance, top performing funds continue to attract subscriptions while underperforming ones continue to see redemptions. On the area of pricing, there are three pricing points investors look at: Sales load, management fee and exit fees. The mutual fund industry has varying degrees of sales load, exit fees but basically the same management fees. In addition, duration of exit varies from one company to the next with some companies offering 6 months while others up to two years in order to have no exit fees charged to investor.

PEMI's main competitors in the industry are First Metro Investment Corp., Philam Life, Sun Life of Canada and Bank of the Philippine Island. Two out of four of these companies are major banks or are subsidiaries of major banks while the other two companies are well-recognized insurance companies offering mutual funds in addition to their insurance products. Both banks are in the top five in terms of assets under management while one the insurance companies is a 150-year old, Canadian-based multi-national company with \$494-billion in assets under management. The other local insurance company has 65-year track record with a P207-billion in assets under management. In comparison, PEMI's funds particularly PEFI has a 17-year track record of consistent return outperformance against the Philippine Stock Exchange Index (PSEi) with about P5.9-billion (as of April 2012) in assets under management.

### **Yehey! Corporation – 68.35% ownership**

Yehey! considers the following as competitors:

- Digital Agencies

- Advertising Agencies

The Company considers the digital agencies as their direct competitors while the advertising agencies and media agencies are considered indirect competitors.

Digital Agencies are agencies that deliver services for the creative and technical developments of internet based products. These services range from the more Common services such as web design, e-mail marketing and microsites etc. to the more specialist such as viral campaigns, banner advertising, search engine optimization, podcasting or widget development and more. Digital agencies in the country include BBDO-Proximity, Deploy and Havoc:

*BBDO-Proximity*

BBDO-Proximity creates breakthrough behavior changing ideas that cause active engagement between brands and consumers. They make insights, ideas and creative works that are developed by many of the most talented people from around the world. BBDO Proximity brings customers closer to brands with innovative "Beyond the Line" strategic and creative solutions. Their services reflect their people's expertise in building relationships, changing behaviors and delivering results across all marketing disciplines and media.

*Deploy*

Deploy is a boutique digital solutions provider offering communications planning, media planning and buying, analytics, reputation management and digital consultancy with a focus to delivering the best in class digital solutions underpinned by ROI.

*Havoc*

Havoc is a premier digital marketing company in the country with over 10 years of experience in creating digital properties, it helps its clients strategize and develop campaigns that will maximize their brand in the online space. They specialize on advertising sales presentations, digital media planning and buying, web development, online communities, blog marketing and e-commerce.

Advertising Agencies (Association of Accredited Advertising Agency): These agencies are service businesses dedicated to create, plan and handle advertising for its clients. They also provide an outside point of view to the effort of selling the clients products or services. They also produce works for many types of media, creating integrated marketing communications. The top advertising agencies in the country are McCann-Erickson Philippines, Ogilvy & Mather, TBWA Santiago-Manganda-Puno, BBDO-Guerrero, Ace Saatchi & Saatchi, Jimenez Basic and J. Walter Thompson.

The very essence of Yehey's competitive advantage lies in its being the first to complete the end-to-end digital marketing solutions offering. Almost all companies that are in the business of digital marketing concentrate on either website development, or online media buying, or search engine optimization, or on digital PR, or their digital marketing services remain as added service to their existing above the line advertising efforts.

Yehey!, with its complete suite of services can offer its customers a more comprehensive digital marketing solutions package at the best possible value and with best advertising mileage in the digital space.

## Financial Performance

The Company derived its revenues from investment activities.

	2011	2010	2009
Commission income	334,087,049	330,326,588	351,243,290
Gain on sale of AFS investments	333,150,050	504,049,829	141,910,113
Interest income from:			
AFS investments	103,282,875	93,852,163	79,283,201
Cash and cash equivalents	11,535,380	13,850,853	14,927,210
Financial assets at FVPL	6,583,120	6,621,675	17,764,766
Unquoted debt securities	4,075,852	-	-
Others	-	-	846,502
Share in foreign exchange differential	85,573,235	75,767,180	73,882,915
Management fee and service income	65,414,284	43,623,335	32,631,160
Money changing gain	36,483,920	59,577,996	71,273,614
Dividend income	35,610,251	45,775,827	61,716,274
Advertising, web development and internet service	33,851,638	30,406,652	37,940,925
Income from business partners	2,868,068	2,333,776	-
<b>TOTAL</b>	<b>1,052,517,622</b>	<b>1,226,185,874</b>	<b>883,421,970</b>

As of December 31, 2011, the Company has a total of 482 employees as broken down below who are not subject to Collective Bargaining Agreements (CBA).

Position	No. of Employees	Anticipated No. of Additional Employees
Executive	1	-
Senior Officer	6	-
Manager	23	-
Supervisor	137	-
Staff	315	25
<b>TOTAL</b>	<b>482</b>	<b>25</b>

The Corporation believes that it has maintained amicable relationships with the rank and file and does not anticipate any labor-management issues to arise in the near term. The Corporation believes that its relationship with its employees have been consistently good and productive.

## Properties

### **Vantage Equities, Inc. - Parent**

*Office Condominium* - These condominium units are located at 38/F Discovery Centre, ADB Avenue, Pasig City and Unit 2005 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. These are depreciated over an estimated useful life of 20 years and accounted for on a straight-line basis.

