SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the Quarter Ended **March 31, 2006**

2. Commission Identification Number: **150014**

3. BIR Tax Identification Number: **050-000-473-206**

4. Exact Name of issuer as specified in its charter: **MABUHAY HOLDINGS CORPORATION**

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

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of Principal Office: **14/F, Chatham House, V. A. Rufino cor Valero Sts., Makati City**

8. Issuer's Telephone Number, Including Area Code: **(632) 884-2924, 884-2981**

9. Former Name, former address, former fiscal year, if changed from last report:

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

    Common shares **1,200,000,000**

11. Are any or all of these securities are listed on the Philippine Stock Exchange.

    Yes [ ] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Common stock**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 to 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

    Yes [/] No [ ]

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

    Yes [ ] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MABUHAY HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS

		Mar. 31, 2006	Dec. 31, 2005 *
A S S E T S			
CURRENT ASSETS			
Cash on hand and in bank	P	1,388,283	1,692,166
Financial assets at fair value through profit or loss		47,743,144	49,662,266
Loans and other receivables - net		111,871,172	109,968,556
Prepayments		2,027,951	1,989,499
Total Current Assets		163,030,551	163,312,487
NON-CURRENT ASSETS			
Available-for-sale securities		5,214,744	5,193,761
Investments in associates - net		281,107,592	281,107,592
Property and equipment - net		62,324	67,752
Investment properties		42,186,650	42,917,642
Other non-current assets		912,058	723,723
Total Non-current Assets		329,483,367	330,010,470
T O T A L A S S E T S	P	**492,513,918**	**493,322,957**
LIABILITIES & STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings		24,135,442	24,829,482
Trade and other payables	P	70,240,033	70,072,439
Due to related parties		9,842,002	9,788,891
Subscriptions payable		2,500	2,500
Total Current Liabilities		104,219,976	104,693,312
NON-CURRENT LIABILITIES			
Deferred tax liability		4,259,400	4,259,400
Total Liabilities		108,479,376	108,952,712
EQUITY			
Capital stock		939,484,053	939,484,053
Deposit for future subscriptions		241,620,861	241,620,861
Treasury shares		(40,501,200)	(40,501,200)
Accumulated translation adjustments		(16,269,424)	(16,303,442)
Revaluation reserves		(102,570)	(102,570)
Retained earnings (deficit)		(732,489,013)	(732,430,306)
Minority interest		(7,708,166)	(7,397,152)
Total Equity		384,034,541	384,370,245
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	P	**492,513,918**	**493,322,957**

* Audited

MABUHAY HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)

	For the Quarter Ending March		Year Ending
	2006	2005	Dec. 31, 2005*
REVENUES			
Rental	414,489	776,963	2,984,405
Others	1,366,818		1,603
	1,781,307	776,963	2,986,008
COST AND EXPENSES			
Unrealized loss on foreign exchange	3,660,157	2,778,100	
Impairment losses			7,305,266
Depreciation	549,179	561,259	2,239,825
Employee benefits	327,731	295,670	1,223,525
Professional fees	153,879	341,000	932,884
Other operating expenses	1,477,904	1,280,363	8,484,142
	6,168,850	5,256,392	20,185,642
LOSS FROM OPERATIONS	(4,387,543)	(4,479,429)	(17,199,634)
OTHER INCOME (CHARGES)			
Finance income - net	663,364	825,916	2,564,492
Fair value losses	(55,332)		(22,572,471)
Equity in net losses of investees			(5,167,156)
Recovery (Decline) in value of marketable securities	3,409,790	(15,840,460)	
	4,017,822	(15,014,544)	(25,175,135)
LOSS BEFORE TAX AND MINORITY INTEREST	(369,721)	(19,493,973)	(42,374,769)
TAX EXPENSE (BENEFIT)	0	0	(2,041,188)
NET LOSS BEFORE SHARE OF MINORITY INTEREST IN NET LOSS	(369,721)	(19,493,973)	(40,333,581)
NET LOSS ATTRIBUTABLE TO MINORITY INTERES	(311,014)	-	(13,832,136)
NET LOSS ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	(58,707)	(19,493,973)	(26,501,445)
RETAINED EARNINGS (DEFICIT) - Beginning	(732,430,306)	(706,021,289)	(705,928,860)
RETAINED EARNINGS (DEFICIT) - Ending	(732,489,013)	(725,515,262)	(732,430,305)

