CR02843-2015

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended

   Dec 31, 2014

2. SEC Identification Number

   AS094-006430

3. BIR Tax Identification No.

   003-942-108

4. Exact name of issuer as specified in its charter

   EMPIRE EAST LAND HOLDINGS, INC.

5. Province, country or other jurisdiction of incorporation or organization

   Metro Manila

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   21/F The World Centre, 330 Sen. Gil J. Puyat Avenue, Makati City, Philippines
   Postal Code
   1227

8. Issuer's telephone number, including area code

   (632) 867-8351 to 55

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	14,676,199,167

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

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exchange

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

2,218,707,867.32 based on the closing price of Php0.89 per share as of March 31, 2015

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

Empire East Land Holdings, Inc.
ELI

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2014
Currency (indicate units, if applicable)	Pesos

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2014	Dec 31, 2013
Current Assets	26,649,924,105	22,025,338,171
Total Assets	35,296,731,408	32,951,239,400
Current Liabilities	7,299,785,136	5,605,368,953
Total Liabilities	10,454,791,717	8,161,285,477
Retained Earnings/(Deficit)	3,668,638,956	3,186,793,388
Stockholders' Equity	24,841,939,691	24,789,953,923
Stockholders' Equity - Parent	24,225,973,064	24,176,545,847
Book Value per Share	1.65	1.65

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2014	Dec 31, 2013
Operating Revenue	3,840,738,729	2,168,271,271
Other Revenue	734,958,582	782,845,041
Gross Revenue	4,575,697,311	2,951,116,312
Operating Expense	3,400,671,408	2,024,139,022
Other Expense	426,087,176	456,369,154
Gross Expense	3,826,758,584	2,480,508,176
Net Income/(Loss) Before Tax	748,938,727	470,608,136

Income Tax Expense	264,418,347	170,136,355
Net Income/(Loss) After Tax	484,520,380	300,471,781
Net Income/(Loss) Attributable to Parent Equity Holder	481,845,568	299,466,849
Earnings/(Loss) Per Share (Basic)	0.03	0.02
Earnings/(Loss) Per Share (Diluted)	0.03	0.02

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2014	Dec 31, 2013
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	3.65	3.93
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.66	0.62
Solvency Ratio	**Total Assets / Total Liabilities**	3.38	4.04
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.3	0.25
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.42	0.33
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	6.73	4.12
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.42	1.33
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.34	0.32
Net Profit Margin	**Net Profit / Sales**	0.14	0.18
Return on Assets	**Net Income / Total Assets**	0.01	0.01
Return on Equity	**Net Income / Total Stockholders' Equity**	0.02	0.01
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	27.27	43.81

Other Relevant Information
None

Filed on behalf by:

Name	Rhodora Edangalino
Designation	Authorized User

SECURITIES AND EXCHANGE COMMISSION

<u>SEC FORM 17-A</u>

ANNUAL REPORT PURSUANT TO SECTION 17
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AND SECTION 141 OF THE CORPORATION CODE

1. For the fiscal year ended **<u>31 December 2014</u>**

2. SEC Identification Number: **<u>AS094-006430</u>**

3. BIR Tax Identification No.: **<u>003-942-108</u>**

4. **<u>EMPIRE EAST LAND HOLDINGS, INC.</u>**
   Exact name of issuer as specified in its charter

5. **<u>Metro Manila</u>**
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6. (SEC Use Only)
   Industry Classification Code

7. **21/F The World Centre**
   330 Sen. Gil J. Puyat Avenue
   <u>Makati City, Philippines 1227</u>
   Address of principal office

8. **<u>(632) 867-8351 to 55</u>**
   Issuer's telephone number, including area code

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**14,676,199,167**

10. Are any or all of these securities listed on a Stock Exchange?

    Yes [x] No [ ]

    <u>Philippine Stock Exchange</u> **<u>Common Shares</u>**

11. Check whether the issuer:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

12. Aggregate Market Value of Voting Stock held by Non-Affiliates as of **31 March 2015** is **2,218,707,867.32** based on the closing price of **Php0.89** per share.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Empire East Land Holdings, Inc. (the "Company") was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly, Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now the Company for the purpose of separating its high-end residential and office business from its lower and middle-income housing business. As of December 2014, Megaworld holds 81.72% of the Company.

As of December 31, 2014, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. ("VVPI"); Sherman Oak Holdings, Inc. ("SOHI") and Empire East Communities, Inc. ("EECI"); 73% in Laguna BelAir Science School, Inc. (LBASSI); 60% in Sonoma Premier Land, Inc. ("SPLI") (formerly, "Galleria Corsini Holdings, Inc."); and 47% in Gilmore Property Marketing Associates, Inc. ("GPMAI").

EPHI, which was incorporated on September 5, 1996, serves as the marketing arm of the Company and markets the projects of the Company and those of other related parties.

SPI, which was incorporated on November 14, 1997, is a company that is engaged in the development and construction of affordable projects. In 2008, SPI increased its authorized capital stock and the Company subscribed to 262.5 million common shares at P1.00 par value, paid by way of conversion of advances into equity, resulting in an increase in the Company's ownership in SPI from 40% to 80%. In 2011, the percentage ownership of the Company in SPI was reduced to 33% due to Megaworld's subscription to SPI's increase in capital stock. On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. As a result of the sale, SPI ceased to be an associate of the Company.

VVPI was incorporated on October 13, 2006. In 2008, the Company acquired shares of VVPI from another stockholder increasing the Company's ownership in VVPI to 100%.

SPLI was incorporated on February 26, 2007 and started its commercial operations in 2008. In 2008, 200 million shares in SPLI were acquired by the Company, increasing its ownership to 60% from 20%.

EECI was incorporated on October 14, 2008 and is wholly owned by the Company. It acts as a marketing arm of the Company.

SOHI was incorporated on February 2, 2007. In January 2008, the Company acquired 100% ownership in SOHI.

GPMAI was incorporated on September 5, 1996 to acquire, lease and construct or dispose of properties. In 2010, the Company acquired 52% ownership in GPMAI by subscribing to 27M shares by way of conversion of advances into equity. In 2012, GPMAI issued 5M shares of stock to a third party which resulted to the decrease of Company's ownership to 47%.