*Office Improvements* - These are improvements made to the Company's office space and being depreciated over an estimated useful life of 10 years accounted for on a straight line basis.

*Furniture, Fixtures and Equipment* - These equipments are used by the Company in conducting its daily operations and located at Unit 2703 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. These assets are being depreciated over an estimated useful life of 3-10 years and accounted for on a straight line basis.

*Transportation Equipment* - These equipments are used by the Company in conducting its daily operations and depreciated over 5 years and accounted for on a straight line basis.

*Leasehold Improvements* - The Company is leasing its office space from New Rosario Ortigas Properties, Inc. located at 2703 East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. The term of the contract is for a period of one year and renewable upon mutual agreement of the parties involved.

**eBusiness Services, Inc. ("eBiz") - 100% ownership**

*Transportation Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 4-5 years.

*Leasehold Improvements* - The Company leases the spaces occupied by its branches with varying period of up to fifteen (15) years and renewable on such terms and conditions as shall be mutually accepted by the Company and the lessors. These leases are accounted for on a straight-line basis over the lease term.

*Office Furniture and Equipment* - This furniture and equipment are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These assets are located at the Company's Head Office in 20/F East Tower, PSE Centre, Ortigas Center, Pasig City and various branches all over the Philippines.

*Software License and Software Development* - These pertains to the accounting software used by the company and amortized over a period 3 years accounted for on a straight line basis.

**eBiz Financial Services, Inc. - 100% ownership**

The Company does not own any properties.

**iCurrencies, Inc. - 100% ownership**

The Company does not own any properties and already effectively stopped its business of buying and selling of currencies in May 2001 as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on October 26, 2000.

**Philequity Balanced Fund, Inc. - 100% ownership**

The Fund is not yet offered to the public and does not own any properties.

**Philequity Foreign Currency Fixed Income Fund, Inc. - 100% ownership**

The Fund is not yet offered to the public and does not own any properties.

**Yehey! Corporation - 68.35% ownership**

*Server and Network Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 38/F Discovery Centre, 25 ADB Avenue, Pasig City.

*Furniture, Fixture and Office Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These equipments are located at 38/F Discovery Centre, 25 ADB Avenue, Pasig City.

*Transportation Equipment* - As of December 31, 2011 these equipment are already fully depreciated but still in use by the Company.

*Leasehold Improvement* - The Company is leasing its office space from Vantage Equities, Inc. (the Parent Company) located at 38/F Discovery Centre, 25 ADB Avenue, Pasig City. For the year 2011, Vantage Equities, Inc. waived its rental fee amounting to P2,132,088 evidenced by an Office Memo signed by the Mr. Edmundo Marco P. Bunyi, President and COO of Vantage Equities, Inc. and Mr. Jose Carlos Arellano, President and CEO of Yehey! Corporation.

*Software License* – This pertains to Microsoft licenses and software used for “Kaban Project” and is being amortized over a period of 3 years and accounted for on a straight line basis.

#### **Philequity Management, Inc. – 51% ownership**

*IT Equipment*- These equipments are used by the Company in conducting its daily operations.

*Leasehold Improvement* - The Company is leasing its office space from ASIA PACIFIC BUILDWARE CORP. located at Unit E-2004A 20/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City at monthly rate of P96,706.14 exclusive of VAT and net of withholding. The term of the contract is for a period of five (5) years from April 1, 2012 to March 31, 2015 with P3,000 increase in the monthly rental starting on the 3rd year beginning April 1, 2012.

*Office Equipment* - These equipments are already fully-depreciated but still in use by the Company in conducting its daily operations and are depreciated over the estimated useful life of 5 years. These are office equipments are located at 2004A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

*Office Furniture* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 5 years. Said office furniture are located in 2004A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

These properties are free from mortgage or lien. The Company has no plan of acquiring a property in the next twelve months.

#### **Legal Proceedings**

**3.1. G.R. No. 190477,**  
captioned “*Sure Express World Wide Corp. vs Hon. Court of Appeals and e-Business Services Inc. et. al*”, Supreme Court, Manila

On 10 October 2005, e-Business filed a case for specific performance against Sure Express to comply with its obligations under the Money Transfer Service Agreement entered by the parties. On

28 September 2007, RTC Branch 214 of Mandaluyong City rendered a decision in favor of E-Business prompting Sure Express to appeal before the Court of Appeals and Supreme Court.

A petition for certiorari was filed by Sure Express World Wide Corp. on 11 January 2010 against the Court of Appeals and e-Business. The Supreme Court rendered a decision on 3 February 2010 dismissing the petition. The aforesaid resolution became final and executory on 12 April 2010. Parties were furnished copies of the Entry of Judgment on 3 August 2010.

e-Business filed a Motion for Execution of Judgment on February 2012 before RTC Branch 214 in Mandaluyong City to execute aforesaid resolution of the Court of Appeals. The motion is still pending for hearing and resolution

**3.2. Civil Case No. 71390,**  
captioned "*e-Business Services Inc. vs. Prudential Guarantee Assurance, Inc.*";  
RTC 152, PasigCity

This is a complaint filed by e-Business on 6 November 2007 against defendant for the latter's refusal to settle and/or pay E-Business insurance claim as a result of loss of money due to robbery or brigandage. e-Business claims for the aggregate amount of ₱1,880,085.98 and US \$25,860.00 plus interest at the rate of 12% per annum from 22 January 2007, attorney's fees of not less than 20% of the claims, ₱500,000.00 as damages and the cost of suit. The case is pending pre-trial.