Shares subscribed & outstanding	1,159,512,800	1,159,512,800	
Earnings (loss) per share	(0.0001)	(0.0168)	
Deficit per share of outstanding stocks	(0.6317)	(0.6257)	

* Audited

MABUHAY HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	March 31,2006	Dec 31, 2005 *	March 31, 2005
Capital stock	939,484,053	939,484,053	939,484,053
Treasury Shares	(40,501,200)	(40,501,200)	(40,501,200)
Deposit for future stock subscription	241,620,861	241,620,861	241,620,861
Accumulated translation adjustments			
Balance, beginning	(16,303,442)	(22,987,690)	(22,987,690)
Additional translation adjustments	34,018	6,684,248	139,596
Balance, end	(16,269,424)	(16,303,442)	(22,848,094)
Revaluation Reserves			
Balance, beginning		-	-
As previously reported	(102,570)	-	-
Effects of transition to PFRS		(92,429)	-
As restated	(102,570)	(92,429)	-
Fair value gain (loss)		(10,141)	-
Balance, end	(102,570)	(102,570)	-
Deficit			
Balance, beginning		(657,486,716)	(706,021,289)
As previously reported	(732,430,305)	(706,021,289)	
Effects of transition to PFRS		92,429	
As restated	(732,430,305)	(705,928,860)	(706,021,289)
Net income (loss)	(58,707)	(26,501,445)	(19,493,973)
Balance, end	(732,489,012)	(732,430,305)	(725,515,262)
TOTAL EQUITY	**391,742,708**	**391,767,397**	**392,240,358**

* Audited

4. MABUHAY HOLDINGS CORPORATION

STATEMENTS OF CASH FLOWS

	Mar. 31, 2006	Dec. 31, 2005 *
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax and minority interest	369,721	(42,374,769)
Adjustments for:		
Equity in net losses of investees		5,167,156
Impairment losses		7,305,266
Fair value losses		22,572,471
Depreciation	(549,179)	2,239,825
Interest expense	(157,163)	3,317,816
Recovery in value of marketable securities		
Loss on write-off of advances and excess of equity in accumulated losses of a subsidiary over cost of investment		
Loss on sale of marketable securities	(2,875,715)	
Interest income	820,527	(753,324)
Operating loss before working capital changes	(2,391,809)	(2,525,559)
Increase (decrease) in financial assets at fair value	1,195,377	7,436,935
Decrease (increase) in loans and other receivables	1,902,617	(3,598,018)
Decrease (increase) in prepayments	38,452	187,671
Increase in trade and other payables	(167,594)	4,853,433
Cash generated from operations	577,044	6,354,462
Interest paid	157,163	(3,317,816)
Cash paid for income taxes		(130,040)
Net Cash From Operating Activities	734,207	2,906,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	(438,770)	
Proceeds from sale of investments in real properties	(176,385)	
Increase in other non-current assets	(188,335)	(36,480)
Decrease (increase) in available for sale assets	(20,983)	
Acquisitions of property and equipment	0	(51,319)
Payments to related parties		
Interest received	(820,527)	753,324
Net Cash From (Used in) Investing Activities	(1,645,000)	665,525
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	(87,130)	179,340
Payments of interest-bearing loans and borrowings	694,040	(2,675,460)
Net Cash Used in Financing Activities	606,910	(2,496,120)
NET INCREASE (DECREASE) IN CASH	(303,883)	1,076,011
CASH AT BEGINNING OF YEAR	1,692,166	616,155
CASH AT END OF YEAR	1,388,283	1,692,166