LBASSI (formerly Laguna BelAir School Inc. or LBASI) is a company incorporated on February 13, 1996 and is presently operating a school for primary and secondary education. The change in name was approved in August 2013. The Company owns 73% of LBASSI.

Neither the Company nor its subsidiaries has been the subject of a bankruptcy, receivership or similar proceeding or has been involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business except as otherwise stated herein.

Business of Issuer and Subsidiaries

Principal Products, Services and Markets

Empire East Land Holdings, Inc. is a real estate developer engaged in building and selling mid-to-high-rise condominiums in key locations in Metro Manila as well as horizontal subdivisions in progressive suburban areas.

The Company has set residential lifestyle concepts which have been trends in the Philippine real estate industry over the past two decades. It pioneered the “Township Model” at Laguna Bel Air in Sta. Rosa City, Laguna, where homes are integrated with a self-sustaining community- complete with school, church, commercial establishments, transportation services, recreational amenities and other facilities.

Transit-Oriented Development (TOD) is another concept developed by the Company in the country. Condominiums are physically linked or situated close to mass transit systems, such as MRT-3 and LRT-2, as well as major bus lines, to provide maximum mobility for their residents. It also introduced “Urban Resorts” where dwellers experience a luxurious vacation lifestyle within the city by living in a community with world-class resort-type amenities.

Contribution to Sales and Revenues

In 2014, the income from sales of various condominium units and house-and-lot packages accounted for 76% of total revenues. Finance income, the bulk of which came from in-house financing of units sold to buyers, accounted for 8%. The commission income of a subsidiary of the Company realized from marketing of real properties of related parties, rentals and other business related sources accounted for the remaining 16% of total revenues. Foreign sales contributed minimally to the Group’s consolidated sales and revenues for the year 2014.

The percentage of contribution to revenues of the above products and services differs from their percentage of contribution to net income since certain revenues do not have corresponding expenses and some expenses are not identifiable with projects.

Distribution Methods

The Company's mainstream sellers are in-house-based sales teams under Empire East Elite (EEE). Composed of Directors, Associate Directors, Sales Managers and Real Estate Consultants, the EEE sales teams can cross-sell all the inventories of the Company, including units at the pre-selling stage and those that are ready-for-occupancy. They closely monitor the current market conditions and promote the Company's products through showroom manning, exhibits, leafleting, outdoor saturation drives, telemarketing, online selling, open houses, and other prospecting strategies.

Another in-house sales team is Empire East Communities (EEC). Though it has the same organization and strategies as EEE, EEC is commissioned to focus on specific projects of the Company. Regional network sales groups are also helping in marketing the projects. These sellers are currently based in Baguio, Pampanga, Batangas, and Cebu. Licensed real estate brokers are also being accredited by the Company to help in selling its products.

The Company is aggressively involved with below-the-line strategies such as event sponsorships, billboards set-ups, print advertisements, cable TV airtime, video loops in fine-dine restaurants, hotels and shops, online advertising, press releases via partner publications, among others. Lamp post banner ads and directional signages are also part of the Company's citywide promotion efforts.

Update on Projects

KASARA URBAN RESORT RESIDENCES is a 6-tower high-rise community on a 1.8-hectare property along Eagle Avenue and P. E. Antonio Street in Ugong, Pasig City. Its proximity to C5 Road, Tiendesitas, Valle Verde subdivisions, Ortigas Center and Eastwood City makes it a top choice of end-user families as well as investors. “Kasara” is a Sanskrit word that means “lake”, so the project boasts of its lake-inspired swimming pool which is now completed and functional. Also existing now on the project site are the clubhouse, function hall temporarily converted to showroom, mini-bar area, pool deck, turtle and koi ponds, and bubblers. Eventually, there will be more water features including infinity pools, waterfalls from the 4th level, and other resort-style amenities such as open courts, playground, fitness gym, jogging paths, and vast greenery. Towers 1 and 2 are in full-swing construction and are both sold out while the foundation works have been started for Towers 3 and 5.

THE ROCHESTER is a tropical-inspired urban resort community at Elisco Road, San Joaquin, Pasig City. Its 10 mid-to-high-rise towers set on a 3-hectare enclave will have Asian Modern architectural design and wide open spaces, providing a complete urban escape close to nature. Garden Villas 1 and 2 have been turned over in 2014 and its residents enjoy the clubhouse, pools and court. The sold-out Breeze Tower is on the final stages of construction and is expected to be finished by the end of 2015.

SAN LORENZO PLACE is a luxurious 4-tower high-rise development along EDSA corner Chino Roces Avenue, Makati City. It will have an upscale shopping mall at the podium level which will be directly connected to MRT-3 Magallanes Station. Its prime TOD lifestyle concept resulted in excellent sales take-up of the first three towers. Tower 4 has been turned over in 2014, Towers 1 will be finished by the end of 2015 while Tower 2 has reached significant completion. Excavation works for the final tower, Tower 3, has just started. The amenities at the 6th level, such as swimming pool, tennis court, fitness gym, jogging paths, gardens, function room, daycare center and clubhouse, will complete the high-end and stylish Makati CBD lifestyle experience of its residents.

PIONEER WOODLANDS is a Transit-Oriented Development with 6 high-rise towers set along EDSA and Pioneer Street in Mandaluyong City. Residents of Towers 1 and 2 enjoy quick access to MRT-3 via a direct platform link to Boni station. The 3rd tower, Woodland Park 1, is already sold-out and for turnover by the end of 2015. Recreational amenities will be located at the 5th level of the podium of the Woodland Park Towers.

LITTLE BAGUIO TERRACES is a 4-tower TOD mid-rise condominium along Aurora Boulevard and N. Domingo Street, San Juan City. The community is walking distance to LRT-2 J. Ruiz and Gilmore stations, providing unbeatable access to the University Belt in Manila and the Katipunan area. Towers 1 and 4 have been turned over while Towers 3 and 2 are nearing completion. All towers are nearly sold-out. Residents can enjoy recreational amenities and facilities at the 3rd level of the podium.