**3.3.Criminal Case No. 12822,**  
captioned "*People of the Philippines vs. Noriel Requiso*"; for: Qualified Theft  
RTC 214, Mandaluyong City

This is a criminal case filed by e-Business as private complainant against accused Noriel Requiso on 9 December 2008. The accused left for Bangkok on November 2008 and his whereabouts remain unknown since then. The instant case was archived in 2009.

## OPERATIONAL AND FINANCIAL PERFORMANCE

### Market for Registrant's Common Equity and Related Stockholder Matters

#### Stock Prices (as adjusted)

	2012		2011		2010	
	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	1.91	1.85	1.88	1.43	1.46	1.26
2 <sup>nd</sup> Quarter	n/a	n/a	1.71	1.71	1.52	1.42
3 <sup>rd</sup> Quarter	n/a	n/a	1.46	1.46	1.44	1.37
4 <sup>th</sup> Quarter	n/a	n/a	1.71	1.67	1.44	1.4

As of 31 May 2012, there were 672 shareholders of the 2,235,390,633 common shares issued and outstanding. As of the close of trading on 31 May 2012, the Registrant's shares were traded at the price of ₱1.80 per share in Philippine Stock Exchange.

On November 10 2009, the BOD approved the proposal to buy back from the market up to Three Hundred Million Pesos (₱300,000,000.00) worth of shares of the Corporation. As of March 31, 2011, the total number of shares repurchased from the market is 134,855,500 worth ₱188.52 million .



On June 4, 2008, the BOD increased the Company's authorized capital stock from ₱1.9B to ₱2.25B, as well as the issuance of 25% stock dividend to all stockholders. This increase in capital stock was approved by the SEC on 12 January 2009, while the stock dividends were distributed to stockholders as of record date of 10 February 2009 on 06 March 2009.

In 2007, the Parent Company declared a five percent (5%) property dividend in favor of its shareholders-of-record as of 18 May 2007, payable in the form of common shares of Yehey! Corporation worth ₱89,415,629. In February 2008, the Parent Company distributed the property dividends declared.

There is no sale of unregistered securities within the past three (3) years.

**Top 20 Shareholders as of 31 May 2012:**

	<b>STOCKHOLDER'S NAME</b>	<b>NO. OF SHARES</b>	<b>PERCENTAGE</b>
1	PCD NOMINEE CORP.	2,129,606,082.00	95.27%
2	PUA YOK BING	23,862,500.00	1.07%
3	TRANS- ASIA SECURITIES, INC.	6,830,000.00	0.31%
4	SYSMART CORPORATION	5,000,000.00	0.22%
5	EAST PACIFIC INVESTORS CORPORATION	4,520,000.00	0.20%
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	4,271,000.00	0.19%
7	A. BROWN COMPANY, INC.	3,441,250.00	0.15%
8	SYSMART CORP.	3,428,375.00	0.15%
9	LUCIO W. YAN &/OR CLARA YAN	3,406,250.00	0.15%
10	RICARDO L. NG	1,624,375.00	0.07%
11	AGAPITO C. BALAGTAS, JR.	1,437,500.00	0.06%
12	APRICINIA B. FERNANDEZ	1,437,500.00	0.06%
13	SUZANNE LIM	1,437,500.00	0.06%
14	HARLEY SY	1,437,500.00	0.06%
15	CYGNET DEVELOPMENT CORPORATION	1,406,250.00	0.06%
16	JERRY TIU	1,365,625.00	0.06%
17	CAMPOS, LANUZA & CO., INC.	1,161,500.00	0.05%
18	WILSON L. SY	1,150,000.00	0.05%
19	DAVID GO SECURITIES CORP.	935,000.00	0.04%
20	JOHN PETER YU &/OR JUAN YU	800,000.00	0.04%

There is no acquisition, business combination or other reorganization that would affect the amount and percentage of present shareholdings of the Company's common equity owned beneficially by:

- (i) any beneficial owner of more than five percent (5%) of the Company's common equity;
- (ii) each director and nominee; and
- (iii) all directors and officers as a group, and the Company's present commitments to such persons with respect to the issuance of shares.

## Dividends

The Company has not declared any cash dividends for the past two years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### RESULTS OF OPERATIONS FOR THE FIRST QUARTER OF 2012 COMPARED TO THE FIRST QUARTER OF 2011

In millions	March 2012	December 2011	December 2010
<b>Balance Sheet</b>			
Assets	6,255.29	5,842.98	5,301.53
Liabilities	259.98	309.62	436.20
Stockholders' Equity	5,995.31	5,533.36	4,865.33
Book Value per Share as adjusted w/ 25% stock dividend & Treasury Shares	2.77	2.63	2.31
<b>Income Statement</b>			
Revenues	234.47	1,052.52	1,226.19
Expenses	120.97	511.79	508.84
Other Income / (Charges)	(1.04)	(10.91)	(0.73)
Net Income	102.31	529.82	716.62
Earnings per Share	0.05	0.25	0.33
<b>Key Ratios</b>			
Current Ratio	6.20	4.87	5.3
Assets to Equity	1	1.1	1.1
Liabilities to Equity	0.04	0.1	0.1
Return on Ave. Assets	2.00%	9.50%	14.60%
Return on Ave. Equity	2.00%	10.20%	15.90%

The Company posted a consolidated net income of Php 102.3 million for the first semester of Y2012. It slid down by 36% compared to same period last year of Php 159.6 million. On a per share basis, the company earned 0.05 centavos compared to .07 centavos for the periods under review.