* Audited

MABUHAY HOLDINGS CORPORATION
CONSOLIDATED AGING OF LOANS AND OTHER RECEIVABLES
AS OF MARCH 31, 2006

	TOTAL	1-30 DAYS	31-60 DAYS	OVER 61 DAYS
East Asia Holdings and Development Corporation				
Principal	20,000,000			20,000,000
Interest	3,150,000			3,150,000
Interport Resources Corporation (various notes)				
Principal	27,998,073			27,998,073
Interest	24,217,210	285,620	257,979	23,673,612
Santiago J. Tanchan	25,036,918			25,036,918
Rolando Zosa-EAHDC	8,738,669			8,738,669
Andrew McM Bell-cash advance	420,745			420,745
SSS Receivable and others	54,905	23,872		31,033
IDHI	6,836,270			6,836,270
Castillo Laman Tan Pantaleon	100,000			100,000
Tuition fees of LSC's children/others	112,500			112,500
Intrinsic Value Management Ltd.	6,933			6,933
Philippine Strategic Int'l. Holdings, Inc.	1,669			1,669
South China Holdings Corp.	1,669			1,669
T&M Holdings	12,790			12,790
Josie Biteng	1,030,909	1,030,909		
Others	47,282			47,282
Allowance for impairment	(5,895,370)			(5,895,370)
Totals	111,871,172	1,340,400	257,979	110,272,793

Explanation to Accounts With Over 10% Variance.

Cash on hand and in bank

This account decreased by 18% compared to the balance as of Dec. 31, 2005 due to the payment of real estate taxes and business licenses in January, 2006, coupled with the reduction in rental income due to the non-renewal of the lease contract of a tenant.

Other non-current assets

Compared to the Dec. 31, 2005 balance, this account increased by 26% due to the increase of the excess of cost over book value of some investments, by the same percentage.

A comparative review of the Registrant's financial operations for the quarter ended March 31, 2006 vis-à-vis the same period last year showed the following:

The total revenues increased substantially by P1.0M or 129.27% compared to the same period last year. This was due to the gain in the sale of a property in Tagaytay by one of its subsidiaries, which compensated for the decrease in rental income of the Registrant from P.8M to P.4M on account of non-renewal of the lease contract of a tenant.

Total operating expenses, however, increased by P.9M or 17% mainly due to the increase in unrealized loss on foreign exchange. There was a recovery in the value of marketable securities amounting to P3.4M against a decline last year of P15M.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

The Company's top five performance indicators are the following:

	Mar. 31, 2006	Dec. 31, 2005
Return on Capital Employed	(.02%)	(5%)
Net Profit (Loss) Ratio	(3.3%)	(6.6)
Current ratio	1.59	1.72
Acid test	.49	.54
Earnings (loss) per share	(.0049)	(0.18)

Notes:

1.) Return on Capital Employed is derived at by dividing Net Income by Total Assets less Current Liabilities.
2.) Net Profit Ratio is computed by getting the ratio of Consolidated Net Income (Loss) to Total Revenues.
3.) Current Ratio is expressed as Current Assets : Current Liabilities.
4.) Acid Test Ratio is expressed as Total of Cash on hand and in banks + Financial assets at fair value : Current Liabilities.
5.) Earnings (loss) per share is arrived at by dividing the Consolidated Net Income (Loss) over the total no. of shares subscribed and outstanding.

Discussion of Material Events/Uncertainties Known to Management that would Address the Past and Impact on Future Operations

The Phil. Economy still continues to experience an economic slowdown since the year 1997 and has not yet fully recovered from the plague of currency devaluation, bearish stock markets, exceedingly low interest rates, snail-paced business growth and lately, a staggering fiscal budget deficit. Added to this is the political uncertainty that the Country is presently confronted with. These are the factors that greatly contributed to the bleak investment climate hovering around the country for a long time now. These same reasons made a big dent on the Registrant's financial performance in the past years and management feels that these negative elements would still linger on over the short-term.

The Registrant, being an investments holding company, where the bulk of its investments is in the real estate business, is now taking a more prudent stance in its investment strategies. Meanwhile, to keep up, the Registrant adopts and continues on with its cost reduction measures.

The Registrant continues to fund the operating requirements of its subsidiaries and affiliates, when necessary. To fund its working capital requirements and those of its subsidiaries, it leased out the entire 35th Floor of the Rufino Pacific Tower and moved its offices to a smaller office space at a much cheaper rate. It likewise downsized its manpower complement and weeded out unnecessary expenditures.

The Registrant does not have any material commitment for capital expenditures, in the short-term. It is not under any pressing obligation to pay its advances to affiliates. Bank loans are paid when they fall due and the Registrant has enough resources to cover payment through the sale of some of its marketable securities. In the event that the Registrant will be required to settle its liabilities to third parties, it can do so by selling its marketable securities and calling for payment its notes and accounts receivable.