THE CAMBRIDGE VILLAGE is a 37-tower large-scale mid-rise community on an 8-hectare property along East Bank Road in Pasig-Cainta area. Most of the towers are RFO and sold-out, while the final towers of the Central Park phase are in full-swing construction.

THE SONOMA is a 50-hectare horizontal development in Sta. Rosa City, Laguna that will feature Asian Modern-inspired homes. The community is clustered around a five-star clubhouse complete with luxurious swimming pools, open courts, function rooms and other facilities, all of which are now operational and functional. Turnover is on-going for its 4 phases-- Enclave, Country Club, Pavilion and Esplanade. The community will also have a commercial strip called 1433 West Row that will feature high-end shops, restaurants and other establishments.

SOUTH SCIENCE PARK is 31-hectare property located at Gimalas, Balayan, Batangas which is intended for for a mixed-use development.

MANGO TREE RESIDENCES is an exclusive two-tower high-rise community situated along M. Paterno and J. Ledesma Streets in San Juan City. It will have an on-stilts concept where the ground level will have vast landscaped gardens, grand drop-off area, hotel-type amenities, and glass-walled lobbies. Natural mango trees will be preserved at the perimeter of the 3,000-square meter property to give an authentic feel of nature. Currently, the property has been converted to a luxurious European-inspired garden and events venue to draw prospective buyers.

COVENT GARDEN is two-tower development located along Santol Street Extension in Santa Mesa, Manila. It will provide its future residents an urban sanctuary, complete with refreshing amenities. Its proximity to LRT-2 V. Mapa station and other transportation hubs make it an excellent choice for investors who prefer to lease out condominium units to University Belt students and professors.

Competition

Empire East continuously plays a dominant role in a real estate arena where developers are launching new concepts and innovations. In spite of the stiff competition among residential properties within Metro Manila, the Company remains confident that it will be able to sustain its lead among industry players by capitalizing on its advantages in terms of location, lifestyle concepts and flexible payment terms.

Superior and luxurious standards have always been the criteria of buyers investing in Makati CBD. The major competitors of San Lorenzo Place along the strip of Chino Roces Avenue, including Avida Towers San Lorenzo by Avida Land, The Beacon of GeoEstate, and Paseo de Roces by Federal Land, offer RFO and pre-selling units, thus, providing more options for buyers. However, San Lorenzo Place's link to MRT-3 and its integrated shopping mall give the development a distinct advantage. nd payment terms of San Lorenzo Place are also unbeatable compared to condominiums offered by Ayala Land Premiere, Megaworld and Rockwell Land in the central business district.

Pasig City remains to be a battlefield for resort-inspired condominiums that provide vacation lifestyle. Having more inventories - for both RFO and pre-selling units at The Cambridge Village and The Rochester - remains to be the advantage of the Company over other competitors such as Kirana by Suntrust, Cerritos by Camella, and Arrezo Place by Phinma Properties. The superior urban resort amenities of Kasara is performing very well compared to The Grove by Rockwell and Sorrento and Bali Oasis by Filinvest.

There remains many developers which are active within Mandaluyong City. Pioneer Woodlands is situated in the row of other developments that include Light Residences by SMDC, Avida Centera by Avida Land, Gateway Regency and Axis Residences by Robinsons Land, Royalton by Ortigas & Co., and Acqua Private Residences by Century Properties. DMCI also has a presence in the area, with projects such as Sheridan Towers, Flair Towers and Tivoli Garden Residences. The location of Pioneer Woodlands and its connection to MRT-3 remain to be its competitive advantage.

The LRT-2 corridor in the stretch of San Juan City, New Manila QC, and Sta. Mesa, Manila is another condominium battlefield. Little Baguio Terraces as well as Mango Tree Residences are in an area near other developments like Magnolia Residences by Robinsons Land, Pinecrest by Vista Land, One Castilla Place by DMCI, Fortune Hill by Filinvest, and Princeton Residences by SMDC. On other hand, Covent Garden in Sta. Mesa is faced with developments like Sorrel Residences by DMCI, Amaia Skies Sta. Mesa by Amaia Land, Silk Residences by Data Land, and Mezza 2 Residences by SMDC. The prime location and access to LRT2 are the advantages of Little Baguio Terraces and Covent Garden.

Sources and Availability of Raw Materials/Suppliers

The Company has a broad base of suppliers of materials and services and is not dependent on any one supplier.

Dependence on Certain Customers

The Company has a broad customer base and is not dependent on a single customer or few customers.

Transactions with and/or Dependence on Related Parties

The Company paid a management/leasing fee of P0.76 million to an affiliate for the management/leasing of parking slots and some commercial units. In 2014, total commissions earned by a subsidiary from the sale of its parent company's real estate properties amounted to P134.9 million.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. The related parties that have entered into transactions with the Company are identified in Schedules C & F of the SEC Supplementary Schedules as of December 31, 2014. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 22 of the Notes to the Audited Consolidated Financial Statements of the Company and its Subsidiaries attached as Exhibit 1 hereof and incorporated herein by reference.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into other related party transactions

Patents, Trademarks and Copyrights

The operations of the Company and its subsidiaries (the "Group") are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement.

Need for Government Approval of Principal Products and Services//Effect of Existing or Probable Government Regulations

Philippine land use laws regarding subdivisions and condominiums include zoning laws, which regulate land use, laws which specify standards and technical requirements for the development of subdivisions, and laws requiring licenses to be obtained before the sale of real estate property.

The municipal or city authority determines whether the plans of a proposed development comply with the applicable standards and conducts a preliminary inspection of the site. Local authorities are required to monitor the progress of subdivision projects and to inspect projects following their completion to determine whether or not they comply with the approved plans.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some of the construction standards. Other subdivisions must comply with Presidential Decree No. 957, which sets out standards for lower density developments. Both types of subdivision must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes, the length of the housing blocks and house construction.

Under Presidential Decree No. 957, which covers subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes, the HLURB, together with local government units, has jurisdiction to regulate the real estate trade and business. All subdivision plans are required to be filed with and approved by the local government unit concerned, while condominium project plans are required to be filed with and approved by HLURB. Approval of such plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. Development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes and house construction.

Owners or dealers of real estate projects are required to obtain licenses to sell before making sales or other disposition of lots or real estate projects.