Partial easing of global liquidity conditions in the first quarter, especially in Europe, has fueled investors' risk appetites and resulted to hefty gains in equities. In particular, the EU came up with twin solutions to address the debt crisis in the region: a fiscal pact that tackled the problems of highly-indebted EU countries, and a long-term refinancing operation of the ECB to provide liquidity to EU banks. Apart from the EU, the US Fed likewise announced that they are going to maintain near zero rates through 2014 coupled with a possibility of another round of quantitative easing. As a result, the S&P 500 and the MSCI World Index registered returns of 11.5% and 11.4% respectively for the first quarter of 2012 compared to 5.4% and 4.6% same period last year. Locally, the 30-company Philippine index gained 16.8% in 1Q12 compared to -3.5% same period last year. The Company's equity portfolio meanwhile posted returns of 14.9% in 1Q12 compared to 2.7% a year ago.

On the fixed-income side, local long-term yields were on a downtrend for the first part of the quarter as the Bangko Sentral cut its overnight rate to 4% amidst a benign inflation environment. However, yields backed up in March due to a 50-cent fare hike that could eventually exert upward pressure to consumer prices. With this, the Company's fixed income portfolio gained 1.7% in 1Q12 compared to -0.3% same period last year. It modestly outperformed the HSBC Local Bond Index which gained 1.4% in 1Q12 compared to -1.0% same period last year.

The following summarizes the operating results of the Company's subsidiaries:

#### **eBusiness Services, Inc. ("eBiz")**

eBiz continue to achieve record money transfer volume, hitting over a million transactions worth in excess of USD 233 million for the first quarter of 2012. However, despite transaction growth, revenues fell 9.7% to Php 79.4 million due to the contractual reduction in the Company's share of fees from Western Union and an appreciating currency. This decline in money transfer revenues was cushioned by revenues from other products which doubled to P11.7 million from P5.7 million same period last year. Meanwhile, operating expenses fell by 3% to Php 74.5 million as the company continued to rationalize its costs. After depreciation and taxes, eBiz posted a net income of Php 10.3 million for the first quarter of 2012, up 18% from Php 8.7 million same period last year.

#### **Yehey! Corporation ("Yehey")**

Total assets increased by P3 million. Current assets by P9.3 million due to increase in Company's trade receivables. Non-current assets increased by P6.7 million due to decrease in loans and Available-for-sale securities.

Total cost and expenses decreased by P1.51 million due to decrease in Salaries and Wages and other costs such as depreciation, subscription and writer's fee, among others.

Total revenues of the Company decreased by P.96 million from P9.6 million to P10.56 million as of March 31, 2012 and 2011 respectively. This is due to substantial decrease web development, e-commerce and start revenues.

As such, net income of the Company is P2.2 million in 2012 from 1.65 million in 2011.

#### **Philequity Management, Inc. ("PEMI")**

Net revenues in 1Q12 climbed to Php23.7 million from Php 15.3 million in 1Q11 or a 55% increase. In line with the increase in investors' risk appetites, the funds that the Company manages experienced net subscriptions of Php 134.9 million for the first three months of 2012 compared to net redemptions of Php 177.6 million same period last year. Furthermore, total assets under management as of end-March 2012 increased 43% to Php 5.8 billion from Php 4.0 billion as of end-March 2011.

Expenses for the first three months of the year were 11% higher vs. last year. YTD net profit increased 46% to Php 12.7 million from Php 8.7 million last year.

There is no material commitment for capital expenditure as of report date. There is no unusual nature or amount of item that affect the financials. There are no changes in the estimates of amount reported in the prior periods. There were no issuance, repurchases and repayments of debt and equity securities for the period. No material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period. No significant elements of income or loss that did not arise from the issuers continuing operations.

The Company will continue to operate as an investment and management firm to help improve the performances of its subsidiaries. There is no seasonal aspect that had a material effect on the financial condition or results of operations.

### **Causes for any material changes (+/- 5% or more) in the financial statements**

#### Income Statement items – three-month period ending 31-Mar- 2012 versus 31-Mar-2011

*20% increase in money transfer service*

Mainly due to increase in volume of remittances during the period.

*16% decrease in internet sales and services*

Mainly due to lower media sales, web development and dpr revenue.

*20% increase in interest income*

Mainly due to additional fixed income securities.

*63% decrease in trading gain/loss*

Mainly due to AFS selling transactions for the period.

*35% increase in mutual fund income*

Mainly due to increase in assets under administration.

*6% decrease in general and administrative expenses*

Largely due to management cost reduction effort.

*368% increase in cost of services and sales*

Mainly due to increase in volume in transactions during the period.

*20% decrease in depreciation and amortization*

Lesser acquisition of property, plant and equipment for the year.

