



GREENERGY
Holdings

GREENERGY HOLDINGS INCORPORATED

(formerly MUSX Corporation)
54 National Road, Dampol II
Pulilan, Bulacan

August 15, 2011

DISCLOSURE DEPARTMENT
The Philippine Stock Exchange, Inc.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Janet A. Encarnacion**
Head

Dear Ms. Encarnacion,

In compliance with the continuing disclosure requirements of the Philippine Stock Exchange, we submit herewith the 2nd Quarter ending June 30, 2011 Financial Statement Report (SEC Form 17-Q) of **Greenergy Holdings Incorporated** (formerly MUSX Corporation).

Very truly yours,

LYRA GRACIA Y. LIPAE-FABELLA
Corporate Secretary / Corporate Information Officer
Compliance Officer

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(B) THERE UNDER

1. For the quarterly period ended : June 30, 2011
2. SEC Identification Number : AS092-000589
3. BIR Tax Identification Number : 001-817-292
4. Exact name of issuer as specified in its charter : GREENERGY HOLDINGS
INCORPORATED
5. Province, country or other jurisdiction on : Bulacan, Philippines
6. Industry Classification code : (SEC Use Only)
7. Address of Principal office : #54 National Road, Dampol II, Pulilan
Bulacan
- Postal Code :
8. Issuer's telephone no. area code : 556 7425
9. There have been changes to our name and address since last report
10. Securities registered pursuant to Section 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock Outstanding
and Amount of Debt Outstanding |
|---------------------------|--|
| Common Shares Php 0.01par | 63,876,000,500 |
- (As of June 30, 2011)
11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes [X] No []

23,267,477,740 out of the 63,876,000,500 issued and outstanding securities are listed on the Philippine Stock Exchange.

12. Check whether the registrant:
- a. Has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 41 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report.
Yes [X] No []
- b. Has been subject to such filing requirement for the past 90 days
Yes [X] No []

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES
(Formerly MUSX CORPORATION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2011 and 2010

(With comparative figures as of December 31, 2010)

	Note	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
		June 30 (Unaudited)		December 31,	June 30 (Unaudited)		December 31,
		2011	2010	(Audited)	2011	2010	(Audited)
ASSETS							
Current assets							
Cash on hand and in banks	6	3,363,919	20,900	891,293	144,850,367	970,262	39,114,393
Trade and other receivables	7	244,228	376,537	480,978	10,516,450	17,480,352	21,107,720
Advances to Project	7	580,585			25,000,000		
Inventories, net	8	768,365	1,169,378	1,161,116	33,085,780	54,287,204	50,955,576
Available-for-sale (AFS) investment, net	9	-	878,215	908,019	-	40,770,253	39,848,414
Prepayments and other current assets, net	11	5,405	34,323	12,557	232,735	1,593,412	551,064
Total current assets		4,962,502	2,479,353	3,453,963	213,685,331	115,101,483	151,577,167
Non-current assets							
Loans receivable	15	182,827	220,890	182,827	7,872,544	10,254,598	8,023,363
Property and equipment	11	36,668		44,002	1,578,928		1,931,028
Intangible asset	12	4,358,310	4,265,045	4,355,752	187,668,839	198,000,449	191,152,177
Deferred tax assets		1,360,485	1,536,419	1,452,405	58,582,484	71,326,716	63,738,793
Total non-current assets		5,938,291	6,022,354	6,034,986	255,702,795	279,581,763	264,845,361
Total Assets		10,900,793	8,501,707	9,488,949	469,388,126	394,683,246	416,422,528
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables	13	572,300	596,626	1,153,200	24,643,233	27,697,766	50,608,182
Interest-bearing loans and borrowings	14	47,000	129,078	57,000	2,023,820	5,992,317	2,501,445
Total current liabilities		619,300	725,704	1,210,200	26,667,053	33,690,083	53,109,627
Non-current liabilities							
Retirement liability	19	-	314,375		-	14,594,545	
Total non-current liabilities		-	314,375	-	-	14,594,545	-
Total liabilities		619,300	1,040,079	1,210,200	26,667,053	48,284,628	53,109,627
Equity							
Share capital	16	10,183,697	6,673,446	7,556,436	438,510,005	270,000,000	308,750,000
Share premium	16	1,400,882	1,122,577	1,123,903	60,321,971	60,259,968	60,321,971
Deficit	16	(574,669)	(301,250)	(467,065)	(24,745,253)	(4,745,996)	(12,161,877)
Reserves	16	(728,417)	(33,145)	65,475	(31,365,650)	20,884,646	6,402,807
Total equity		10,281,493	7,461,628	8,278,749	442,721,073	346,398,618	363,312,901
Total liabilities and equity		10,900,793	8,501,707	9,488,949	469,388,126	394,683,246	416,422,528

(The notes 1 to 23 are an integral to these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES
(Formerly MUSX CORPORATION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2011, 2010 and 2009

(With comparative figures for the year ended December 31, 2010)

	Note	In US Dollar				In Philippine Peso			
		(Functional Currency)				(Presentation Currency)			
		For the period ended June 30			For the year ended	For the period ended June 30			For the year ended
		2011	2010	2009	December 31, 2010	2011	2010	2009	December 31, 2010
NET SALES		\$ 605,649	\$ 435,210	\$481,513	\$ 845,994	PHP 26,079,242	PHP 19,919,126	PHP 23,024,026	PHP 38,162,535
COST OF GOODS SOLD	17	192,892	121,056	198,018	239,711	8,305,910	5,540,612	9,468,429	10,813,291
GROSS PROFIT		412,757	314,154	283,495	606,283	17,773,332	14,378,514	13,555,597	27,349,244
OPERATING EXPENSES	18	290,424	372,179	238,871	848,633	12,505,664	17,034,261	11,421,855	38,281,580
OPERATING PROFIT/(LOSS)		122,333	(58,025)	44,624	(242,350)	5,267,668	(2,655,747)	2,133,742	(10,932,336)
OTHER INCOME/(EXPENSES)									
Finance costs		(3,784)	(13,324)	(28,281)	(7,941)	(162,933)	(609,826)	(1,352,284)	(358,216)
Finance income		169	4,137	12,441	1,054	7,277	189,436	594,879	47,546
Others- net	19	(134,401)	11,835	112,686	111,771	(5,787,307)	541,676	5,388,191	5,041,957
		(138,016)	2,648	96,846	104,884	(5,942,963)	121,286	4,630,786	4,731,287
INCOME/(LOSS) BEFORE TAX		(15,683)	(55,377)	141,470	(137,466)	(675,295)	(2,534,461)	6,764,528	(6,201,049)
Provision for income tax		91,921	41,669	1,093	125,395	3,958,118	1,907,148	52,263	5,656,531
NET INCOME/(LOSS)		(107,604)	(97,046)	140,377	(262,861)	(4,633,414)	(4,441,609)	6,712,265	(11,857,580)
Other comprehensive income (loss)									
Net change in fair value of AFS investment			(322,415)	540,526	(430,024)		(15,335,510)	26,011,200	(22,423,544)
Net change in foreign currency difference			3,261	(246)	306,002		991,767	5,372,398	(1,800,038)
Total comprehensive income (loss)		\$(107,604)	\$(416,200)	\$680,657	\$(386,883)	(PHP 4,633,414)	(PHP 18,785,352)	PHP 38,095,863	(PHP 36,081,162)
Earnings (loss) per share	22	0.00002	0.000001	0.0001	0.00430	0.0008	(0.001287)	0.003300	0.00440

(The notes 1 to 23 are an integral part of these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES
(Formerly MUSX CORPORATION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended June 30, 2011, 2010 and 2009

	Note	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
		For the period ended June 30			For the period ended June 30		
		2011	2010	2009	2011	2010	2009
NET SALES		\$ 267,262	\$ 220,872	\$197,508	PHP 11,508,297	PHP 10,053,791	PHP 9,462,787
COST OF GOODS SOLD	17	74,279	59,769	86,182	3,198,434	2,719,755	4,128,260
GROSS PROFIT		192,983	161,103	111,326	8,309,863	7,334,036	5,334,527
OPERATING EXPENSES	18	153,239	226,728	125,507	6,598,478	10,339,588	6,008,725
OPERATING PROFIT/(LOSS)		39,744	(65,625)	(14,181)	1,711,385	(3,005,552)	(674,198)
OTHER INCOME/(EXPENSES)							
Finance costs		(3,784)	8,555	(6,720)	(162,933)	397,199	(322,746)
Finance income		169	(20,930)	8,332	7,277	(964,323)	398,673
Others- net	19	(87,093)	8,141	90,031	(3,750,225)	371,652	4,306,418
		(90,708)	(4,234)	91,643	(3,905,880)	(195,472)	4,382,345
INCOME/(LOSS) BEFORE TAX		(50,964)	(69,859)	77,462	(2,194,495)	(3,201,024)	3,708,147
Provision for income tax		74,494	29,381	616	3,207,712	1,341,568	29,486
NET INCOME/(LOSS)		(125,458)	(99,240)	76,846	(5,402,207)	(4,542,592)	3,678,661
Other comprehensive							
income (loss)							
Net change in fair value of AFS investment			(117,809)	644,126		(5,600,870)	30,996,680
Net change in foreign currency difference			(6,912)	(1,650)		8,999,823	(250,271)
Total comprehensive income (loss)		\$ (125,458)	\$ (223,961)	\$ 719,322	(PHP 5,402,207)	(PHP 1,143,639)	PHP 34,425,070
Earnings (loss) per share	22	0.00002	0.000001	0.0001	0.0008	(0.001287)	0.003300

(The notes 1 to 23 are an integral part of these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES
(Formerly MUSX CORPORATION)

CONSOLIDATED STATEMENT OF CASH FLOW
For the six months ended June 30, 2011, 2010 and 2009
(With comparative figures for 2010 and 2009)