The Registrant does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons created during the reporting period.

Report on SEC Form 17-C.

None

SIGNATURES

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

MABUHAY HOLDINGS CORPORATION
Issuer

____
LEE SENG CHAY
President

Date: ______________________

____
ARACELI C. MOLIÑA
Treasurer/Acting Chief Financial Officer

Date: ______________________

MABUHAY HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mabuhay Holdings Corporation (the Registrant or parent company) was incorporated in the Philippines, and is 29.3% owned by Prokey Investments Limited of British Virgin Islands.. The Registrant holds 100% interest Shiun-Tung Investment Co., Ltd., T & M Holdings, Inc. and M & M Holdings Corporation. It also holds 38.46% interest in The Angeles Corporation, 29.97% interest in the The Taal Co., Inc., 28.51% interest in Mindanao Appreciation Corporation and 26.04% interest in Tagaytay Properties & Holdings Corporation.

The Registrant and its subsidiaries are all presently engaged in the acquisition and disposition of investments in marketable securities, shares of stock and real estate properties.

The registered office of the Company is located at Unit 14-B Chatham House, V. A. Rufino corner Valero Sts., Salcedo Village, Makati City.

The Registrant and its subsidiaries, except Shiun-Tung Investment Co., Ltd., operates within the Philippines and had 5 employees as of March 31, 2006 and December 31, 2005. Shiun-Tung Investment Co., Ltd. operates in Taiwan, Republic of China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Preparation

The financial statements of Mabuhay Holdings Corporation and its subsidiaries have been prepared in accordance with generally accepted accounting principles in the Philippines as set forth in PFRSs.

The financial statements have been prepared on the historical cost basis, except for the valuation at fair value of certain financial assets. The measurement bases are more fully described in the accounting policies below.

Accounting estimates and assumptions are used in preparing the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

b. Principles of Consolidation

The consolidated financial statements of Mabuhay Holdings Corporation include the accounts of the Company and its subsidiaries listed below:

	Percentage of Ownership	
	2006	2005
Direct Ownership		
Shiun Tung Investment Co., Ltd.	100%	100%
T & M Holdings, Inc.	100%	100%
M & M Holdings Corporation	100%	100%
The Angeles Corporation	38.46%	38.46%
The Taal Co., Inc.	29.97%	29.97%
Mindanao Appreciation Corporation	28.51%	28.51%
Tagaytay Properties & Holdings Corporation	26.04%	26.04%
Indirect Ownership		
The Angeles Corporation	15.02%	15.02%
Mindanao Appreciation Corporation	18.61%	18.61%
The Taal Co., Inc.	15.61%	15.61%
Tagaytay Properties & Holdings Corporation	0.61%	0.61%

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of March 31, 2006 and December 31, 2005. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the Group obtains control. They are de-consolidated from the date that control losses.

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

All intercompany balances and transactions with subsidiaries, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The minority interest component in the consolidated financial statements are shown in the consolidated statements of changes in equity.

c. Cash

Cash is defined as cash on hand and savings and demand deposits which are subject to insignificant risk of changes in value.

d. Financial Assets

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

All financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

- *Financial Assets through Profit or Loss.* This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

  Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

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

  Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss.

Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

- *Available-for-sale Financial Assets.* This includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Long-term Financial Assets account in the balance sheets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

  In the case of impairment, any loss previously recognized in equity is transferred to the income statement. Losses recognized in the statement of income on equity investments are not reversed through the statement of income. Losses recognized in prior period income statements resulting from the impairment of debt instruments are reversed through the income statement.

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

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

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

e. Investment in Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are charged against Equity in Net Losses of Investees in Group's consolidated statements of income and therefore affect net results of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale financial assets, are recognized in consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

f. Property and Equipment

Office equipment, furniture and fixture and communication and other equipment are carried at acquisition cost or construction cost less subsequent depreciation and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	3-5 years
Office equipment	5 years
Communication and other equipment	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

g. Investment Properties
Investment properties are stated at cost less impairment loss (see Note 3.14). The cost of an investment property comprises its purchase price and directly attributable cost incurred. Depreciation on the investment property is computed on a straight-line basis over the estimated useful life of 25 years.

h. Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings, trade and other payables, due to related parties and subscriptions payable.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument.