#### Balance Sheet items - March 31, 2012 versus end 2011

*67% increase in cash and cash equivalents*

Mainly due to outstanding placements for the period ended.

*31% decrease in receivables*

Mainly due to Western Union transactions.

*23% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*

Primarily due to lower currency forward contracts.

*31% increase in prepaid taxes and other current assets*

Mainly due to higher amount paid for municipal permits for the current year.

*8% increase in available-for-sale securities*

Largely due to increase in equities and mutual fund investments.

*87% increase in deferred tax assets*  
Additional set-up made for the period.

*13% increase in other non-current assets*  
Mainly due to rental deposits paid for the current period.

*36% decrease in accounts payable and other current liabilities*  
Mainly due to lesser outstanding dues to suppliers for the cut-off period.

*100% increase in notes payable*  
One of the Company's subsidiaries entered into a loan agreement with a financial institution during the year.

*62% increase in income tax payable*  
Mainly due to increase in revenues earned subject to tax and certain non-deductible expenses.

*10% decrease in deferred tax liabilities*  
Decrease is due to lesser AFS acquired with less than or equal to 5 years of maturity from original issuance.

*5% decrease in accrued retirement cost*  
Mainly due to lower accrual of retirement cost for this year.

*60% decrease in cumulative unrealized gain on change in fair value of available-for-sale investments*  
Mainly due to revaluation of fixed income and equities securities.

#### **RESULTS OF OPERATIONS FOR THE YEAR ENDED 2011 (Y2011 VS Y2010)**

<b>In Millions</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Balance Sheet</b>			
Assets	5,842.98	5,301.53	4,491.29
Liabilities	309.62	436.20	256.78
Stockholder's Equity	5,533.36	4,865.33	4,234.51
<b>Income Statement</b>			
Revenues	1,052.52	1,226.19	883.42
Expenses	511.79	508.84	511.30
Other Income / (Charges)	(10.91)	(0.73)	(6.93)
Net Income	529.82	716.62	365.19
Earnings per Share	0.25	0.33	0.16
<b>Key Performance Indicators</b>			
Current ratio (Current Assets/Current Liabilities)	4.88	5.29	5.32
Leverage Ratio (Total Debt/Total Equity)	0.06	0.09	0.09
Comprehensive Return on Equity (Comprehensive Income/Total Equity)	0.10	0.15	0.09
Book Value Per Share	2.48	2.18	1.85

The Company posted a consolidated net income of ₱529.8 Million and ₱716.6 million in 2011 and 2010 respectively. On a per share basis, this translates to a ₱ 0.25 income in 2011 compared to ₱0.33 income in 2010.

2011 proved to be a volatile year for most equities markets. The Fed's second round of quantitative easing during the latter part of 2010 spurred a rally in developed markets in 1Q11. However, equities were hammered for most of the second half as the European debt crisis continued to unravel and as developed economies continued to experience lackluster growth. The S&P 500 and the MSCI World Index posted returns of 0.4% and -7.8%, respectively in 2011 compared to 12.8% and 9.6%, respectively in 2010.

Meanwhile, ASEAN markets have fared relatively better due to healthier fiscal positions and more robust domestic economies. In particular, the Philippines continue to enjoy a healthier business climate and a stronger external position. Its domestic-driven economy has likewise insulated it from external shocks such as the global slowdown and the EU crisis. As a result, the Phisix posted a return of 4.1% in 2011 while the Company's equity portfolio gained 4.9% during the same period. In 2010, the Phisix gained 37.6% while the Company's equity portfolio posted a return of 46.3%.

Political stability and an improved fiscal and monetary environment have prompted debt ratings agency S&P to upgrade its outlook on the Philippines' long-term foreign currency debt to positive. As a result, interest rates trended lower especially on longer-dated securities. The 10-year benchmark fell by almost 70 bps from 6.1% in 2010 to 5.4% in 2011. The Company's fixed income portfolio gained 13.4% in 2011, outperforming the HSBC Local Bond Index which rose 12.8% during the same period. In 2010, the same portfolio posted a gain of 13.5% compared to a 12.1% gain of the benchmark.

The following summarizes the operating results of the Company's subsidiaries:

#### **eBusiness Services, Inc.**

eBiz achieved another record volume in 2011, hitting over 4.2 million transactions worth in excess of USD 960 million. Value of international transactions grew 5.7% in 2011 compared to industry growth of 7.2%.

Despite volume and value growth, net money transfer revenues in 2011 slid 3.7% to ₱357 million from ₱371 million in 2010. The decline can largely be attributed to the contractual reduction in the Company's share in Western Union's money transfer charges last September 2011. Furthermore, the continued appreciation of the Philippine peso against the US dollar from an average of 45.06 in 2010 to 43.30 in 2011 dampened the Company's earnings.

Meanwhile, eBiz's efforts to raise operating efficiencies have resulted to cost savings of about ₱4 million, as expenses declined to ₱354 million in 2011 from ₱358 million in 2010. However, because of weaker top line growth, 2011 net income fell 45.0% to ₱37 million from ₱67 million in 2010.