	Note	In US Dollar (Functional Currency)				In Philippine Peso (Presentation Currency)			
		For the period ended June 30		For the year ended		For the period ended June 30		For the year ended	
		2011	2010	2009	December 31, 2010	2011	2010	2009	December 31, 2010
Cash flows from operating activities									
Income (loss) before tax		(15,683)	(55,377)	141,470	(137,466)	(675,295)	(2,534,551)	6,764,528	(6,201,050)
Adjustments for:									
Finance income		(169)	(1,023)	(300)	(1,054)	(7,277)	(46,822)	(14,345)	(47,546)
Finance costs		3,784	13,324	28,281	7,941	162,933	609,826	1,352,284	358,216
Impairment losses			-	-	39,141	-	-	-	1,765,639
Depreciation and amortization		7,334			-	315,798			-
Operating income (loss) before working capital chan		(4,734)	(43,076)	169,451	(91,438)	(203,842)	(1,971,547)	8,102,467	(4,124,741)
Decrease (increase) in:									
Trade and other receivables		236,750	(17,060)	100,473	(100,824)	10,194,463	(825,104)	4,590,863	(4,626,309)
Inventories		392,751	5,045	32,475	13,307	16,911,875	234,209	1,568,802	610,592
Prepayments and other current assets		915,171	15,328	(77,325)	26,145	39,407,268	708,232	(4,157,684)	1,199,663
Advances to Project		(580,585)				(25,000,000)			
Advances to related party			-	-	162,470	-	-	-	7,454,936
Increase (decrease) in:									
Trade and other payables		(580,900)	28,176	(364,310)	63,878	(25,013,559)	1,346,691	(17,099,347)	2,931,042
Retirement liability		-	21,849	(42,202)	-	-	999,999	(1,951,716)	-
Increase (decrease) in retirement benefit obligation									
Cash generated from (used in) operations		378,453	10,262	(181,438)	73,538	16,296,205	492,480	(8,946,615)	3,445,183
Income tax paid		(91,920)	(204)	(642)	-	(3,958,075)	(9,337)	(30,698)	-
Interest received		-	1,023	300		-	46,822	14,345	
Finance income		169			1,054	7,277			47,546
Net cash provided by (used in) operating activities		286,702	11,081	(181,780)	74,592	12,345,407	529,965	(8,962,968)	3,492,729
Cash flows from investing activities									
Increase in intangible assets	12	(2,558)	(334,815)	(458,403)	(425,522)	(110,158)	(15,543,451)	(22,144,532)	(19,613,081)
Acquisitions of AFS investments			(87,026)	-	(87,026)	-	(3,987,450)	-	(3,993,188)
Additions to property and equipment			-	-	(44,002)	-	-	-	(1,931,028)
Decrease in other non-current assets		91,920	-	-	-	3,958,075		10,067	-
Net cash used in investing activities		89,362	(421,841)	(458,403)	(556,550)	3,847,917	(19,530,901)	(22,134,465)	(25,537,297)
Cash flows from financing activities									
Net proceeds from issuance of common shares	16	2,627,261		766,875	882,990	113,129,871		36,715,686	40,515,996
Expenses from issuance of common shares			(1,326)			-	(62,003)	-	
Payments of interest-bearing loans and borrowings	14	(10,000)	-	(113,853)	796	(430,600)		(5,500,000)	36,524
Finance cost paid		(3,784)	(3,318)	(6,949)	(7,941)	(162,933)	(151,796)	(332,273)	(358,216)
Proceeds from availment interest-bearing loans and borrowings			7,714	-	-	-	358,115	-	-
Net cash provided by financing activities		2,613,477	3,070	646,073	875,845	112,536,338	144,316	30,883,413	40,194,304
Effect of									
Exchange rates changes on cash on hand and in banks			3,261	(246)	72,077		110,331	656,084	1,248,106
Revaluation and translation reserves		(516,915)				(22,993,688)			
Net increase (decrease) in cash on hand and in banks		2,472,626	(404,429)	5,644	465,964	105,735,974	(18,746,289)	442,064	19,397,842
January 1		891,293	425,329	193,405	425,329	39,114,393	19,716,551	9,183,836	19,716,551
Balance End		\$ 3,363,919	\$ 20,900	\$199,049	\$ 891,293	144,850,367	970,262	9,625,900	39,114,393

(The notes 1 to 23 are an integral to these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES
(Formerly MUSX CORPORATION)

CONSOLIDATED STATEMENT OF CHANGES ON EQUITY

For the six months ended June 30, 2011 and 2010

IN US DOLLAR

	Capital Stock	Share premium	Fair value and translation reserves	Deficit	Total equity
Balance, January 1, 2011	7,556,436	1,123,903	65,475	(467,065)	8,278,749
Transactions with owners, directly recorded to equity					-
Issuance of shares (Note 16)	3,222,480				3,222,480
Subscription receivables (Note 16)	(209,011)				(209,011)
					-
Total transactions with owners	10,569,906	1,123,903	65,475	(467,065)	11,292,219
Total comprehensive income					-
Income/(loss) for the period				(107,604)	(107,604)
Other comprehensive income for the period					-
Foreign currency translation difference	(386,209)	276,979	(793,892)		(903,122)
Net change in fair value of available-for-sale investment transferred to profit or loss					-
Total comprehensive income for the period	(386,209)	276,979	(793,892)	(107,604)	(1,010,725)
Balance, June 30, 2011	10,183,697	1,400,882	(728,417)	(574,669)	10,281,493
Balance, January 01, 2010	6,673,446	1,123,903	286,009	(204,204)	7,879,154
Transactions with owners, directly recorded to equity					-
Expenses from issuance of common shares	-	(1,326)	-	-	(1,326)
Total transactions with owners	6,673,446	1,122,577	286,009	(204,204)	7,877,828
Total comprehensive income					
Net Income				(97,046)	(97,046)
Other comprehensive income for the period					
Foreign currency translation difference			3,261		3,261
Net change in fair value of available-for-sale investment			(322,415)		(322,415)
Total comprehensive income for the period	-	-	(319,154)	(97,046)	(416,200)
Balance, June 30, 2010	6,673,446	1,122,577	(33,145)	(301,250)	7,461,628

CONSOLIDATED STATEMENT OF CHANGES ON EQUITY

For the six months ended June 30, 2011 and 2010

IN PHILIPPINE PESO					
	Share Capital	Share premium	Fair value and translation reserves	Deficit	Total equity
Balance, January 1, 2011	308,750,000	60,321,971	6,402,807	(12,161,877)	363,312,901
Transactions with owners, directly recorded to equity					
Issuance of shares (Note 16)	138,760,005				138,760,005.00
Subscription receivables (Note 16)	(9,000,000)				(9,000,000.00)
					-
Total transactions with owners	438,510,005	60,321,971	6,402,807	(12,161,877)	493,072,906
Total comprehensive income					-
Income/(loss) for the period				(4,633,414)	(4,633,413.60)
Other comprehensive income for the period					-
Foreign currency translation difference			(37,768,457)	(7,949,962)	(45,718,419.00)
Net change in fair value of available-for-sale investment transferred to profit or loss					-
Total comprehensive income for the period	-	-	(37,768,457)	(12,583,376)	(50,351,833)
Balance, June 30, 2011	438,510,005	60,321,971	(31,365,650)	(24,745,253)	442,721,073
Balance, January 01, 2010	270,000,000	60,321,971	35,228,389	(304,297)	365,246,063
Transactions with owners, directly recorded to equity					-
Expenses from issuance of common shares	-	(62,003)	-	-	(62,003)
					-
Total transactions with owners	270,000,000	60,259,968	35,228,389	(304,297)	365,184,060
Total comprehensive income					-
Net Income				(4,441,699)	(4,441,699)
Other comprehensive income for the period					-
Foreign currency translation difference			991,767		991,767
Net change in fair value of available-for-sale investment			(15,335,510)		(15,335,510)
Total comprehensive income for the period	-	-	(14,343,743)	(4,441,699)	(18,785,442)
Balance, June 30, 2010	270,000,000	60,259,968	20,884,646	(4,745,996)	346,398,618

(The notes 1 to 23 are an integral part of these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES
(Formerly: Musx Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE PERIOD ENDED JUNE 30, 2011
(With comparative figures for 2010)

NOTE 1 – CORPORATE INFORMATION

Greenenergy Holdings Incorporated (the Parent Company) was registered with the Philippines Securities and Exchange Commission (SEC) per Registration No. ASO92-00589 in 1992 to engage in the creation, design, development and manufacture of specialty semiconductors products and to market and sell the same to customers worldwide. However, in 1999, with the approval of its shareholders, the Parent Company become a holding company which lasted until 2003, when it reverted to its prior state , being a semiconductor operation company.

On October 30, 2008 the stockholders approved to change the Parent Company's name MUSX Corporation and to change the primary purpose of its business back to a holding company with the operation of semiconductor business as part of its secondary purposes. The SEC approved these changes on December 15, 2008.

On June 22, 2011, the SEC approved the following amendments, among others, to the Parent Company's Articles of Incorporation:

- a Change in the registered business name from MUSX Corporation to its current name;
- b Change in the principal office and place of business of the Corporation from L14 Net Cube Centre, 3rd Avenue corner 30th Street, E- Square Crescent Park, West Bonifacio Global City, Taguig to 54 National Road, Dampol II-A, Pulilan, Bulacan;
- c Decrease in par value from Ten Centavos (Php 0.10) per share to One Centavo (Php 0.01) per share; and
- d Increase in authorized capital stock from Five Hundred Million Pesos (Php 500,000,000.00) divided into Five Billion (5,000,000,000) shares at par value of Ten Centavos (Php 0.10) per share into One Billion Pesos (PHP 1,000,000,000) divided into One Hundred Billion (100,000,000,000) shares with par value of One Centavo (Php 0.01) per share

The consolidated financial statements as of and for the period ended June 30, 2011 comprises the financial statements of the company and its Subsidiaries (collectively referred to as the Group).

The principal subsidiaries of the Parent Company as of July 30, 2011 are as follows:

Name of Subsidiary	Country of Incorporation	Principal Activity	Percentage of ownership
MUSIC Semiconductors Philippines, Inc. (MSPI)	Philippines	Logistics and manufacturing	100.0%
Music Semiconductors, Inc	United States	Trading	90.8%
Musem Electronic N.V (Musem)	Netherlands	Trading	99.99%
Protelcon, Inc.* (Protelcon)	United States	Dormant	52.6%
* Dormant Company			

The non-controlling interest in the subsidiaries that are not wholly-owned has been reduced to zero by the minority interest's share in the net losses of those subsidiaries. Hence, no amount of non-controlling interest is presented in the consolidated financial statements.

MSPI

MSPI was established to engage in manufacturing and testing of integrated circuits.

On March 2, 2009, the Board of Directors (BOD) approved the change in the primary purpose of MSPI from manufacturing of semiconductors products to development, sales, marketing, and logistics of semiconductors products. Relative to this, MSPI fully outsourced to third party its manufacturing operation effective January 2009. On the same date, the BOD also approved the change in the principal address of MSPI from Canlubang, Laguna to Alabang, Muntinlupa City and for its logistic operation to Carmona, Cavite.