In general, developers of residential subdivisions are required to submit project descriptions to regional offices of the Department of Environment and Natural Resources ("DENR"). This description sets out the background of the proposed project and identifies any significant environment risks and possible alternative sites. In environmentally critical projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not cause an unacceptable environmental impact.

The Company routinely applies for the required governmental approvals for its projects as provided above and some HLURB approvals such as but not limited to development permits and license to sell are pending for certain projects or project phases.

The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

Research and Development Costs

Expenses incurred for research are minimal and do not amount to a significant percentage of revenues.

On the other hand, construction and development costs incurred and their percentage to revenues are as follows:

Year	Amount Spent	% to Revenue
2014	P3.45 billion	75%
2013	P3.15 billion	107%
2012	P2.54 billion	101%

Costs and Effects of Compliance with Environmental Laws

Expenses incurred by the Group for purposes of complying with environmental laws consist primarily of payments for government regulatory fees that are standard in the industry and are minimal.

Manpower

As of December 31, 2014, the Group employed a total of 610 employees. The Group will hire additional employees if and when the present workforce becomes inadequate to handle the growing operations of the Group. The Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations in the Group. Aside from complying with the minimum compensation standards mandated by law, the Group makes available to qualified personnel supplemental benefits such as health insurance, retirement, housing plans and car plans.

The table below shows the breakdown of employees by rank:

Description	As of December 31, 2014	Projected Hiring for 2015
Executives	19	0
Managers	57	2
Supervisors	133	40
Rank & File	401	9
Total	610	51

Business Risks

The real estate industry is highly dependent on the performance of the national economy as the growth of the industry has a direct correlation with the state of the national income and effective disposal income of the people. As disposable income increases, expenditures on housing will increase proportionately. Furthermore, a stable economy brings about liquidity in the financial system, thus increasing the sources of funding for housing.

The growth and profitability of the Company are influenced by the general political and economic situation. Any political instability in the future may have a material effect on the financial results of the Company.

Increase in interest rates and unavailability of affordable financing options affect the demand for housing. The Company caters to the middle income market, a market which primarily considers the affordability of monthly amortizations through long term in-house or bank financing schemes.

The Company is engaged primarily in the development of land and construction of housing /condominium units. Its business is dependent on the availability of large tracts of land with potential for development. As major players and new ones continue to take advantage of the bullish condition of the real estate industry, prime properties may become less available to the Company.

Other risks related to property development are fluctuation in prices and availability of construction materials, changes in government regulations, increase in taxes and fees and intense competition.

The Company remains vigilant to factors affecting its business, such as fluctuations in interest rates on borrowings and end-buyers' financing, increasing costs of construction materials, labor and administrative expenses which may affect overall demand for housing. Fluctuations in foreign exchange have no adverse effect since the Company has very minimal importations of construction-related materials and has no foreign currency denominated loans.

The Company continuously monitors trends in the industry and regularly checks economic indicators. It constantly explores ways and means on how to be more cost effective and implements reasonable price increases to maintain certain profit margins while keeping its products competitive. To maintain the marketability of its products, it provides quality projects in convenient locations, keeps the price affordable, offers a variety of flexible payment terms for in-house financing and continues to maintain strong tie-up arrangements with various banks for the financing requirements of its buyers.

The Company remains prudent in managing its financial resources and has taken measures in controlling its available funds. Generally, the Company utilizes its internally generated funds for its operations and partly uses bank financing for purposes of acquiring properties with strong economic potential and meeting urgent development requirements. By identifying the risk areas and employing appropriate risk management tools, the Company believes that the related business risks could be managed properly.

Item 2. Properties

Description of Principal Properties

The principal properties of the Group are as follows:

Property	Location	Limitations on Ownership
Completed Projects:		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
Gilmore Heights	Gilmore Ave. cor. N. Domingo Sts., Quezon City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa City	Owned
On-Going Projects:		
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Pioneer Woodlands	Mandaluyong City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
The Rochester	Pasig City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas Balayan Batangas	Owned

Most projects are for sale with the exception of Central Business Park, which is an office-warehouse complex for lease. It has a total of 9,870 square meters of leasable area, with lease rate of P161 per square meter subject to yearly escalation. Lease term is up to 5 years.

There is no mortgage, lien or encumbrance over the properties of the Company. The limitations on ownership and usage are disclosed in the table above and in the Notes of the Company's Audited Financial Statements.

Certain assets of the Company with a total carrying value of ₱497.8 million are used as collateral to secure the payment of loans obtained from creditors. These are various units of Greenhills Garden Square, California Garden Square and Xavier Hills and lots of Laguna BelAir, which serve as a security for the CTS financing/Receivable Purchase Facility granted by creditor banks. This facility does not require annotation on individual titles.

The Company cannot identify the particular properties it intends to acquire in the next twelve (12) months as the opportunities, offers or prospects may come unexpectedly. It aims to continuously acquire properties in strategic/prime locations with good market potential. It may acquire interest on the land through either outright acquisition or joint venture arrangement with landowners. Depending on the value of the property, it may utilize its internal funds to finance the acquisition; it may partially borrow or raise funds through equity financing.

Item 3. Legal Proceedings

Description of Material Pending Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party or of which any of their property is the subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of 2014 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

M**arket Information**

The Company's common shares are traded on the Philippine Stock Exchange ("PSE"). The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013 High	1.10	1.21	1.02	0.98
Low	0.98	0.92	0.92	0.90
2014 High	0.94	1.09	0.96	0.92
Low	0.90	0.90	0.87	0.85
2015 High	0.96			
Low	0.88			
3/31/14 Close	0.89			

Holders

As of 31 March 2015, there were 12,738 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2015.