Interest-bearing loans is recognized initially at discounted value and subsequently measured at amortized cost, using the effective interest method.

Other financial liabilities are recognized initially at their nominal value less settlement payments. Other financial liabilities that are estimated to be settled beyond one year are stated at present value using a market discount rate, and subsequently measured at amortized cost.

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

i. Provisions

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

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

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

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

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

j. Revenue and Cost Recognition

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

- Rent – Rent income from operating leases is recognized on a straight-line basis over the remaining lease term (see Note 3.12)

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

Cost and expenses are recognized in the statement of income upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

k. Leases

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

- Company as lessor – Leases, wherein substantially all the risks and benefits of ownership of the asset are retained by the Group, are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term. Indirect costs incurred by the lessor in negotiating and arranging for an operating lease is added to the carrying amount of the leased asset and recognized as expense over the lease term.

l. Functional Currency and Foreign Currency Transactions

- Functional and Presentation Currency

  Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Philippine pesos, which is the Group's functional currency The financial statements of STICL which are expressed in New Taiwan dollar as its functional currency are translated at the prevailing current exchange rates for the balance sheet accounts and average exchange rates during the year for profit or loss accounts.

- Transaction and Balances

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

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

  The exchange differences resulting from the translation of the accounts of STICL are recorded in the Accumulated Translation Adjustments account in the equity section of the balance sheets.

m. Impairment of Non-financial Assets

The Group's investments in associates, property and equipment and investment properties are subject to impairment testing. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

n. Income Taxes

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

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

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

o. Equity

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

Deposits on future stock subscription pertain to deposits for future stock issuances by the Group.

Treasury shares pertain to shares of stock of the parent company held by its subsidiaries.

Accumulated translation adjustments refer to exchange differences resulting from the translation of assets, liabilities and equity, both monetary and nonmonetary, at the closing rate, and the translation of income statement items at the exchange rates at the date of transactions or at the average during the year of a consolidated subsidiary whose functional currency is other than the currency of the Group.

Revaluation reserves comprise the net losses due to the revaluation of available-for-sale financial assets.

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

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Parent Company.

p. Earnings(Loss) Per Share

Income (loss) per share is determined by dividing net income (loss) by the weighted average number of shares outstanding (1,159,498,800 shares which is net of 40,501,200 treasury shares) during the period. Diluted earnings per share does not apply to the Registrant.

q._Related Party Transactions

All related party transactions are those between the Registrant and its subsidiaries. The Registrant grants non-interest bearing cash advances to its subsidiaries for working capital requirements. Any other transactions such as loans extended to subsidiaries are covered by promissory notes and are interest-bearing and treated as arms-length transactions. These advances to/from subsidiary companies of the Registrant are eliminated in consolidation. As in previous years, there is no change in the method of establishing the terms and manner of settlement of the subsidiaries' advances. These loans/advances may be called for payment/settlement if and when the Registrant needed the fund for its operations.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of:

	Mar. 31, 2006	Dec. 31, 2005
Listed equity securities in:		
Taiwan	**P46,927,050**	P49,120,594
Philippines	**816,094**	541,673
	P47,743,144	P49,662,266

4. AVAILABLE-FOR-SALE SECURITIES

The breakdown of this account is as follows:

	Mar. 31, 2006	Dec. 31, 2005
NJR Realty & Holdings Corp.	**P 5,084,834**	P 5,084,834
PLDT	**95,000**	95,000
Philrealty	**34,560**	13,927
	5,214,744	P 5,193,761

5. INVESTMENT PROPERTIES

The Group's investment properties include several parcels of land and condominium units held for lease. Land includes investments of MAC, TTCI and TPHC in various parcels of land held for investment purposes, including a strategically located and potentially high value land in Tagaytay City and Batangas. Real estate taxes amounted to P90,384 in 2005 and P134,016 in 2004. Income from these properties amounted to P2,984,405 and P3,099,407 in 2005 and 2004, respectively, and is shown as Rental in the statements of income.

6. INTEREST-BEARING LOANS AND BORROWINGS

Short-term interest-bearing loans and borrowings were as follows:

	Mar. 31, 2006	Dec. 31, 2005
Bank loans	**P 10,060,800**	P 10,754,840
Loans-others	**14,074,642**	14,074,642
	P 24,135,442	P 24,829,482

The bank loans presented in the consolidated balance sheets mainly represent loans obtained by STICL from banks which bear annual interest of around 7.25% .