MSI

MSI was established primarily as the sales and marketing arm of the Group, but in addition, undertook the role as the developer of the new products during the period of 1999 to 2001. During 2001, MSI suffered significant business losses as a result of the implosion of the internet and telecom markets, the two main markets of its customers. On January 30, 2002, MSI had filed a motion for voluntary bankruptcy under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court of the Northern District of California. On June 11, 2003, the Court approved the Plan of Reorganization filed by MSI.

On December 24, 2008, the Court issued its final decree and ordered that all the properties of MSI dealt with under the Plan of Reorganization are free and clean of claims and interest of its creditors. Creditors were fully paid in the amount of \$9,453,799 during the bankruptcy process.

Status of operation

On October 30, 2008, the majority of the stockholders and BOD of the Parent Company approved the following amendments to the Parent Company's Articles of Incorporation:

- a) Change in the registered business name from MUSIC Semiconductors Corporation to its current name; and
- b) Change in the primary purpose of business back to a holding company with the operation of semiconductors business as part of its secondary purposes.

The SEC approved the aforementioned amendments on December 15, 2008.

On March 2, 2009, the BOD approved the change in the principal office and place of business of the Company from 110 Excellence Avenue corner Accuracy Drive, Carmelray Industrial Park, Canlubang, Calamba, Laguna to L14 Net Cube Centre, 3rd Avenue corner 30th Street, E- Square Crescent Park, West Bonifacio Global City, Taguig City. The change of principal office was approved by shareholders on December 14, 2009 and the SEC on January 11, 2010.

On June 22, 2011, the SEC approved the following amendments, among others, to the Parent Company's Articles of Incorporation:

- a) Change in the registered business name from MUSX Corporation to its current name;
- b) Change in the principal office and place of business of the Corporation from L14 Net Cube Centre, 3rd Avenue corner 30th Street, E- Square Crescent Park, West Bonifacio Global City, Taguig to 54 National Road, Dampol II-A, Pulilan, Bulacan;
- c) Decrease in par value from Ten Centavos (Php 0.10) per share to One Centavo (Php 0.01) per share; and
- d) Increase in authorized capital stock from Five Hundred Million Pesos (Php 500,000,000.00) divided into Five Billion (5,000,000,000) shares at par value of Ten Centavos (Php 0.10) per share into One Billion Pesos (PHP 1,000,000,000) divided into One Hundred Billion (100,000,000,000) shares with par value of One Centavo (Php 0.01) per share

Company restructuring

On October 30, 2008, the stockholders approved its restructuring plan, whereby the existing semiconductor assets and liabilities of the Parent Company will be transferred to MSPI in exchange for MSPI shares that will be taken from such subsidiary's unissued shares of stock. Relative to this, on November 3, 2008, the Company executed a Deed of Assignment in favor of MSPI under which both parties agreed to transfer of the Company's net semiconductor assets with the carrying value of \$4,465,228 (P218,260,365) in exchange for 34,258 unissued shares of MSPI at \$103.34 (P6,371.08) per share. The restructuring plan was approved by the SEC on September 15, 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

2.1 Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments which have been measured at fair value.

Statement of compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC), and adopted by SEC. PFRS consist of the following:

- (a) PFRS - correspond to International Financial Reporting Standards;
- (b) Philippine Accounting Standards (PAS) – correspond to International Accounting Standards; and
- (c) Philippine Interpretations to existing standards – correspond to Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee of the International Accounting Standards Board; these include Interpretation developed by the Philippine Interpretation Committee (PIC).

Functional and presentation currency

The consolidated financial statements are presented both in US Dollar and Philippine Peso, the Group's functional and presentation currencies, respectively.

Changes in accounting policies

- a) *New standards, interpretations and amendments effective from January 1, 2010*

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and PIC Interpretations effective as of January 1, 2010:

- PFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective January 1, 2010
- PFRS 3 Business Combinations (Revised) and PAS 27 Consolidated and Separate Financial Statements (Amended) effective July 1, 2009, including consequential amendments to PFRS 2, PFRS 5, PFRS 7, PAS 7, PAS 21, PAS 28, PAS 31 and PAS 39
- PAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective July 1, 2009
- PIC Interpretation 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- Improvements to PFRS (May 2008)
- Improvements to PFRS (April 2009)

The adoption of the standards or interpretations is described below:

- **PFRS 2 Share-based Payment (Revised):** The FRSC issued an amendment to PFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.
- **PFRS 3 Business Combinations (Revised) and PAS 27 Consolidated and Separate Financial Statements (Amended):** PFRS 3 (Revised) introduces significant changes in the accounting for

business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

- **PAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items:** The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
- **PIC Interpretations 17 Distribution of Non-cash Assets to Owners:** This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

Improvements to PFRS

In April 2009, the FRSC issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 2 Share-based Payment;
- PAS 1 Presentation of Financial Statements;
- PAS 17 Leases;
- PAS 34 Interim Financial Reporting;
- PAS 38 Intangible Assets;
- PAS 39 Financial Instruments: Recognition and Measurement;
- PIC Interpretations 9 Reassessment of Embedded Derivatives; and
- PIC Interpretations 16 Hedge of a Net Investment in a Foreign Operation.

b) New standards, interpretations and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- **PAS 24 Related Party Disclosures (Amendment):** The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.
- **PAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment):** The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.
- **PFRS 9 Financial Instruments: Classification and Measurement:** PFRS 9 as issued reflects the first phase of the FRSC work on the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the FRSC will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- **PIC Interpretations 14 Prepayments of a minimum funding requirement (Amendment):** The amendment to PIC Interpretations 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.
- **PIC Interpretations 19 Extinguishing Financial Liabilities with Equity Instruments:** PIC Interpretations 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvement to PFRS

Issued in May 2010

The FRSC issued improvements to PFRS, an omnibus of amendments to its PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- PFRS 3 Business Combinations;

- PFRS 7 Financial Instruments: Disclosures;
- PAS 1 Presentation of Financial Statements;
- PAS 27 Consolidated and Separate Financial Statements; and
- PIC Interpretations 13 Customer Loyalty Programs.

2.2 Basis of consolidation

Basis of consolidation from January 1, 2011

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2011.

Subsidiaries are fully-consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive; income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2011

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2011, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill;

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-

- controlling interest had a binding obligation to cover these. Losses prior to January 1, 2011 were not reallocated between non-controlling interest and the parent shareholders; and
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

2.3 Business combinations

Business combinations from January 1, 2011

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1, 2011

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

2.4 Business segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

2.5 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value plus transaction costs except for financial instruments measured at fair value through profit or loss (FVPL).

Classification of financial instruments

Financial assets

The Group classifies its financial assets into loans and receivables and AFS investment category as discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as FVPL and held to maturity (HTM).

Financial assets at FVPL

This category comprises only in-the-money derivatives which are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income in the finance income or cost line item. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at FVPL.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within operating expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognized in the consolidated statement of comprehensive income (operating profit).

The Group's loans and receivables comprise cash in banks, trade and other receivables and loans receivable in the consolidated statement of financial position.

Cash includes cash on hand and in banks. Cash in banks earns interest at respective bank deposit rates.

AFS investments

AFS investments include equity and debt securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the AFS reserve. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that is linked to and must be settled by delivery of such unquoted equity instruments is measured at cost.

The Company evaluated its AFS assets whether the ability and intention to sell them in the near term and is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within operating expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognized in the consolidated statement of comprehensive income (operating profit).

The Group's loans and receivables comprise trade and other receivables and loans receivable in the consolidated statement of financial position (see Notes 13 and 14).

Cash includes cash on hand and in banks. Cash in banks earns interest at respective bank deposit rates.

AFS investments

AFS investments include equity and debt securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the AFS reserve. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that is linked to and must be settled by delivery of such unquoted equity instruments is measured at cost.

The Company evaluated its AFS assets whether the ability and intention to sell them in the near term and is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Derecognition of financial instruments

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Impairment of financial assets

Assessment of impairment

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial

assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Evidence of impairment

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

Impairment on assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in "Other income (expenses)" in the consolidated statement of comprehensive income.

Impairment on assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment loss

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in "Other income" in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

Classification of financial instruments between debt and equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as finance cost in the consolidated statement of comprehensive income.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or other financial assets to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; (c) satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined by the moving average method. NRV is the estimated selling price in the ordinary course of business, less

estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials - landed cost (purchase price plus costs incurred in bringing each product to its present location) on a moving average method; and

Work in process - cost of direct materials and labor and a proportion of manufacturing overhead based on normal operating capacity on a moving average method.

2.7 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged against income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise prepayments are classified as non-current assets.

2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment, leasehold improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

Machinery and equipment	3 to 5 years
Office and computer equipment	3 years
Other operating equipment	3 years
Office furniture and fixtures	3 years

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that the period and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposed, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss arising from the retirement and disposal is recognized in profit or loss.

2.9 Intangible asset

Development cost

Intangible assets represent capitalized development costs which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisitions or production.

Cost associated with research activities are expensed in other comprehensive income as incurred. Costs that are directly attributable to the development phase of new Content Addressable Memory (CAM) products are recognized as intangible assets provided they meet the following recognition requirements:

- a.) Demonstration of technical feasibility of the prospective product for internal use or sale;
- b.) The intangible asset will generate probable economic benefits through internal use or sale;
- c.) Sufficient technical, financial and other resources are available for completion; and
- d.) The intangible asset can be reliably measured.

Directly attributable costs include personnel costs incurred on software development along with an appropriate portion of relevant overheads. However, until completion of the development project, the assets are subject to impairment testing. Amortization commences upon completion of the asset and will be computed using the straight-line method over the estimated useful life of the asset.

All other development costs are expensed as incurred.

2.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets such as property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Group makes a formal estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset or its cash generating units (CGU) fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an

arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the consolidated statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment are recognized in the consolidated statement of comprehensive income.

2.11 Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's consolidated statement of financial position.

Group as lessor

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group does not have any leases under finance lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

2.12 Equity

Share capital

Financial instruments issued by the Parent Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Parent Company's ordinary shares are classified as equity instruments.

Share premium

Share premium includes any premium received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits.

Reserves

Fair value reserve comprises the cumulative net change in the fair value of AFS investments until such investments are derecognized or impaired.

Translation reserve in the Philippine peso financial statements includes all exchange differences resulting from translation of financial statements from functional currency to presentation currency.

Reconciliation is being done between translation and revaluation reserve accounts to trace the historical changes to be able to restate the actual balances.