#### **Yehey! Corporation**

A quasi reorganization which involved a re-alignment in management and rationalization of personnel was started sometime in the middle of 2010. Likewise, cost cutting and production efficiency measures were introduced that year and continued to 2011. Thus in 2011, Yehey!'s financial performance improved substantially, posting net profit of ₱11.4 million from a net loss of ₱9.45 million in 2010.

Revenues in 2011 registered an 11% increase at ₱33.9 million, from ₱30.4 million in 2010. Biggest contribution to revenue came from Web Development and Digital PR Services with combined revenues of about ₱28 million. Digital Strategy services also contributed a respectable amount of ₱3.3 million, considering that this service was relatively a new product offering of the Company. The improvement in revenue generation must be due to more consistent requirements from existing clients and new clients who have been happier with the delivery of Yehey!'s services.

Another improvement in the financial performance of the Company was the remarkable decline in Cost of Services from ₱30.2 million in 2010 to ₱17.8 million in 2011, when full impact of the personnel rationalization was realized. By the end of 2011, personnel count was at 30 from a high of 68 in 2009. It could be said that a most efficient ratio of sales to production has been achieved.

Meanwhile, General and Administrative Expenses also decreased by 16% to ₱20 million as a result of continuous and prudent management of all company resources. Also, lower provisions were made in 2011 for credit losses and impairment due to an improved collection period.

Noteworthy, are the other contributors to Net Income, as follows: [1] ₱2.2 million income recognized from the reversal of prior years provision for commission which was never distributed as revenue targets were not met year on year; [2] ₱1.1 million representing 50% share of the 2011 Net Income of Media Contacts, a joint venture undertaking of Yehey! with Media Contacts, S.A

#### **Philequity Management, Inc.**

PEMI's 2011 revenues increased from ₱43.6 million in 2009 to ₱69.7 million. In line with the strength of ASEAN economies and their relative outperformance vis-à-vis developed economies, the mutual funds that the Company manages posted net subscriptions of ₱197 million in 2011 while total assets under management further increased to ₱4.9 billion as of end-2011 from ₱4.4 billion as of end-2010.

PEMI's operating expenses amounted to ₱25.0 million and ₱12.5 million in 2011 and 2010 respectively. This resulted to a net income of ₱23.6 million in 2010 from ₱16.3 million in 2010.

There is no material commitment for capital expenditure as of report date. There is no unusual nature or amount of item that affect the financials. There are no changes in the estimate of amount reported in prior periods. There were no issuance, repurchases and repayments of debt and equity securities for the period. No material events subsequent to the end of the year that have not been reflected in the financial statements. No significant elements of income or loss that did not arise from the issuers continuing operations.

The Company will continue to operate as an investment and management firm to help improve the performances of its subsidiaries. There is no seasonal aspect that had a material effect on the financial condition or results of operations.

#### **Other Matters**

The Parent Company and its wholly-owned subsidiary, e-Business Services, Inc., continuously enter into currency forward transactions with bank counterparties to hedge their foreign exchange risk. The nominal amount of these contracts are off-balance sheet while revaluation gains or losses are recognized as Miscellaneous Asset or Miscellaneous Liability respectively.

#### **Causes for any material changes (+/-5% or more) in the financial statements**

##### **Income Statements items -Y2011 versus Y2010**

*11% increase in internet sales and services*

Mainly due to higher media sales, web development and dpr revenue.

*26% decrease in money changing and foreign exchange*  
Profit opportunities are not as attracted as last year.

*8% decrease in interest income*  
Mainly due to selling a portion of fixed income securities.

*34% decrease in Trading gain*  
Mainly due to selling of equity securities.

*50% increase in mutual fund income*  
Mainly due to increase in assets under administration.

*5% increase in general and administrative expenses*  
Mainly due to increase management cost.

*45% decrease in cost of services and sales*  
Primarily due to decrease in internet sales and services.

#### **Balance Sheet items – Y2011 versus Y2010**

*31% decrease in cash and cash equivalents*  
Primary due to lower short-term investments.

*101% increase in receivables*  
Mainly due to Western Union transaction.

*24% decrease in Financial Assets at Fair Value Through Profit and Loss (FVPL)*  
Primary due to lower currency forward contracts.

*10% increase in available-for-sale securities*  
Largely due to increase on equities and mutual fund investments.

*14% decrease in property, plant and equipment*  
Mainly due to depreciation cost and no major capital expenditure for this year.

*34% increase in accounts payable and other current liabilities*  
Mainly due to increase in current operations.

*100% decrease of current portion of long term debt*  
Mainly due to debt was fully paid this year.

*33% increase in cumulative unrealized gain on change in fair value of available-for -sale investments*  
Mainly due to revaluation of fixed income and equities securities.

#### **RESULTS OF OPERATIONS FOR THE YEAR ENDED 2010 (Y2010 VS Y2009)**

The Company posted a consolidated net income of ₱716.6 million and ₱365.2 million in 2010 and 2009 respectively. On a per share basis, this translates to a ₱0.33 income in 2010 compared to ₱0.16 income in 2009.

The unprecedented fiscal stimulus from governments worldwide and the continued quantitative easing by the US Federal Reserve have resulted to a global economy bottoming out in 2009 after suffering from the worst financial crisis since the Great Depression. This, in turn, has set the stage



for a more sustained recovery in 2010, wherein valuations came closer to their fair value levels. The S&P 500 and the MSCI World Index posted more modest returns of 12.8% and 9.6%, respectively in 2010 from 23.5% and 27.0%, respectively in 2009.