Rank	Name of Holder	Number of Shares	Percentage of Ownership
1.	Megaworld Corporation	11,993,426,438	81.7202%
2.	PCD Nominee Corporation (Filipino)	1,485,597,370	10.1225%
3.	PCD Nominee Corporation (Non-Filipino	779,540,544	5.3116%
4.	The Andresons Group, Inc.	138,133,820	0.9412%
5.	Andrew L. Tan	24,277,777	0.1654%
6.	Simon Lee Sui Hee	16,685,206	0.1137%
7.	Ramon Uy Ong	14,950,000	0.1019%
8.	Lucio W. Yan	10,350,000	0.0705%
9.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0303%
10.	Evangeline R. Abdullah	4,324,000	0.0295%
11.	George T. Yang	3,675,400	0.0250%
12.	Zheng Chang Chua	3,220,000	0.0219%
13.	Tiong C. Rosario	3,138,791	0.0214%
14.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0212%
15.	Regina Capital Development Corp. 015716	3,000,000	0.0204%
	Trans-Asia Securities, Inc.	3,000,000	0.0204%
16.	Luisa Co Li	2,902,908	0.0198%
17.	Edward N. Cheok	2,875,000	0.0196%
18.	Aboitiz Equity Ventures, Inc.	2,813,843	0.0192%
19.	Maximino S. Uy	2,357,500	0.0159%
20.	Aboitiz & Company	2,314,420	0.0158%

The information provided above is not being presented in connection with securities to be issued pursuant to an acquisition, business combination or other reorganization initiated by or involving the Company.

Dividends

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company, with its capital unimpaired, that are not appropriated for any other purpose.

The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

No stock dividends were declared on the Company's common shares for 2007 to 2014. The Company declared a 15% stock dividend on March 15, 2006, which was paid on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred per cent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Recent Sales of Unregistered or Exempt Securities

On 30 October 2012, 2,695,239,834 new common shares issued to stockholders pursuant to a 1:4 pre-emptive stock rights offer were listed with the Philippine Stock Exchange. The rights shares were issued at Php1.00 per share.

Relative to the Company's pre-emptive rights offer, the Company filed with the Philippine Securities and Exchange Commission ("SEC") an Application for Confirmation of Exempt Transaction pursuant to the Securities Regulation Code (SRC). On August 24, 2012, the SEC issued an order confirming that the rights offer is an Exempt Transaction under Section 10.1 (e) and (i) of the SRC.

On 26 June 2013, One Billion Two Hundred Million (1,200,000,000) common shares of the capital stock of the Company were issued to Megaworld Corporation, at the price of One Peso & 05/100 centavos per share for an aggregate subscription price of One Billion Two Hundred Sixty Million (Php1,260,000,000.00).

Relative to the subscription of Megaworld Corporation, the Company filed on 05 July 2013 with the Philippine Securities and Exchange Commission ("SEC") a Notice of Exempt Transaction under Section 10.1(e) of the Securities Regulation Code.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

For 2014, the following are top key performance indicators of the Group:

		2014	**2013**
Sales		P3.48 Billion	P1.71 Billion
Net Profit		P484.5 Million	P300.4 Million
Current Ratio	**1*	3.65:1	3.93:1
Quick Ratio	**2*	.66:1	.62:1

**1- Current Assets/Current Liabilities*

**2- Cash and cash equivalents+Trade and other receivables/ Total Current Liabilities*

Increase in Reservation Sales

The Group's product concepts, project location, flexible payment scheme and aggressive selling have contributed to the increase in reservation sales. The Marketing team constantly evaluates the needs of the market to determine the suitability of projects being offered to buyers. Most of the Group's ongoing projects are connected to mass transit system while others are conveniently located in prime areas of Metro Manila and suburbs

Continuous development of projects

The Group continuously undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable. The Group's Project

Development team works closely with outside contractors particularly in monitoring and supervising the progress of construction.

Ability to repay loan obligations

All loan obligations were promptly settled. The Group maintains good credit standing with creditor banks and has considerable standby credit facilities which can be utilized for urgent capital requirements.

RESULTS OF OPERATION

Review of 2014 versus 2013

During the twelve-month period, the consolidated net profit amounted to P484.52 million, 61% higher than the previous year's net profit of P300.47 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues which posted an increase of 55% from P2.95 billion to P4.58 billion. The increase in revenue is mainly due to increase in sales from various projects.

<u>Real Estate Sales</u>

The Group registered Real Estate Sales of P3.48 billion for twelve months ended December 31, 2014 compared with P1.71 billion in 2013. The sales generated were derived from various projects namely, Pioneer Woodlands, Little Baguio Terraces, San Lorenzo Place, The Rochester Gardens, Kasara Urban Resort Residences, The Sonoma, The Cambridge Village, California Garden Square, Greenhills Garden Square, Xavier Hills and Laguna Bel-Air Projects.

The Cost of Real Estate Sales amounting to P2.3 billion in 2014 and P1.15 billion in 2013, as a percentage of Real Estate Sales, was 66% and 68%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P1.18 billion during the twelve months of 2014 and P553.24 million in 2013, or 34% and 32% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 35% and 41% amounting to P1.2 billion in 2014 and P693.60 million in 2013, respectively.

<u>Other Revenues</u>

The Finance income amounting to P381.19 million and P492.58 million in 2014 and 2013 respectively, were derived mostly from in-house financing and accounts for 8% and 17% of total revenues. Commission and other income totaling P600.51 million in 2014 and P559.27 million in 2013, represents 13% and 19% of total revenues, respectively. The other income includes rentals of investment property and residential/commercial spaces in various projects, equity in net earnings from associates and those obtained from other sources.

<u>Operating Expenses</u>

Operating Expenses posted an increase from P1.15 billion in 2013 to P1.31 billion in 2014. Other charges/expenses include Finance Cost of P127.86 million and P126.57 million in 2014 and 2013, respectively.

FINANCIAL CONDITION

Review of December 31, 2014 versus December 31, 2013

Total resources of the Group as of December 31, 2014 and December 31, 2013 amounted to P35.3 billion and P32.95 billion respectively. Cash and Cash Equivalents increased from P504.47 million to P821.51 million. The Group remained liquid with Total Current Assets of P26.65 billion in 2014 and P22.03 billion in 2013, which accounted for 76% and 67% of the Total Assets in 2014 and 2013 respectively, while its Total Current Liabilities amounted to P7.3 billion in December 31, 2014 as compared with P5.6 billion in December 31, 2013.

The Equity increased from P24.79 billion in the previous year to P24.84 billion as of December 31, 2014 was basically due to Group's Net Income for the twelve-month period.