2.13 Earnings per share (EPS)

Basic earnings per share is computed by dividing net earnings (losses) by weighted average number of issued and outstanding common shares during the year after giving retroactive effect to stock dividends declared, stock split and reserve stock split during the current year, if any.

2.14 Provisions

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in the consolidated statement of comprehensive income.

2.15 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

2.16 Revenue 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. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized.

Finance income

Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.17 Expense recognition

Expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Expenses in the consolidated statement of comprehensive income are presented using the function of expense method. Cost of sales are expenses incurred that are associated with the goods sold and includes freight in, purchases and direct labor. Operating expenses are costs attributable to selling and administrative activities of the Group.

2.18 Foreign currency translation

The accounting records are maintained in both US Dollar and Philippine Peso. Foreign currency transactions during the year are translated into functional currency rate at exchange rates which approximate those prevailing on transactions and from the translation at end of exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit or loss.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the profit or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In translating the financial statement from functional currency to presentation currency, the denominated assets and liabilities are translated using the closing rate at each reporting date while income and expenses presented in profit or loss are translated using the average exchange rate for the year. All resulting exchanges differences are recognized under the foreign currency translation difference account in other comprehensive income and in equity as part of translation reserve.

2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.20 Retirement benefit obligation

Pension benefits are provided to employee through a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term fund, as well as qualifying insurance policies. The Group's defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The Group's net obligation in respect to its retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets deducted. The calculation is performed by qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the profit or loss on a straight-line basis over the average period until benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit or loss.

In respect of actuarial gains and losses to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the profit or loss over the expected average working lives of the employees. Otherwise, the actuarial gain or loss is not recognized.

Post-employment benefit – defined contribution

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plan are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either; (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

Compensated absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. They are included in the accounts payable and accrued expenses account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of unused entitlement.

2.21 Related party transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled or under common control are considered related parties. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered to be related parties.

2.22 Income taxes

Current income tax

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute for the amount are those that are substantively enacted at the financial reporting date.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income 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 financial reporting date.

2.23 Events after the financial reporting date

Post balance sheet date events up to the date of this report that provide additional information about the Group's position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post balance sheet date events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from these estimates and assumptions used. The effect of any change in estimates will be reflected in the consolidated financial statements when these become reasonably determinable.

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be US Dollar, which is the currency of the primary economic environment in which the Group operates wherein revenues and expenses are normally denominated in US Dollar.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated financial position date.

The classification of the Group's financial instruments is set-out in Note 4 of the consolidated financial statements.

Determination of fair value of financial instruments

The Group carries certain financial assets and liabilities at fair value, which requires use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The fair value of financial assets and liabilities as of June 30, 2011 and December 31, 2010 amounted to \$0.00 and \$908,019 and \$619,300 and \$1,210,200 (P0.00 and P39,848,414 and P26,667,053 and P53,109,621 and P31,975,998) , respectively (see Note 4).

Evaluation of lease agreement

The Group has entered into a lease agreement as lessee. The Group has determined that the lessor retains all significant risks and rewards of ownership of the property which is leased out, hence, accounted for as operating lease.

Rent expense recognized in the profit or loss amounted to \$14,343 (P617,617), \$16,688 (P763,793) and \$18,509 (P885,026) for the period ended June 30, 2011, 2010 and 2009, respectively (see Note 22).

Impairment of trade and other receivables

The Group reviews its trade and other receivables at each reporting date to assess whether a provision for impairment should be recognized in its consolidated statement of comprehensive income or trade and receivables balance should be written off. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable

data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

Estimation of net realizable values of inventories

The Group provides an allowance to reduce inventories to net realizable values whenever the utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the net realizable value is reviewed regularly.

The Group did not provide an allowance for doubtful inventory obsolescence as of June 30, 2011 and December 31, 2010, as management believes that the carrying amount approximates its carrying value. The net realizable value of inventories amounted to \$768,365 and \$1,161,116 (P33,085,780 and P50,955,576) as of June 30, 2011 and December 31, 2010 respectively (see Note 8).

Costing of inventories

The Group's inventory costing policies and procedures were based on a careful evaluation of production operations. Review of the benchmarks set by management necessary for the determination of standard inventory costs and allocation of overhead is being done regularly. Actual data are being compared to related benchmarks and critical judgment is exercised to assess reasonableness of the costing policies and procedures which are currently in place.

Impairment of AFS investments

The Group classifies certain financial assets as AFS equity securities and recognizes movements in fair value in other comprehensive income and equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. Impairment may be appropriate when there is evidence of deterioration in the financial wealth of investee, industry and sector performance and operational and financing cash flows.

The Group treats AFS equity securities as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of the original cost of the investment, and "prolonged", longer than twelve (12) months. In addition, the Group evaluates other factors including normal volatility in share price for quoted securities and the future cash flows and the discount factors for unquoted securities.

Based on management's assessment, AFS investments are fairly stated, thus, allowance for impairment was not recognized as of June 30, 2011 and December 31, 2010.

Impairment of non-financial assets

The Group assesses at each financial position date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the financial position date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Based on management's assessment, non-financial assets are fairly stated, thus, no impairment loss needs to be recognized as of June 30, 2011 and December 31, 2010.

Capitalization of development costs

Careful judgment by management is applied when deciding whether recognition requirements for development costs for new CAM product, in contrast with research, have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at each reporting date. In addition, all internal activities related to the research and development of new products is continuously monitored by management.

The new CAM product being developed is currently in the development stage. The total capitalized development cost as of June 30, 2011 and December 31, 2010 amounted to \$4,358,310 (P187,668,839) and \$4,355,752 (P191,152,176) respectively (see Note 12).

Useful lives of property and equipment

The Group reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. If it is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

The carrying amounts of property and equipment as of December 31, 2009 were written off relative to the Group's total outsourcing of its manufacturing operations in January 1, 2010 (see Note 11).

Stock purchase plan

The Group determines whether its stock purchase plan is considered share based payment transaction under PFRS 2, *Share-based Payment*. In making this judgment, the Group evaluates the substance of the transaction under the plan which considers among others, presence of award element for the employees and vesting requirements, the basis of valuation of the shares and the timing of the issuance of the shares. Based on the Group's judgment, the stock purchase plan is not covered by PFRS 2, since the transaction constitute only the granting of interest-bearing loans to Group's employees for the purchase of shares of stock of the Group at share price prevailing in the market. Relative to this, the Group's employees are paying the full fair value of the shares at the date of purchase, which demonstrates that the stock purchase plan does not have an award element for the employees (see Note 15).

Retirement and other benefits

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 of the financial statements and include, among others, discount rates, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant difference between actual experience and assumptions may materially affect the cost of employee benefit and related obligation.

Recognition of deferred tax assets

The Group reviews its deferred income tax assets at each financial reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group believes that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The Group's deferred tax assets for the as of June 30, 2011 and December 31, 2010 amounted to \$1,360,485 and \$1,452,405 (P58,582,484 and P63,738,793), respectively. The recognized deferred tax assets pertain to the future tax benefit that the Group expects to realize from MSI's net operating losses.

Also as of December 31, 2010 and 2009, the Group has unrecognized deferred tax assets pertaining to temporary differences of the Parent Company and MSPI amounting to \$24,544 (P1,106,568) and \$416,837 (P19,321,850), respectively.

Provisions and contingencies

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

NOTE 4 – DETERMINATION OF FAIR VALUES

A number of the company's accounting policies and disclosure require the determination of fair value. Fair value have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available-for-sale-investments

The fair value of available-for-sale investments in shares of stocks are based on the quoted price from the Philippines Stocks Exchange at the reporting date.

Non-derivative financial liabilities

NOTE 5 – SEGMENT REPORTING

The Company has two significant operating subsidiaries which constitute the main segment of the Group: Logistics in the Philippines of Semiconductors and electronic products which is undertaken by MSPI; and worldwide sales and marketing of products produced by MSPI which is undertaken by MSI. Information relating to these two segments, before intercompany eliminations, is shown below.

		In U.S. Dollars		In Philippine Pesos	
		Audited		Audited	
		June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Total Assets					
	MSI	\$ 1,842,568	\$ 2,098,594	Php79,340,969	Php92,096,818
	MSPI	4,838,345	5,002,503	208,339,141	219,534,846
Total liabilities					
	MSI	847,114	78,373	36,476,713	3,439,391
	MSPI	1,447,523	585,865	62,330,359	25,710,689

		In U.S. Dollars			In Philippine Pesos		
		Six (6) months ended June 30			Six (6) months ended June 30		
		2011	2010	2009	2011	2010	2009
Net Sales							
	MSI	605,649	845,994	830,529	26,079,242	38,162,536	39,563,910
	MSPI	117,466	169,225	171,742	5,058,083	7,633,689	8,181,274
Operating Profit/(Loss)							
	MSI	356,367	(314,088)	346,019	15,345,177	(14,209,014)	16,483,307
	MSPI	(197,520)	310,869	(468,681)	(8,505,217)	14,023,207	(22,326,557)
Net Profit/(Loss)							
	MSI	107,836	(161,241)	457,476	4,643,409	7,273,533	21,792,784
	MSPI	(179,089)	370,546	(179,160)	(7,711,591)	16,715,219	(8,534,645)

NOTE 6 – FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities are exposed to a variety of financial risks, which include credit risk, liquidity risk and market risk. Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's financial performance.

Risk management structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Financial risk management objectives and policies

The Group is exposed to a variety of financial risks, which result from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash in banks and cash equivalents, trade receivables and payables, interest-bearing loans and borrowings and advances to and from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and payables, which arise directly from operations.

Financial risk management of the Group is coordinated by the management of the subsidiaries with its Parent Company. Group policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results of operations and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from deposits with banks, as well as credit exposure to receivables from third parties.

The Group trades only with recognized, creditworthy third parties. Also, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For banks, the Group has maintained its business relationships with accredited banks, which are considered in the industry as universal banks. The receivables from related parties are accordingly collected in accordance with the Group's credit policy.