Investments in listed equity securities are used as collateral for the bank loans.

Loans - others represent unsecured loans obtained by the Group and its subsidiaries from Intrinsic Value Management Ltd. (Phils.) Co., Inc. ("Intrinsic") and Philippine Strategic International Holdings, Inc., which bear interest of 10% and are payable on demand.

The fair values of these short-term financial liabilities have not been determined individually as management considers the carrying amounts recognized in the balance sheets to be a reasonable approximation of their fair values.

7. TRADE AND OTHER PAYABLES

This account consists of:

	Mar. 31, 2006	Dec. 31, 2005
Trade	**P 35,475,033**	P 37,300,233
Accrued Expenses	**32,965,567**	31,716,680
Others	**1,799,433**	1,055,526
	P 70,240,033	P 70,072,439

The accrual made on account of the arbitration case with Sembcorp Logistics Ltd. amounting to P25.8 million represents the liability that could arise from the litigation against the said company.

8. SUBSCRIPTIONS PAYABLE

This represents the unpaid balance of the Group's subscriptions to shares of stock of Vulcan Industrial, Inc., which is classified as part of Financial Assets at Fair Value Through Profit or Loss.

9. CAPITAL STOCK AND DEPOSITS ON FUTURE STOCK SUBSCRIPTIONS

Capital Stock as of **Mar. 31, 2006** and December 31, 2005 is composed of the following:

Capital Stock - P1 par value	
Authorized - 4 billion shares	
Subscribed - 1.2 billion shares	P 1,200,000,000
Less: Subscriptions receivable	(260,515,947)
	P 939,484,053

In 2004 and 2003, the shares of stocks of the Registrant owned by a consolidated subsidiary totaling P40,501,200, is presented as treasury shares in both years in the consolidated balance sheets.

In accordance with the Registrant's articles of incorporation, certain restrictions have been imposed on the Registrant and some affiliates regarding the issuance and transfer of capital stock.

No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or any other securities convertible into carrying options or warrants to purchase stock of the corporation without first offering such stock or securities or any part thereof to existing stockholders.

No issuance or transfer of shares of stock of the corporation which would reduce the stock ownership of the Filipino citizens shall be allowed or permitted to be recorded in the books of the corporation.

In 1997, the Registrant received from certain stockholders deposits on future stock subscriptions totaling P241,620,861. Portion of these deposits were used by the stockholders to secure the loans they obtained from the Registrant.. Certain stockholders also obtained advances from a consolidated subsidiary and the same subsidiary intends to recover and apply the deposits on future stock subscriptions remitted by the same stockholder to the Registrant in the event that the stockholder is unable to pay its advances to the subsidiary.

10. SUBSEQUENT EVENT(S)

There are no events that occurred subsequent to balance sheet dates that need to be disclosed herein, non-disclosure of which would make the financial statements misleading and would affect the ability of the users of the financial statements to make proper evaluation and decisions.

11. CONTINGENCY

The Asia-Pacific region, including the Philippines, continues to experience economic difficulties relating to currency devaluation, volatile stock markets, high interest rates, and slowdown in growth. As a result, there are uncertainties that may affect future operations of the Registrant, the resolution of which is dependent to a large extent on the efficacy of the fiscal measures and other actions, beyond the control of the Registrant, undertaken to achieve economic recovery.

12. NON-APPLICABILITY OF OTHER SEC-REQUIRED NOTES

Notes required to be disclosed but are not applicable to the Registrant are indicated below:

a. Assets Subject to Lien and Restrictions on Sales of Assets
b. Changes in Accounting Principles and Practices
c. Defaults
d. Preferred Shares
e. Pension and Retirement Plans
f. Restrictions which Limit the Availability of Retained Earnings for Dividend Purposes
g. Significant Changes in Bonds, Mortgages and Similar Debt
h. Registration with the Board of Investments (BOI)
i. Foreign Exchange losses Capitalized as part of Property, Plant & Equipment
j. Deferred Losses Arising from Long-Term Foreign Exchange Liabilities
k. Segment Reporting