For the year 2014, the Group sourced its major cash requirements from internally generated funds, collection of advances and partly from borrowings.

For 2013, the Group sourced its major cash requirements from internally generated funds, subscription proceeds, disposal and sale of investment in associate and partly from borrowings.

The Group utilized its funds for construction and development of projects, land acquisition, settlement of loans and expenses for operations.

Material Changes in the 2014 Interim Financial Statements
(Increase or decrease of 5% or more versus December 31, 2013)

Statements of Financial Position

63% increase in Cash and cash equivalents
Mainly due to collections of turnover balances from completed projects and from reservation sales.

19% increase in Trade and other receivables
Due to increase in real estate sales

16% decrease in Property development cost
Due to reclassification to Residential Condominium Units for Sale

31% increase in Residential Condominium Units for Sale
Due to ongoing construction and development activities

5% decrease in Advances to related parties
Due to collections of certain advances

13% decrease in Prepayments and other current assets
Pertains to input vat on various purchases

13% decrease in Available-for-sale financial assets
Primarily due to decrease in fair market value of investment in securities held by a subsidiary

46% decrease in Land held for future development
Reclassification of land to Residential and Condominium Unit for Sale for properties which started its development

9% decrease in Investment property
Primarily due to depreciation charges

38% decrease in Interest-bearing loans and borrowings
Due to payment of loans

62% increase in Trade and other payables
Various payables to contractors and suppliers due to increasing construction activities

184% increase in Income tax payable
Mainly due to higher taxable income

12% decrease in Deferred Gross Profit on Real Estate Sales
Primarily due to increase in construction accomplishment

22% increase in Customers' deposits
Mainly due to increase in reservation sales and collection from various projects

32% increase in Advances from related parties
Due to construction related advances

51% increase in Reserve for property development
Represents estimated cost to complete the construction/development of sold units

47% increase in Other current liabilities
Pertains to amounts withheld from contractors' billings to guarantee timely and satisfactory completion of works

14% increase in Deferred tax liabilities
Mainly due to increase in taxable income

50% increase in Retirement benefit obligation
Due to accrual of retirement obligation for the year and the effect of the revised PAS 19 on Employee Benefits

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus December 31, 2013)

104% increase in Real estate sales
Due to aggressive selling of projects

41% decrease in Realized gross profit on prior years' sale
Due to construction accomplishment of certain projects

23% decrease in Finance income
Primarily due to varying payment terms of interest bearing accounts under in-house financing

100% decrease in Equity in net earnings of associates
Primarily due to decrease in earnings of associate

100% increase in Cost of real estate sales
Mainly attributed to increase in sales

73% increase in Deferred gross profit on current year's sales
Due to pre-selling of projects which are in various stages of construction

14% increase in Operating expenses
Due to additional manpower and increase in other administrative/overhead expenses

55% increase in Tax expense
Mainly due to increase in taxable income

For the year 2015, the projected capital expenditures (construction and development) of roughly P5 billion is expected to be funded by collections, borrowings and other sources.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

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

The nature of all revenues and expenses disclosed in the statements of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statements of financial position.

There are no material off-statements of financial condition transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

For 2013, the following are top key performance indicators of the Group:

Increase in Real Estate Sales and Other Revenues

The Company posted growth in sales and other revenues. Sales and marketing efforts have been intensified .The aggressive selling activities in prior years resulted to increase in current year's sales.

Ability to repay loan obligations

All loans obligations were promptly settled. The Group maintains good credit standing with creditor banks and has considerable standby credit facilities which can be utilized for urgent capital requirements.

Increase in reservation sales

The Group's product concepts, project location, flexible payment scheme and aggressive selling have contributed to the increase in reservation sales. The Marketing team constantly evaluates the needs of the market to determine the suitability of projects being offered to buyers. Most of the Group's ongoing projects are connected to mass transit system while others are conveniently located in prime areas of Metro Manila and suburbs.

Continuous development of projects

The Group continuously undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable. The Group's Project Development team works closely with outside contractors particularly in monitoring and supervising the progress of construction.

Landbanking

The Group aims to acquire properties with strong growth and market potential. It has been continuously acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for future development.

RESULTS OF OPERATION

Review of 2013 versus 2012

During the twelve-month period, the consolidated net profit amounted to P300.47 million, 27% higher than the previous year's net profit of P236.02 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues which posted an increase of 17% from P2.52 billion to P2.95 billion. The increase in revenue is mainly due to increase in sales from various projects.

Real Estate Sales

The Group registered Real Estate Sales of P1.71 billion for twelve months ended December 31, 2013 compared with P1.38 billion in 2012. The sales generated were derived from various projects namely, Pioneer Woodlands, Little Baguio Terraces, San Lorenzo Place, The Rochester, Kasara Urban Resort Residences, Sonoma, The Cambridge Village, California Garden Square, Greenhills Garden Square, Xavier Hills and Laguna Bel Air Projects

The Cost of Real Estate Sales amounting to P1.15 billion in 2013 and P906.26 million in 2012, as a percentage of Real Estate Sales, was 68% and 66%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P553.24 million during the twelve months of 2013 and P475.15 million in 2012, or 32% and 34% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 41% and 30% amounting to P693.60 million and P411.49 million in 2013 and 2012, respectively.

Other Revenues

The Finance income amounting to P492.58 million and P531.44 million in 2013 and 2012 respectively, were derived mostly from in-house financing and accounts for 17% and 21% of total revenues. Commission and other income totaling P559.27 million in 2013 and P529.23 million in 2012, represents 19% and 21% of total revenues, respectively. The other income includes rentals of investment property and residential/commercial spaces in various projects, equity in net earnings from associates and those obtained from other sources.

Operating Expenses

Operating Expenses posted an increase from P1.03 billion in 2012 to P1.15 billion in 2013. Other charges/expenses include Finance Cost of P126.57 million and P96.63 million in 2013 and 2012, respectively.