The Group's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	In US Dollar		In Philippine Peso	
	(Functional currency)		(Presentation currency)	
	as of June 30, 2011	as of Dec 31, 2010	as of June 30, 2011	as of Dec 31, 2010
Cash in Bank	2,836,151	7,955	349,105	349,105
Trade and Other Receivable	244,228	480,978	10,516,458	21,107,720
Loans Receivable	182,827	182,827	8,023,363	8,023,363
	3,263,206	671,760	18,888,926	29,480,188

The following table provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of debtors:

In US Dollar:							
as of June 30, 2011							
	Carrying Amount	Neither past due nor impaired	Past due but not impaired				
			1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Cash In Banks	2,836,151	2,836,151	-	-	-	-	
Trade and Other Receivable	244,228	28,368	73,573	142,287	-	-	
Loans Receivable	182,827	182,827	-	-	-	-	
	3,263,206	3,047,345	73,573	142,287	-	-	
as of June 30, 2010							
	Carrying Amount	Neither past due nor impaired	Past due but not impaired				
			1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Cash In Banks	7,955	7,955	-	-	-	-	
Trade and Other Receivable	480,978	129,768	64,692	286,519	-	-	
Loans Receivable	182,827	182,827	-	-	-	-	
	671,760	320,550	64,692	286,519	-	-	
In Philippine Peso:							
as of June 30, 2011							
	Carrying Amount	Neither past due nor impaired	Past due but not impaired				
			1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Cash In Banks	122,124,642	122,124,642	-	-	-	-	
Trade and Other Receivable	10,516,458	1,221,514	3,168,055	6,126,888	-	-	
Loans Receivable	7,872,531	7,872,531	-	-	-	-	
	140,513,630	131,218,687	3,168,055	6,126,888	-	-	
as of June 30, 2010							
	Carrying Amount	Neither past due nor impaired	Past due but not impaired				
			1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Cash In Banks	349,105	349,105	-	-	-	-	
Trade and Other Receivable	21,107,720	5,694,863	2,838,988	12,573,869	-	-	
Loans Receivable	8,023,363	8,023,363	-	-	-	-	
	29,480,188	14,067,331	2,838,988	12,573,869	-	-	

The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks and customers who pay on or before due date.

Credit quality per class of financial assets

The Group's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Group makes persistent effort to collect them.

The following table provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of debtors:

In US Dollar:							
	as of June 30, 2011						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated*	Past due but not Impaired	Impaired	Total
Cash in banks	2,836,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,836,151
Trade and other receivables	244,228						244,228
Loans receivable	182,827						182,827
	\$ 3,263,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,263,206
	as of December 31, 2010						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated*	Past due but not Impaired	Impaired	Total
Cash in banks	\$ 7,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,955
Trade and other receivables	480,978						480,978
Loans receivable	182,827						182,827
	\$ 671,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671,760
	In Philippine Peso:						
	as of June 30, 2011						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated*	Past due but not Impaired	Impaired	Total
Cash in banks	122,124,642	-	-	-	-	-	122,124,642
Trade and other receivables	10,516,458	-	-	-	-	-	10,516,458
Loans receivable	7,872,531	-	-	-	-	-	7,872,531
	140,513,630	-	-	-	-	-	140,513,630
	as of December 31, 2010						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated*	Past due but not Impaired	Impaired	Total
Cash in banks	349,105	-	-	-	-	-	349,105
Trade and other receivables	21,107,720	-	-	-	-	-	21,107,720
Loans receivable	8,023,363	-	-	-	-	-	8,023,363
	29,480,188	-	-	-	-	-	29,480,188

The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks and customers who pay on or before due date.

Liquidity risk

This represents the risk or difficulty in raising funds to meet the Group's commitment associated with financial obligation and daily cash flow requirement. The Group is exposed to the possibility that adverse exchanges in the business environment and/or its operations would result to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Group's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. Also, the Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing sources.

Market risk

Market risk refers to the risk that changes in market prices, such as interest rates, foreign exchange rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in interest rates and foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to interest rate risk as the Group's interest rate on bank loans is fixed.

Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in Philippine Peso and Euro. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Company's business operations and industry.

The Group manages its capital structure (total equity) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust or delay the dividend payment to shareholders, and appropriate a percentage of retained earnings towards expansion and capital expenditures.

There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

The Company monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities less cash as shown in the statements of financial position. Total equity comprises all components of equity including share capital, share premium and retained earnings.

NOTE 7 - RECEIVABLES

This account consists of:

	In U.S. Dollars		In Philippine Pesos	
	June 30, 2011	Audited Dec. 31, 2010	June 30, 2011	Audited Dec. 31, 2010
Current portion:				
Trade	463,744	92,566	19,968,822	4,062,259
Loans	-	114,835	-	5,039,534
Advances to Officers and Employees	-	-	-	-
Other receivables from:				
Lodestard Investment Holding Corporation	-	-	-	-
Vickers	-	-	-	-
Others	-	310,266	-	13,616,023
	463,744	517,667	19,968,822	22,717,816
Less Allowance for impairment of receivables on:				
Trade	36,689	36,689	1,579,828	1,610,096
Advances to Officers and employees	-	-	-	-
Lodestar	-	-	-	-
Vickers	-	-	-	-
Others	-	-	-	-
	36,689	36,689	1,579,828	1,610,096
Net Current Portion	427,055	480,978	18,388,993	21,107,720
Non-current portion				
Loans	182,827	226,771	7,872,531	10,254,598

Loans Receivables

Loans Receivables pertaining to interest-bearing loans to eligible employees and directors in connection to the duly approved Stock Purchase Plan payable over a period of five years. The process of getting the subject shares sold to employees under the stock purchase plan listed in the PSE is yet to be and once the said shares are listed, the loan repayment will begin.

Impairment

All of the Group's receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and losses have been recognized accordingly. The reconciliation of the allowance for impairment of receivables at the beginning and end of 2011 and 2010 is shown below.

	In U.S. Dollars		In Philippine Pesos	
	Audited		Audited	
	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Balance at beginning of period	36,689	184,463	1,579,828	8,550,967
Impairment Loss	661	10,931	28,463	493,094
Reversal of provision for returns		-		-
Reclassification from allowance for impairment of prepayments		-		-
Write-off		(184,463)		(8,550,967)
Effects of exchange rates	2	25,758	(528,346)	1,117,002
Balance at end of period	37,352	36,689	1,079,945	1,610,096

Allowance for impairment on receivables is based on Group's management reasonable estimate of accounts doubtful of collections. This amount may differ from the actual amount written-off once circumstances relating to their collectability become certain.

In 2008, the Group wrote-off advances to an employee who was terminated in 2009 amounting to \$29,503 (P1,312,146). On January 29, 2009, the Group finalized the term of settlement with this terminated employee which include the write-off of advances to the employee. The write-off of receivable is included as part of other expenses in the 2008 statement of comprehensive income.

In June 2011, the Company agreed to acquire 51% of Total Waste Management Recovery System, Inc. and made advances in the amount of \$580,585 (P25,000,000) for the undertaking of a project that is aimed to promote better, efficient, hygienic and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of household, office, commercial and industrial garbage and waste products; and in the process, facilitate the extraction of renewable energy from biomass and production of organic fertilizer.

NOTE 8 - INVENTORIES

The components of inventories are as follows:

	In U.S. Dollars		In Philippine Pesos	
	Audited		Audited	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Raw Materials	-	573,282	-	25,158,480
Work in Process	-	15,890	-	697,333
Finished goods	768,365	571,944	33,085,780	25,099,762
	768,365	1,161,116	33,085,780	50,955,575

The downturn of the market in the worldwide semiconductor and electronics industries resulted in the significant reduction of new orders and cancellation of placed orders late 2008. As a result inventories were written down to NVR for such products identified to be cancelled orders, non-moving and slow moving products and recognized a

loss on inventory write-down amounting to \$1,298,179 (P57.7 million), which was presented as part of “other income (expense)” account in 2008 profit or loss.

In 2009, the group reversed the portion of allowance to write-down inventories to NVR amounting to \$611,745 or (P29.1 million) since management has established that the said inventories are saleable for the these are to be used for future production of new products (HARRP) wherein samples are introduced in the market. The remaining balance of allowance for inventories determined to be non-produceable or non-saleable amounting to \$686,434 (P32.7 million) was written off.

As of June 30, 2010 and December 31, 2009, the carrying amount of inventories stated at net realizable value amounted to \$686,434 (P54.3 million) and \$1,174,423 (P54.4 million) respectively.

NOTE 9 – AVAILABLE-FOR-SALE INVESTMENT

Movements in this account are summarized as follows:

	In U.S. Dollars		In Philippine Peso	
	Audited		Audited	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Balance at beginning of period	908,019.00	1,113,604.00	39,848,414.00	51,622,227
Additions	-	87,027.00	-	3,987,450
Disposal	(908,019.00)	-	(39,848,414.00)	-
Fair value reserve-net	-	(292,612.00)	-	(14,062,585)
Effect of exchange rates	-	-	-	(1,698,678)
Balance at end of period	-	908,019.00	-	39,848,414

In 2010, the Company acquired shares of stock of Abacus Securities Corporation, with shares listed in PSE, amounting to \$875,067 (P42,000,000) and was subsequently sold in the same year for \$811,659 (P39,100,000), resulting to a loss on disposal amounting to \$63,408 (P3,000,000). Loss on disposal of AFS investments was reported in statement of comprehensive income.

AFS investments as of December 31, 2010 pertain to investment in shares of stock of ATN Holdings, Inc. of 5,091,700 shares which is equivalent to 6.36% interest in ATN Holdings Inc. The fair value of the AFS investments has been determined directly by reference to quoted market price from the PSE as of December 31, 2010 and 2009.

NOTE 10 – PROPERTY AND EQUIPMENT

As of June 30, 2011, property and equipment amounted to \$36,668 (P1,578,928) and booked under property and equipment.

As of December 31, 2010, a preliminary testing tool was done by UTAC amounted to \$44,002 (P1,931,028) and booked under property and equipment. It will be used to test and ship ne CAM products.

Depreciation and amortization

The amount of depreciation and amortization is allocated in profit or loss.

NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS, NET

This account consists of:

	In U.S. Dollars		In Philippine Peso	
	Audited		Audited	
	2011	2010	2011	2010
Value added tax (Vat) Receivable	22,119	31,094	952,423	1,364,560
Refundable deposits	218	7,178	9,379	315,007
Prepaid tax		3,602	-	158,074
Creditable withholding tax		799	-	35,064
Prepayments	3,542	157	152,512	6,890
Others	1,144	6	49,254	263
	27,022	42,836	1,163,569	1,879,858
Allowance for Impairment losses	(21,617)	(30,279)	(930,835)	(1,328,794)
	5,405	12,557	232,735	551,064

The movement in impairment losses are as follows:

	In U.S. Dollars		In Philippine Peso	
	Audited		Audited	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Balance at beginning of Period	30,279	2,069	1,368,055	95,510
Impairment loss (Note 21)	-	28,210	-	1,272,545
Reclassified to receivables	(8,662)	-	(372,979)	-
Write-off	-	-	-	-
from Loadestar	-	-	-	-
Effects of exchange rates	-	-	(1,925,911)	-
Balance at end of period	21,617	30,279	(930,835)	1,368,055

NOTE 12 – INTANGIBLE ASSET

This account represents capitalized product development costs of the Group's new products. This intangible assets will be amortized upon the completion of the related new products, which as of June 30, 2011 will still under development.