On the domestic front, the smooth transition of power after a successful national elections has resulted to an improved business confidence and outlook. The Company's equity portfolio gained 46.3% in 2010, outperforming the Phisix which rose 37.6% during the same period. In 2009, the same portfolio posted a return of 50.6% compared to a 63.0% gain of the benchmark.

Investors were also optimistic that the present government can rein in the fiscal deficit while still promoting economic growth. As a result, the yield curve has flattened and interest rates have gone down. The Company's fixed income portfolio gained 13.5% in 2010, modestly outperforming the HSBC Local Bond Index which rose 12.1% during the same period. In 2009, the same portfolio posted a gain 13.2% compared to an 8.3% gain of the benchmark.

For 2011, the Company maintains its positive outlook on the back of a strengthening US economy. Inflation will be a key watch out as commodity prices continue on the uptrend.

The following summarizes the operating results of the Company's subsidiaries:

#### **eBusiness Services, Inc.**

eBiz achieved another record volume in 2010, hitting over 4.0 million transactions worth in excess of USD 900 million. Value of international transactions grew 9.2% in 2010, modestly outpacing industry growth of 8.2%.

Despite volume and value growth, net money transfer revenues in 2010 slid 3.3% to ₱371 million from ₱383 million in 2009. The modest decline was mainly due to Western Union discounting the fees charged in some of its remittance corridors to enhance competitiveness. Furthermore, the strengthening of the Philippine peso against the US dollar dampened eBiz's earnings as the average exchange rate moved to 45.06 in 2010 from 47.61 in 2009.

Meanwhile, eBiz's efforts to raise operating efficiencies have resulted to cost savings of about ₱19 million, as expenses declined to ₱358 million in 2010 from ₱377 million in 2009. Due to lower costs, net income in 2010 even grew 18.0% to ₱67 million from 56 million in 2009.

For 2011, eBiz expects OFW remittances to further strengthen. The Company likewise expects to reap the benefits from its investment in various strategic programs in 2010 and be able to take advantage of the growing remittance industry.

#### **Yehey! Corporation**

The consistent losses of Yehey! Corporation during the previous years, prompted the shareholders to exercise a quasi-reorganization which involved a re-alignment in management and rationalization of personnel. The re-organization which started middle of 2010, resulted in an improved financial performance of the company.

Gross Revenues of Yehey! in 2010 declined by 20%, from ₱38 million in 2009 to ₱30.4 million in 2010. The decline in gross revenues is largely attributed to the lower revenues contributed by the web development segment in 2010 of about ₱19 million from ₱28 million in 2009. Likewise, Portal and E-commerce segment contributions decreased by ₱1.5 million. Only the Media Sales and Digital PR segments showed improvement in revenues. Media Sales revenues increased to ₱6 million in 2010 from ₱2.3 million in 2009 while Digital PR revenues marginally improved to ₱4.7 million in 2010 from ₱4.4 million in 2009.

A number of factors contributed to the general decline in revenues, as follows: a) a more prudent account acquisition taking into account credit-worthiness of the clients, b) focus made on operational efficiency which in the long-term, should improve client satisfaction and therefore increase client retention ratio. The decline in revenues was expected and seen as temporary in 2010. The trend should improve in 2011.

While revenues declined, more efforts were exerted in bringing down the total costs of the company. Cost of services decreased by 27%, from ₱41.5 million in 2009 to ₱30.2 million. The decline is a result of reduction in cost Salaries and Wages, as personnel count went down to 35 from 68 in a period of 1 year. Freeze hiring was initiated, thus no replacements were made for resigned employees. This mandate is still currently in place until a most efficient ratio of sales to production is achieved. General and Administrative Expenses likewise decreased from ₱17 million in 2009 to ₱11.5 million in 2009 as savings from rent, utilities, transportation and travel were achieved.

However, bigger provisions were made for Doubtful Accounts to reflect the existing collection probability. Said allocation resulted in a bigger operating loss for the Company from ₱23.5 million in 2009 to ₱28 million in 2010.

Yehey's investment in Media Contacts likewise reflected a loss of ₱3.1 million in 2010, thus, widening the gap of net loss from 2009.

#### **Philequity Management, Inc.**

PEMI's 2010 revenues increased from ₱31.4 million in 2009 to ₱43.6 million. In line with the global economic recovery and improved business outlook locally, the mutual funds it manages posted net subscriptions of ₱750 million in 2010 while total assets under management further increased to ₱4.4 billion as of end-2010 from ₱2.5 billion as of end-2009.

PEMI's operating expenses amounted to ₱12.7 million and ₱10.5 million in 2010 and 2009 respectively. This resulted to a net income of ₱16.3 million in 2010 from ₱14.2 million in 2009.

During the first half of 2010, the General Manager of PEMI tendered his resignation, which resulted to expansion plans being temporarily put on hold. However, the asset management and servicing teams of the Company remain intact such that clients can continue to expect only the highest standards of professionalism with respect to management of their investments.

#### **RESULTS OF OPERATIONS FOR THE YEAR ENDED 2009 (Y2009 vs Y2008)**

The Company posted a consolidated net income of ₱365 million, reversing the ₱436 million consolidated net loss registered in 2008. On a per share basis, this translates to a ₱0.16 income in 2009 compared to ₱0.19 loss in 2008.