FINANCIAL CONDITION

Review of December 31, 2013 versus December 31, 2012

Total resources of the Group as of December 31, 2013 and December 31, 2012 amounted to P32.95 billion and P31.97 billion respectively. Cash and Cash Equivalents decreased from P3.03 billion to P504.47 million. The Group remained liquid with Total Current Assets of

P22.03 billion in 2013 and P21.98 billion in 2012, which accounted for 67% and 69% of the Total Assets in 2013 and 2012, while its Total Current Liabilities amounted to P5.60 billion in December 31, 2013 as compared with P7.06 billion in December 31, 2012.

The Equity increase from P22.28 billion in the previous year to P24.79 billion as of December 31, 2013 was basically due to Group's Net Income for the twelve-month period, revaluation of equity investments held by a subsidiary and the additional subscription of shares by parent company.

For the year 2013, the Group sourced its major cash requirements from internally generated funds, subscription proceeds, disposal and sale of investment in associate and partly from borrowings.

The Group utilized its funds for construction and development of projects, land acquisition, settlement of loans and expenses for operations.

Material Changes in the 2013 Interim Financial Position
(increase/decrease of 5% or more in the 2013 Financial Position)

Balance Sheets

- 83% decrease in Cash and cash equivalents
  Mainly due to construction related payments and acquisition of properties

- 13% increase in Trade and other receivables
  Due to increase in real estate sales

- 13% increase in Residential and condominium units for sale
  Due to ongoing construction and development activities

- 9% increase in Property development cost
  Due to ongoing construction and development activities

- 22% increase in Advances to related parties
  Mainly due to reclassification of account

- 14% increase in Prepayments
  Due to increase in Input Vat on purchases and prepaid taxes related to transfer of titles

- 12% increase in Land held for future development
  Mainly due to acquisition of properties

- 54% increase in Available-for-sale financial assets
  Primarily due to increase in fair market value of investment in securities held by a subsidiary

- 70% decrease in Investment in associates
  Due to sale of the company's stake in associate to its parent company

- 8% decrease in Investment properties
  Due to depreciation charges

- 6% decrease in Property and equipment-net
  Mainly due to depreciation charges

- 44% decrease in Interest-bearing loans and borrowings
  Due to payment of loans

- 54% decrease in Trade and other payables
  Pertains to payments to contractors and suppliers

- 45% decrease in Deferred gross profit on real estate sales
  Primarily due to increase in construction accomplishments

- 8% increase in Customers' deposit
  Mainly due to increase in reservation sales and collection from various projects

- 40% decrease in Advances from related parties
  Due to payment of advances from associates

- 12% decrease in Reserve for property development
  Due to continuous construction works of various projects

- 55% increase in Other current liabilities
  Primarily due to increase in retention payable applicable to contractors

- 6% increase in Deferred tax liabilities
  Mainly due to increase in income subject to tax

- 92% increase in Retirement benefit obligation
  Due to accrual of retirement obligation for the year and the effect of revised PAS 19 on Employee Benefits

Statements of Comprehensive Income

- 23% increase in Real estate sales
  Due to higher sales recognized particularly for current projects

- 140% increase in Realized gross profit on prior years' sale
  Primarily due to increase in construction accomplishment of ongoing projects

- 7% decrease in Finance income
  Primarily due to varying payment terms of accounts under in-house financing

- 59% decrease in Equity in net earnings of associates
  Primarily due to sale of the company's stake in associate to its parent company

- 170% increase in Rental income
  Mainly due to rental income recognized from the existing retail component of a newly acquired property

- 27% increase in Cost of real estate sales
  Mainly due to increase in sales

- 63% decrease in Deferred gross profit on current year's sales
  Mainly due to construction accomplishments of ongoing projects

- 31% increase in Finance costs
  Mainly due to additional construction related advances

- 12% increase in Operating expenses
  Due to additional manpower and increase in other administrative/overhead expenses

- 127% increase in Tax expense
  Mainly due to increase in taxable income

For the year 2014, the projected capital expenditures (construction/development) of roughly P4.0 billion is expected to be funded by collections, borrowings and equity financing.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

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

The nature of all revenues and expenses disclosed in the statement of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by statement of financial position.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

Item 7. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,630,000 in 2014 and Php1,600,000 in 2013 exclusive of VAT, in professional fees for services rendered by it for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2014 and 2013.

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2014 and 2013.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Board of Directors in consultation with its Audit Committee and by the stockholders of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

Item 8. Financial Statements

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2011, Mr. Nelson Dinio, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Ms. Mailene Sigue-Bisnar, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2006 to 2010.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. All directors were elected during the annual meeting of stockholders held on 10 June 2014 for a term of one year and until their successors are elected and qualified.

The table sets forth each member of the Company's Board as of 31 March 2015.

Name	Present Position
Andrew L. Tan……………………	Chairman of the Board
Gerardo C. Garcia………………	Vice Chairman/Independent Director
Katherine L. Tan………………….	Director
Anthony Charlemagne C. Yu…..	Director/President
Alejo L. Villanueva, Jr………….	Independent Director
Evelyn G. Cacho…………………	Director/Vice President for Finance
Enrique Santos L. Sy……………	Director
Ricky S. Libago…………………..	Senior Vice President for Property Development
Antonio E. Llantada, Jr…………	Vice President for Audit and Management Services
Ricardo B. Gregorio……………	Vice President for Human Resources and General and Administration Services
Jhoanna Lyndelou T. Llaga……..	Vice President for Marketing
Giovanni C. Ng………………….	Treasurer
Dennis E. Edaño……………….	Corporate Secretary
Celeste Z. Sioson………………	Assistant Corporate Secretary

Following is a brief profile of the incumbent directors and executive officers of the Company, indicating their respective business experience for the past five (5) years.

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 65 years old, Filipino, has served as Chairman of the Company's Board of Directors since its incorporation in July 1994. He was also Treasurer of the Company from July 1994 to May 1998. He is the Chairman of the Board and President of Megaworld Corporation, a publicly listed parent of the Company, and Suntrust Properties, Inc., a wholly owned subsidiary of Megaworld engaged in the development and marketing of affordable housing projects. He pioneered the live-work-play-learn model in real estate development through Megaworld's integrated township communities, thus fueling the growth of the business process outsourcing (BPO) industry. He chairs publicly-listed Alliance Global Group, Inc. which holds interests in property development through Megaworld, integrated tourism estates development through Global-Estate Resorts, Inc. and Travellers International Hotel Group, Inc. which owns Resorts World Manila, and food and beverage manufacturing and distribution through Emperador Inc., which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines, and Golden Arches Development Corporation, which operates and franchises quick service restaurants under the McDonald's brand. Mr. Tan also serves in the boards of various affiliates including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is Chairman of Megaworld Foundation, Megaworld's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation.