	In U.S. Dollars		In Philippine Pesos	
	Audited		Audited	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Balance, Beginning	4,355,752	3,930,230	191,152,177	182,189,742
Additions	-	425,522	-	18,674,033
Effects of exchange rates	2,558	-	(3,483,337)	(9,711,598)
Balance, Ending	4,358,310	4,355,752	187,668,840	191,152,177

Development cost represents capitalized product development costs of the Group's new products. This intangible asset will be amortized upon completion of the related new products, which as of December 31, 2010, are still under development.

Intangible asset is subject to impairment testing whenever there is an indication of impairment. No impairment losses were recognized in 2011 and 2010 as the estimated recoverable amount of the intangible asset is higher than its carrying value.

NOTE 13 – TRADE PAYABLES AND ACCRUED EXPENSES

This account consists of:

	In U.S. Dollars		In Philippine Pesos	
	Audited		Audited	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Accounts Payable-Trade	201,769	64,911	8,688,171	2,848,619
Accrued separation pay	-	491,927	-	21,588,216
Accrued salaries and employee benefits	26,374	273,595	1,135,680	12,006,717
Accrued outside services	6,898		297,006	
Accrued taxes and licenses	44,272	89,999	1,906,363	3,949,606
Accrued payment to supplier	-	98,480	-	4,321,795
Loans Payable	-	65,238	-	2,862,970
Accrued Professional fees	-	45,117	-	1,979,960
Accrued commission	9,750	20,806	419,835	913,071
Accrued and other liabilities	283,237	3,127	12,196,178	137,228
	572,300	1,153,200	24,643,234	50,608,182

Accrued and other liabilities included accrual of professional services, communication expenses, research and development expenses and other operating expenses.

NOTE 14 – INTEREST-BEARING LOANS AND BORROWINGS

This account consists of:

	In U.S. Dollars		In Philippine Pesos	
	Audited		Audited	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Metropolitan Bank & Trust Company	47,000.00	57,000.00	2,023,820	2,501,445.00
Others - MSRFI	-		-	
	47,000.00	57,000.00	2,023,820.00	2,501,445.00

Bank Loans

Bank loans represent U.S dollar loans from a local bank.

Management estimates the carrying amount of its loans and borrowings approximates fair value.

NOTE 15 – STOCK PURCHASE PLAN

On December 6, 2007, the Company's stockholders ratified the October 26, 2007 BOD Resolution approving the 2007 Purchase Plan. The Purchase Plan was established to promote the interests of the Group by providing a mechanism whereby its employees and BOD (the Eligible Members) may borrow money from the Group for the

excess purpose of acquiring up to 10% of the total issued shares of the Group or about 123.2 million shares at prevailing market price. Under the stock purchase plan, the Group will grant interest bearing loans to the Eligible Members payable over five years. The shares to be acquired by the Eligible Members will be held as collateral for the loan and will only be released to them after the loan is repaid. A portion of the collateralized shares can be released to the extent of the paid amount of the loan at the agreed date. The Group filed the Purchase Plan with the SEC on April

14, 2008 and was approved on June 24, 2008. The application for the listing of shares with PSE will take place once all the requirements are in place.

NOTE 16 - EQUITY

This account is composed of the following:

In U.S. Dollars	Shares				Amount			
	Six months ended June 30			Audited	Six months ended June 30			Audited
	2011	2010	2009	December 31, 2010	2011	2010	2009	December 31, 2010
Common shares- P0.01 par value in 2011 and P0.10 par value in 2010								
Authorized	100,000,000,000	5,000,000,000	2,450,000,000	5,000,000,000				
Issued and outstanding								
Balance, beginning of period	5,000,000,000	2,700,000,000	2,092,863,046	3,450,000,000	7,556,436	6,673,446	5,390,253	6,673,446
Stock Split up	45,000,000,000							
Issued during the period	13,876,000,500	-	228,420,066	1,550,000,000	3,013,469	-	477,672	3,531,959
Reclassification during the period			128,716,888		(386,209)	-	267,342	(2,648,969)
	63,876,000,500	2,700,000,000	2,450,000,000	5,000,000,000	10,183,696	6,673,446	6,135,267	7,556,436
In Philippine Pesos								
	Shares				Amount			
	Six months ended June 30			Audited	Six months ended June 30			Audited
	2011	2010	2009	December 31, 2010	2011	2010	2009	December 31, 2010
Common shares- P0.01 par value in 2011 and P0.10 par value in 2010								
Authorized	100,000,000,000	5,000,000,000	2,450,000,000	5,000,000,000				
Issued and outstanding								
Balance, beginning of period	5,000,000,000	2,700,000,000	2,092,863,046	3,450,000,000	308,750,000	270,000,000,000	209,286,305	270,000,000
Stock Split up	45,000,000,000							
Issued during the period	13,876,000,500	-	228,420,066	1,550,000,000	129,760,005	-	22,842,006	155,000,000
Reclassification during the period			128,716,888			-	12,871,689	(116,250,000)
	63,876,000,500	2,700,000,000	2,450,000,000	5,000,000,000	438,510,005	270,000,000,000	245,000,000	308,750,000

On March 17, 2009, the Company cancelled 239 million shares issued in 2008 amounting to P38.2 million. In relation to this, the Company issued additional 367.8 million shares to new shareholders for the same consideration as the cancelled shares.

Equity restructuring

On December 6, 2007, the Company's stockholders approved the amendments to the Company's Articles of Incorporation to implement its equity restructuring to wipe out the deficit of the Company as of September 30, 2007 against share premium. The equity restructuring was executed through a reduction of the par value of the shares of the Company from P1.00 to P0.10 and an increase in the number of shares by multiple of seven.

On December 28, 2007, the SEC approved the increase in the share capital of the Company from P160 million composed of 1.12 billion shares with a par value of P0.14 per share to P112 million divided into 1.12 billion shares with a par value of P0.10 per share, as approved by majority of the BOD and by vote of the stockholders owning and representing at least two-thirds of the outstanding share capital at a meeting held on December 6, 2007. The equity restructuring is subject to condition that the remaining share premium of P39.8 million will not be used to wipe out the losses that may incurred in the future without its prior approval.

Increased in authorized share capital

On October 26, 2007, the BOD approved that, after the equity restructuring discussed in the preceding paragraphs, the authorized share capital of the Company be again increased from P112 million to P245 million divided into 2.45 billion shares with a par value of P0.10 per share together with the amendments of the Company's Articles of Incorporation for this purpose. The shares are issued either through stock right offering, private placement or a combination of both. The funds raised will be used for the Company's operations and product development. Relative to this, the BOD approved the issuance of 470 million shares of the total increase in authorized share capital through a private placement. On March 26, 2008, the Company received \$442,216 (P18.8 million) as payment for the 117.5 million shares of the 470 million subscribed shares.

On June 24, 2008, the total of 470 million subscribed shares was approved by the SEC. The balance of \$1,266,647 (P56.4 million) representing full payment of the 470 million subscribed shares was paid on July 8, 2008. On October 20, 2008, the total 596.2 million subscribed shares was approved by the SEC. as of October 30, 2008, the Company through a private placement received \$794,387 (P38.2 million) as payment for the 239 million shares of the 596.2 million subscribed shares.

However, the reasons mostly related to the financial crisis, the four investors who subscribed to the 596.2 million shares were each unable to comply with their commitments under the Investment and Subscriptions Agreements (ISAs) and asked for the cancellation of their respective ISAs. The Group retained the services of a financial consultant to help it find replacement subscribers. Investors were located but were only willing to invest at a discount to the then market price, which had declined substantially since June 2008 due to the worldwide economic crisis. On December 18, 2008, the BOD approved the cancellation of the ISAs executed with the original subscribers and approved the reduction of the original issue price of P0.16 per share to P0.10 per share for the new subscribers to the 596.2 million shares. On March 17, 2009, the Company and the new subscribers have finalized and executed their respective ISAs, resulting in the increase of issued shares from 239 million to about 368 million shares and a reclassification of the previously settled share premium amounting to \$267,342 (P12.9 million) to share capital.

The Company received additional stock subscriptions through private placement offerings, out of the unissued share capital of the Company in various dates in 2010, 2009 and 2008. The following are the summaries of these subscriptions:

Subscription date	Number of shares	Share price	Amount of subscription	
			In Philippine Peso	In US Dollar
June 24, 2008	117,500,000	P0.16	P18,800,000	\$422,216
June 24, 2008*	71,195,131	0.16	11,391,221	255,827
July 8, 2008	352,500,000	0.16	56,400,000	1,266,647
Sept. 29, 2008	123,252,226	0.16	19,720,356	423,156
Oct. 9, 2008***	117,795,650	0.16	18,847,304	395,437
Oct. 10, 2008***	31,250,000	0.16	5,000,000	105,139
Oct. 20, 2008*	**81,000,000	0.16	**12,960,000	270,096
Oct. 30, 2008***	90,000,000	0.16	14,400,000	293,812
	984,493,007		P157,518,881	\$3,432,330

* *Debt to equity conversion.*

** *Treasury shares.*

*** *Subscription price was reduced to P0.104 per share on March 17, 2009.*

Of the total amount of subscription for each reporting year, recognized share premium, net of taxes and other subscription costs is as follows:

	In US Dollar	In Philippine Peso
2010	\$-	P-
2009	49,660	2,384,730
2008	1,228,572	56,340,149

The decrease in subscription price from P0.16 to P0.104 on the employees purchased shares based on the Stock Purchase Plan resulted to a decrease of share premium amounting to \$148,105 (P6,902,125). On December 23, 2010, the stockholders, upon recommendation of the BOD, further approved to reprice the Stock Purchase Plan shares to par value of P0.10 per share.