After suffering from the worst financial crisis since the Great Depression, global asset markets recovered in 2009. The rebound can largely be attributed to the unprecedented fiscal stimulus from governments worldwide to avert a prolonged recession. The S&P 500 and the MSCI World Index were up 23% and 27% in 2009, respectively, compared to a drop of 39% and 42% in 2008, respectively. Local markets likewise staged a rebound wherein the Phisix gained 63% in 2009 compared to a 48% drop the previous year. The Company's equity portfolio posted a more modest gain of 31% after incurring a 27% loss in 2008.

Fixed income markets likewise stabilized as credit spreads narrowed and returned close to their pre-crisis levels. The Company's fixed income portfolio gained 11.3% in 2009, outperforming the HSBC Local Bond Index which rose 8.2% during the same period. In 2008, the same portfolio posted a loss of 1.2% compared to a 1.6% gain of the benchmark.

After a fantastic run-up of financial markets in 2009, the Company expects more modest returns in the equities and fixed income markets moving forward. It will continue to exercise prudence with respect to its investments especially in the face of uncertainties surrounding the 2010 national elections and a possible sovereign debt crisis in Europe.

The following summarizes the operating results of the Company's subsidiaries:

#### **eBusiness Services, Inc.**

eBiz achieved another record volume in 2009, hitting over 3.5 million transactions worth in excess of USD 800 million. Transaction value grew 32% last year, far outpacing industry growth of 6%.

Revenues increased by 22% to ₱458 million in 2009 from ₱373 million in 2008. This was mainly due to a marketing campaign launched by eBiz during the latter part of 2008 to capture and convert clients of Western Union's former principal agent. USD/PHP was also higher on average: 47.64 in 2009 vs. 44.50 in 2008, raising eBiz revenues by 7%.

Operating Cost increased by 8% from ₱354 million to ₱381 million due to additional benefit given to employees and rationalizing higher service cost to service providers; while interest expense and bank charges declined by 51% to ₱9.8 million from ₱20 million, mainly due to better management of operating cash.

2009 posted a Net Income of ₱56.6 million from ₱10.0 million in 2008 brought about by fortifying risk management practices and raising operating efficiencies for the past two years. After these actions, eBiz is now poised to expand its network of branches and take advantage of the growing remittance industry.

#### **Yehey! Corporation**

The Company posted revenues of ₱38 million for the whole year 2009, 3% lower than ₱39.2 million revenues posted for the year 2008. The decline in revenues was brought about by a general decline in advertising spend from 2008 to 2009. Revenues from media sales decreased by about 43%, from ₱4.0 million to ₱2.3 million. Web Development revenues, meanwhile, posted small growth of 2% from ₱28.4 million to ₱28.9 million. Portal revenues also decreased by 84% from ₱6 million in 2008 to ₱1.3 million in 2009, as the Company has been slowly been migrating systems from Regular Search to Vertical Search. The Portal Streams are likewise recently launched and are expected to yield higher page views and revenues in the next few months still. Despite said revenue decline in media sales, web development and portal revenues, the latest addition to the stream of revenues, Digital PR, posted revenues ₱4.4 million. E commerce revenues likewise increased by 44% from ₱0.66 million to ₱0.94 million

Cost and Operating Expenses increased by 9% from ₱60 million in 2008 to ₱66 million in 2009. Note that 2009 figures reflect the full cost of the expansion at approximately 65 employees, while 2008 figures still reflect pre-expansion cost with approximately 45 employees.

Although costs have been managed at minimum levels, revenues are not able to cover for the full costs resulting in a net loss of ₱16.5 million vis-à-vis net loss of ₱7.4 million in 2008.

In 2009, however, income from Media Contacts of about ₱ 6.6 million has improved the bottom line of Yehey, bringing down the Net Loss to about ₱10 million.

**Philequity Management, Inc.**

PEMI's 2009 revenues slightly increased from ₱ 34.8 million in 2008 to ₱35.1 million. The mutual funds it manages posted net redemptions of ₱321 million in 2009 while total assets under management increased to ₱2.5 billion at end-2009.

PEMI manage to reduce its operating expense by 14.5% from ₱12.3 million in 2008 to P10.5 million in 2009. This resulted to a net income of ₱14.4 million in 2009 from ₱11.7 million in 2008.

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

**DIRECTORS AND EXECUTIVE DIRECTORS**

Please refer to the discussion on "Directors and Executive Officers" in the main body of the Information Statement.

**CORPORATE GOVERNANCE**

The Company has been monitoring compliance with SEC Memorandum Circular No. 6, Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is unaware of any non-compliance with or deviation from its Amended Manual of Corporate Governance during the previous year. The Company will continue to monitor compliance with the Revised Rules on Corporate Governance, and shall remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value to its shareholders.

\* \* \*

**UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:**

**A. BAYANI K. TAN  
THE CORPORATE SECRETARY  
VANTAGE EQUITIES, INC.  
2704 EAST TOWER  
PHILIPPINE STOCK EXCHANGE CENTRE  
EXCHANGE ROAD, ORTIGAS CENTER  
PASIG CITY, METRO MANILA, PHILIPPINES**