Subscription date	Number of shares	Share price	Amount of subscription	
			In Philippine Peso	In US Dollar
March 17, 2009	128,716,888	P0.104	P-	\$-
June 8, 2009	42,307,693	0.104	4,400,000	93,167
June 10, 2009	42,307,693	0.104	4,400,000	93,167
June 16, 2009	143,804,680	0.104	14,955,687	310,445
Oct. 15, 2009	1,000,000,000	0.100	*25,000,000	538,178
	1,357,136,954		P48,755,687	\$1,034,957

**Net of subscription receivable of P75 million.*

Of the total amount of subscription in 2009, \$19,106 (P913,680) was recognized as share premium. Related taxes and subscription cost charged against share premium amounted to \$21,529 (P1,015,610).

On September 25, 2008, the BOD again approved the increase in the authorized share capital of the Company from P245 million divided into 2.45 billion shares at P0.10 par value per share to P500 million divided into 5 billion shares with a par value of P0.10 per share. This proposed the increase in authorized share capital was approved by the stockholders on October 30, 2008 and by the SEC on October 15, 2009.

During the second quarter of 2009, the Company's Financial Consultant advised MUSX of the options MUSX how to raise the funds out of the increase in share capital. It was eventually decided that this will be done via a private placement in the range of one (1) billion shares at P0.10 per share. The Financial Consultant was tasked in assigning the Company to locate investors.

The Company filed the application with SEC for this increase in authorized share capital on September 22, 2009 and the same was approved on October 15, 2009. In relation to this, the Company received the amount of \$525,928 (P25 million) on September 9, 2009 representing partial payment to the 1 billion subscribed shares at P0.10 per share through private placement offering.

On November 25, 2010, the BOD approved the following issuance via private placement of 1,550,000,000 shares at par value of P0.10 per share. This was ratified by the stockholders on December 23, 2010.

Subscription date	Number of shares	Share Price	Amount of subscription	
			In Philippine Peso	In US Dollar
November 25, 2010	1,550,000,000	P0.100	*P38,750,000	\$882,990

**Net of subscription receivable of P116.3 million (\$2.6 million).*

On June 22, 2011, the SEC approved the Company's application for increase in authorized capital stock with a corresponding decrease in par value from P0.10/share to P0.01/share, as approved by the stockholders on December 23, 2010. The particulars of the transaction are as follows:

Subscription date	Number of shares	Share Price	Amount of subscription	
			In Philippine Peso	In US Dollar
June 22, 2011	13,876,000,500	P0.010	*P129,760,005	\$3,013,469

**Net of subscription receivable of P9 million (\$209,011).*

Debt to equity conversion

On December 6, 2007, the Company's stockholders approved, as recommended by the BOD, the conversion of the advances from officers and employees into common shares. With the approval of the BOD on March 24, 2008, the Company entered into various deeds of assignment with its officers and certain employees of the subsidiaries on March 25, 2008 whereby the parties agreed to settle the advances provided by the officers and employees in prior years to the Company totaling \$418,406 (P17.3 million) through issuance of share capital. As settlement, the entitled officers and employees received a total amount of P5.9 million cash on April 8, 2008, while the remaining balance of the advances amounting to \$275,800 (P11.4 million) was converted into 71.2 million shares of the Company. On June 24, 2008, the SEC approved this debt to equity conversion and the related stock purchase plan.

On July 28, 2008, the Company's BOD approved the conversion of \$293,611 (P13.0 million) liability of MSPI into 81 million common shares. This debt-to-equity conversion was approved by the SEC on October 20, 2008. This completed the full subscription to the 2.45 billion shares of authorized share capital of the Company.

The application for listing of both 81 million and 71.2 million shares was approved by the PSE on February 2009 while the application for listing of the 596.2 million shares was approved on January 14, 2010.

On December 23, 2010, the Company's shareholders approved, as recommended by the BOD, the conversion of its liability equivalent to P14,260,005 into common shares of the same amount, to be taken from a proposed increase in share capital from P500 Million to P1 Billion, subject to the approval of the SEC.

Treasury shares

This account represents the Company's common shares held and acquired by MSPI through conversion of its advances to the Company and is accounted for as AFS in the separate financial statements of MSPI; hence, accounted for as treasury shares in the consolidated financial statements. In 2008, the changes in market values of these shares recognized as fair value losses by MSPI were eliminated in full and were not recognized in the consolidated financial statements.

In 2009, MSPI sold the subject shares to third party; hence, no longer considered as treasury shares in the consolidated financial statements. The net proceeds from the sale amounts to \$198,838 (P9.6 million) resulting to a loss on disposal amounting to \$71,258 (P3.4 million), which is reported as part of share premium in the statement of changes in equity.

NOTE 17 – COST OF GOODS SOLD

	In US Dollar			In Philippine Peso		
	Six months ended June 30			Six months ended June 30		
	2011	2010	2009	2011	2010	2009
Raw materials used	86,108	80,682	59,515	3,707,807	3,692,734	2,845,769
Salaries and employee Benefits	345	391	28,873	14,841	17,896	1,380,591
Manufacturing overhead:						
Outside services		-	7,974	-	-	381,285
Assembly/testing charges	61,608	33,047	21,066	2,652,859	1,512,528	1,007,292
Rent	3,825	1,650	14,405	164,712	75,519	688,789
Utilities		-	11,811	-	-	564,755
Freight	2,750	2,737	4,139	118,402	125,270	197,910
Communication	160	161	3,584	6,869	7,369	171,373
Operating supplies		3,242	1,104	-	148,383	52,789
Transportation and travel	33	211	2,213	1,425	9,657	105,817
Taxes and licenses	742	559	1,242	31,945	25,585	59,387
Repairs and maintenance		-	697	-	-	33,328
Depreciation and Amortization		-	-	-	-	-
Others	6,600	618	4,157	284,196	28,285	198,771
Total manufacturing cost	75,718	42,225	72,392	3,260,408	1,932,596	3,461,496
Change in Finished inventories	25,006	(2,242)	27,448	1,076,753	(102,614)	1,312,454
Change in Work-in-process inventories	5,715	-	9,790	246,101	-	468,119
	192,892	121,056	198,018	8,305,910	5,540,612	9,468,429

Raw materials used is computed as follows:

	In US Dollar			In Philippine Peso		
	Six months ended June 30			Six months ended June 30		
	2011	2010	2009	2011	2010	2009
Raw Materials, Beginning	573,282	570,743	767,879	24,685,523	26,457,363	36,462,735
Add: Purchases	71,348	73,395	42,080	3,072,241	3,358,482	2,012,097
Raw Materials Available						
for use	644,630	644,138	809,959	27,757,764	29,815,845	38,474,832
Add(deduct):						
Raw materials, ending	(558,522)	(563,456)	(750,444)	(24,049,957)	(26,157,881)	(36,252,449)
Effect of Exchange rate		-			34,770	623,386
	86,108	80,682	59,515	3,707,807	3,692,734	2,845,769

Change in WIP inventories is computed as follows:

	In US Dollar			In Philippine Peso		
	Six months ended June 30			Six months ended June 30		
	2011	2010	2009	2011	2010	2009
WIP, beginning	15,891	841	133,426	684,266	38,985	6,335,781
WIP, ending	(10,176)	(841)	(123,636)	(438,179)	(39,043)	(5,972,608)
Change in WIP						
before write-off	5,715	-	9,790	246,088	(58)	363,173
Effect of Exchange rate	-			13	58	104,946
	5,715	-	9,790	246,101	-	468,119

NOTE 18 – OPERATING EXPENSES

	In U.S. Dollars			In Philippine Pesos		
	Six months ended June 30			Six months ended June 30		
	2011	2010	2009	2011	2010	2009
Salaries and employees						
benefits	166,318	281,371	177,058	7,161,653	12,878,070	8,466,205
Other Operating expenses:						
Professional and director's fee	2,976	-	-	128,147	-	-
Outside services	64,682	19,084	6,862	2,785,207	873,455	328,114
Dues and membership	1,067	-	-	45,945	-	-
Transportation and travel	936	1,572	13,974	40,304	71,949	668,180
Taxes and licenses	17,522	6,368	5,597	754,497	291,457	267,626
Representation and entertainment	427	-	-	18,387	-	-
Rent	10,518	15,038	4,104	452,905	688,274	196,237
Communication	3,168	6,256	6,028	136,414	286,332	288,235
Asia expenses	-	15,103	7,225	-	691,249	345,471
Europe Expenses	-	2,379	5,138	-	108,884	245,679
Bank charges	-	4,913	4,810	-	224,863	229,995
Selling expense	-	9,297	3,271	-	425,514	156,406
Utilities	1,827	4,508	24	78,671	206,327	1,147
Office supplies	559	1,939	1,870	24,071	88,746	89,416
Repairs and maintenance	64	390	76	2,756	17,850	3,634
Depreciation and amortization	7,340	-	-	316,060	-	-
Freight	-	-	-	-	-	-
Other	13,020	3,961	2,834	560,641	181,291	135,510
	124,106	90,808	61,813	5,344,004	4,156,191	2,955,650
	290,424	372,179	238,871	12,505,657	17,034,261	11,421,855

NOTE 19 – OTHER INCOME/(EXPENSES)

	In U.S. Dollars			In Philippine Pesos		
	Six months ended June 30			Six months ended June 30		
	2011	2010	2009	2011	2010	2009
Reversal of allowance for						
inventory write-down-net		-	22,198		-	1,061,420
Income from reversal of accrued						
expenses		-	21,888		-	1,046,597
Reversal of allowance for						
impairment on prepayments		-	135,939		-	6,500,059
Loss on sales of investment in						
stock - musx		-	(70,991)		-	(3,394,506)
Discount on full payment of loans						
payable to DB						
Income from write-off of pro-						
visions and liabilities		8,310	1,226		380,340	58,622
Others	(134,401)	3,525	2,426	(5,787,307)	161,336	115,999
	(134,401)	11,835	112,686	(5,787,307)	541,676	5,388,191

NOTE 20 – RETIREMENT LIABILITY

Post-employment – Defined Contribution

In 2010 and 2009, the Company recognized post-employment benefit under defined contribution for the retirement of its key management personnel, amounting to \$146,945 (P7 million) and \$134,907 (P6 million) respectively. The amount recognized in 2008 was paid in 2009 while the outstanding balance for 2009 is recorded as part of accrued salaries and benefits account under accounts payable and accrued expenses.

Post-employment – Defined benefit

The Group maintains a partially funded tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all of their regular full-time employees. The Group uses projected unit credit method of accounting for its retirement plan. Employees with age of 60 years or with 20 years of service, whichever is earlier are qualified for retirement pay of one-and-a-half times the monthly salary per year of service. Due to low headcount, actuarial valuations are usually made every two years to update the retirement benefit costs and the amount of contributions.

The reconciliation of the retirement liability recognized in the statement of financial position is shown below:

	In US Dollar		In Philippine Peso	
	2009	2008	2009	2008
Present value of obligation	\$404,519	\$334,280	P18,751,884	P15,873,266
Fair value of plan assets	(202,085)	(142,291)	(9,367,876)	(6,756,707)
Net present value of obligation	202,434	191,989	9,384,008	9,116,559
Unrecognized actuarial gains	90,830	103,816	4,210,538	4,929,741
Retirement liability	\$293,264	\$295,805	P13,594,546	P14,046,300

The movements in the present value of the defined benefit obligation are shown below:

	In US Dollar		In Philippine Peso	
	2009	2008	2009	2008
Present value of obligation	\$404,519	\$334,280	P18,751,884	P15,873,266
Fair value of plan assets	(202,085)	(142,291)	(9,367,876)	(6,756,707)
Net present value of obligation	202,434	191,989	9,384,008	9,116,559
Unrecognized actuarial gains	90,830	103,816	4,210,538	4,929,741
Retirement liability	\$293,264	\$295,805	P13,594,546	P14,046,300

The movements in fair value of plan assets are shown below:

	In US Dollar		In Philippine Peso	
	2009	2008	2009	2008
Fair value of plan assets, January 1	\$142,291	\$220,013	P6,756,707	P9,108,758
Contributions	198,412	-	9,451,766	-
Benefits paid	(136,449)	-	(6,500,000)	-
Expected return on plan assets	4,255	6,144	202,701	273,263
Actuarial loss (gains)	(11,405)	(59,029)	(543,298)	(2,625,314)
Effects of exchange rates	4,981	(24,837)	-	-
Fair value of plan assets, December 31	\$202,085	\$142,291	P9,367,876	P6,756,707

The plan assets consist of cash in bank and receivables from employees.

The details of retirement expense recognized in profit or loss which is included as part of salaries and employee benefits accounts is as follows:

	In US Dollar			In Philippine Peso		
	2009	2008	2007	2009	2008	2007
Current service cost	\$30,606	\$26,247	\$23,420	P1,457,961	P1,167,346	P1,080,786
Interest cost	29,823	26,642	38,959	1,420,657	1,184,909	1,797,880
Expected return on plan assets	(4,255)	(6,144)	(9,697)	(202,701)	(273,263)	(447,497)
Net actuarial gains recognized	(3,694)	(6,001)	(891)	(175,917)	(266,885)	(41,118)
	\$52,480	\$40,744	\$51,791	P2,500,000	P1,812,107	P2,390,051

The retirement expense is allocated as follows:

	In US Dollar			In Philippine Peso		
	2009	2008	2007	2009	2008	2007
Cost of good sold (Note 16)	\$5,913	\$20,417	\$25,811	P281,678	P908,076	P191,126
Operating expenses (Note 17)	46,567	20,327	25,980	2,218,322	904,031	1,198,925
	\$52,480	\$40,744	\$51,791	P2,500,000	1,812,107	P1,390,051

The plan assets held for funding the retirement benefit obligation do not include the Company's own shares. Actual return on plan assets amounted to \$5,742 and \$9,061 in 2009 and 2008, respectively.

The principal actuarial assumptions at reporting date are as follows:

	2009	2008
Discount rate	8%	9%
Expected rate of return on plan assets	3%	3%
Expected rate of salary increases	5%	5%

The Group, in the normal course of business retrenched a significant number of its employees in 2008 as part of the actions done by the management in order to cope with the current economic situation. Termination benefits recognized in 2009 and 2008 amounted to nil and \$220,956 (P9.8 million), respectively, and the unpaid balance as of December 31, 2008 amounting to \$171,706 (P8,153,459) was presented as part of accrued salaries and employee benefits account under accounts payable and accrued expenses. This was fully settled as of September 2009.

During the year, the Group reclassified its retirement benefits of the employees to accrued separation pay under the account trade and other payable.

NOTE 21 – RELATED PARTY TRANSACTIONS

The Group, in the normal course of business has transactions with its related parties which includes key management personnel and stockholders as described below.

Key management personnel compensations

The salary of the Company's President and CEO is paid and shouldered by the Company and the two of its subsidiaries, MSI and MSPI in 2010 and 2009 and by MSI in 2008.

The compensation of the Group's key management personnel amounted to \$12,579, \$192,302 and \$206,800, in first half of 2011, for the years 2010 and 2009 respectively, representing the salary of the Company's President and CEO and the Board of Director's remunerations.

NOTE 22 – EARNINGS PER SHARE

The weighted average number of shares outstanding as of June 30, 2011 is computed as follows.

	Number of Shares	Months outstanding	Weighted no. of shares
Beginning balance	2,092,863,046	12.00	25,114,356,552
Issuance on March 17, 2009	128,716,888	9.45	1,216,374,592
Issuance on June 8, 2009	42,307,693	6.73	284,730,774
Issuance on June 10, 2009	42,307,693	6.67	282,192,312
Issuance on June 16, 2009	143,804,680	6.47	930,416,280
Issuance on October 15, 2009	1,000,000,000	2.50	2,500,000,000
Issuance on November 25, 2010	1,550,000,000	1.17	1,813,500,000
Issuance on June 22, 2011	13,876,000,500	0.27	3,746,520,135
	18,876,000,500	45.26	35,888,090,644
Divided by total months as of June 30, 2011			6
Weighted average number of shares outstanding			5,981,348,441

NOTE 23 – COMMITMENTS AND CONTINGENCIES

The Group has the following operating lease commitments:

- a. The Group operated principally in 2008 on its previous leased land in Calamba, Laguna for a lease agreement commencing in July 2004, which was renewed in August 2006 and was further extended up to March 2009. This was not renewed thereafter.

- b. On May 29, 2009, the Group entered into a lease agreement with a new lessor for its lease office space in Ayala-Alabang, Muntinlupa City, for a period of two (2) years commencing on July 1, 2009 up to June 30, 2011.
- c. On September 30, 2009, the Group also entered into a sub-lease agreement with another lessor for warehousing of its inventories starting August 1, 2009, renewable upon mutual consent of the parties.

Total rent expense from these operating leases is recognized in profit or loss as follows:

	In U.S. Dollars			In Philippine Pesos		
	Six months ended June 30			Six months ended June 30		
	2011	2010	2009	2011	2010	2009
Cost of goods sold	3,825	1,650	14,405	164,712	75,519	688,789
Operating expenses	10,518	15,038	4,104	452,905	688,274	196,237
	14,343	16,688	18,509	617,617	763,793	885,026

The future minimum lease commitments payable are as follows:

	In US Dollar			In Philippine Peso		
	2011	2010	2009	2011	2010	2009
Less than one year	-	3,300	27,902	-	148,862	1,329,168
Between 2 to 3 years	-	-	13,959	-	-	664,965
	-	3,300	41,861	-	148,862	1,994,133

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparable Discussion of Changes in Financial Conditions and Results of Operations.

Sales revenue for the 2nd quarter 2011 totaled P26.08M an increase of 1.79% over 1st quarter 2011, and increase of 1.31% over the same period of 2010. Customer sentiment remains very conservative as economic indicators are cloudy about future growth potentials. We remain cautious on further increase this year, as market sentiment is clearly averse to taking kind of inventory risk.

Gross profit in the 2nd quarter 2011 was P17.77M, equal to 68% of sales. The decrease was mainly due to the change in the corporate strategies in its selling and operating activities, when compared to the 72% margin in 2nd quarter 2010. The company will continue to maintain pressure on overhead as well as direct material cost, in efforts to lower cost.

Operating expenses in 2nd quarter 2011 totaled P12.5M. While higher than the level of 1st quarter 2011, there are some significant one-time expenses relating to reductions in force. Management continues to focus on Operating expense optimization as a way to offset my impact of further sales revenue during the upcoming quarters.

As a result of the above, loss from operation in the 2nd quarter 2011 was P5.2 million or 3.43% of sales. This result compares to a profit of Q1 2011 of P1.5 million. Net Other Income and expense of 2nd quarter of 2011 was an expense of P5.9M.

As a result of the above, net loss before tax for the 2nd quarter 2011 was P4.6M.

Causes of Material Changes in Balance Sheet Accounts

Total assets at June 30, 2011 were P469M, an increased of P53M from the level at December 31, 2010. The increase occurred in the level of current assets, and particularly in cash (P106M increase).

The total liabilities at June 30, 2011 reduced to P27M from P53M at December 31, 2010.

Discussion and Analysis of Material Events and/or Uncertainties known to Management.

Revenue levels meet or exceed \$5.0 million per year

The key to Company's future success continues to lie in its ability to generate as soon as possible, annual revenues of at least \$ 5 million.

Timely and efficient fund raising for New Products

Funding the production of the Company's products is critical for the future growth potential of the Company.

Key Performance Indicators

The top 5 key performance indicators for the Company's business are shown below:

	Q2 2011	Q2 2010
Revenue Growth % - in Dollars	39%	-9%
Number of new design wins	0	2
New geographic markets entered	0	2
New applications for Music Products	0	0
Selling price reduction - %	0	-3%

For 2011 and beyond, the Company will intensify its efforts to increase the number of new design wins, new geographic markets, and new applications for MSI products, using its new website (www.musicsemi.com) and sales promotions.

Revenue growth percentage in dollars compares the revenue for one period compared with a previous period.

The number of new designs wins is the number of new customer projects going into production that will use one of the Company's products in its systems. New geographic markets entered represents the appointments of an independent representative company to distribute MSI's products in a market with no prior representation. New applications for MSI's products mean applications other than networking.

All of the above, taken together, will indicate the health and dynamics of the business.

The last indicator is to track that portion of period-to-period change in average selling price which is due to price reductions, since this can have an impact on profit.

AGING OF RECEIVABLES

	0-30		>30-60		>60		Total	
	In USD	In Php	In USD	In Php	In USD	In Php	In USD	In Php
Trade receivables								
As of June 30, 2011	60,500	2,605,130	92,326	3,975,550		-	152,826	6,580,680
Non-trade receivables					91,402	3,935,770	91,402	3,935,770
Advances to Project	580,585	25,000,000					580,585	25,000,000
Loans Receivables					182,827	7,872,544	182,827	7,872,544
TOTAL	641,085	27,605,130	92,326	3,975,550	274,229	11,808,314	1,007,640	43,388,993

SIGNATURES

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

GREENERGY HOLDINGS CORPORATION

Issuer

By:



ANTONIO L. TIU

President & CEO

August 12, 2011



RAFAELITIO M. SOLIZA

Chief Accountant

August 12, 2011