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 52 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President of the Company for the same period. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Masters Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at the Ponce Enrile Cayetano Reyes & Manalastas Law Offices and served as Special Legal Counsel to the Secretary of Health, Dr. Juan Flavier. He also served as a Consultant in the Senate of the Philippines. He was a member of the University Faculty of the Ateneo de Manila University for eight (8) years, from 1985 to 1993 and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Mr. Yu has also served as a Law Professor in the College of Law of the University of the Philippines. He was Philippine Delegate to the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu was a member of the United Nations Development Program's Regional Network of Legal Experts on Marine Pollution and the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir School, Inc. He is the President of the El Nido Foundation, an NGO that promotes sustainable development and environmental protection in northern Palawan. He is a Trustee of Culion Foundation, a social development organization that primarily supports undertakings on the prevention and control of selected communicable and infectious diseases, reproductive health, and micro-enterprise development. He is the Chairman of the ERDA Group of Foundations, which promotes educational assistance to the marginalized sectors of society, including street children. He is also a member of the Board of Trustees of IBON Foundation, a non-profit research and education development institution that provides socio-economic research and analysis on people's issues to various sectors. Mr. Yu is also President and/or Director of Empire East Communities, Inc., Megaworld Central Properties, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Megaworld Newport Property Holdings, Inc.

Katherine L. Tan
Director

Ms. Tan, 63 years old, Filipino, was elected to the Board on 9 June 2009. She previously served as director of the Company from 1994 to 1996. She is concurrently a Director of Megaworld Corporation, Director and Treasurer of Alliance Global Group, Inc., Emperador Inc., Alliance Global Brands, Inc. and Emperador Distillers, Inc. She has extensive experience in the food and beverage industry and is currently Director of The Bar Beverage, Inc. and Choice Gourmet Banquet, Inc. She is Director and President of Raffles & Company, Inc.

Gerardo C. Garcia
Vice Chairman/Independent Director

Mr. Garcia, 73 years old, Filipino, is an independent director of the Company. He has been a member of the Company's Board of Directors since October 1994 and has served as Vice Chairman of the Board since December 1997. He also served as President of the Company from October 1994 until December 1997. He concurrently serves in the boards of Megaworld Corporation, Global-Estate Resorts, Inc., Suntrust Properties, Inc. and Megaworld Land, Inc. as independent director. Prior to joining the Company, Mr. Garcia was Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration from the University of the Philippines.

Enrique Santos L. Sy
Director

Mr. Sy, 65 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company from July 1994 until 31 March 2011. Mr. Sy concurrently serves in the boards of Megaworld Corporation and First Oceanic Property Management, Inc. He is Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and the Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Evelyn G. Cacho
Director/Vice President for Finance

Ms. Cacho, 53 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho has served as Vice President for Finance of the Company since February 2001. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company's subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She concurrently serves as Director in PSE-listed Suntrust Home Developers, Inc. She also holds the position of Treasurer of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. She is the Assistant Corporate Secretary of Gilmore Property Marketing Associates, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor's degree in Business Administration major in Accounting and is a certified public accountant by profession.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 73 years old, Filipino, is an independent director of the Company since June 2007. He is concurrently an independent director of Alliance Global Group, Inc. and Suntrust Home Developers, Inc., Emperador, Inc. and a Director of First Capital Condominium Corporation, a non-stock, non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Ricky S. Libago
Senior Vice President for Property Development

Mr. Libago, 50 years old, Filipino, has served as Senior Vice President for Project Development since he joined the Company in July 2008. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Development (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

Antonio E. Llantada, Jr.
Vice President for Audit and Management Services

Mr. Llantada, 59 years old, Filipino, has served as Vice President for Audit and Management Services since December 1997. Before joining the Company, Mr. Llantada served in the Church of Jesus Christ of Latter-Day Saints for eleven years, holding various positions such as Area Materials Management Manager, Area Finance Manager, Purchasing Manager and Distribution Manager. He also worked with MB Finance, Inc. (formerly, Jardine Manila Finance, Inc.) as Internal Audit Manager and with SGV & Co. as Senior Auditor. Mr. Llantada is a member of the Philippine Institute of Certified Public Accountants. Mr. Llantada graduated from the De La Salle University in 1977 with the degree of Bachelor of Arts major in Behavioral Sciences, and in 1978 with the degree of Bachelor of Science in Commerce major in Accounting. In 1991, he obtained his Masters Degree in Business Administration from the Ateneo de Manila University.

Ricardo B. Gregorio
Vice President for Human Resources and General and Administration Services

Mr. Gregorio, 52 years old, Filipino, has served as Vice President for Human Resources General and Administration Services since June 18, 2003. Prior to his appointment, Mr. Gregorio was Assistant Vice President for HRAD, Purchasing and Warehouse Department. He joined the Company in August 1997 as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Masters Degree in Business

Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

Jhoanna Lyndelou T. Llaga
Vice President for Marketing

Ms. Llaga, 43 years old, Filipino has served as Vice President for Marketing since March 2011. She currently serves as director of Empire East Communities, Inc, the Company's subsidiary and as an SVP of Megaworld Central Properties, Inc., an affiliate. She joined the company in April 1995 and held various positions. She was appointed as Marketing Head in June 2003 and was promoted to Assistant Vice President for Marketing in July 2009. Ms. Llaga graduated from the University of the Philippines in March 1994 with the degree of Bachelor of Arts in English Language Studies.

Giovanni C. Ng
Treasurer

Mr. Ng, 41 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Finance Director of Megaworld Corporation and Treasurer of Adams Properties, Inc. and Townsquare Development, Inc. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc. and New Town Land Partners, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor’s degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Dennis E. Edaño
Corporate Secretary

Mr. Edaño, 38 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department of the Company. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was employed with the Yats International Ltd. as Legal Manager. Mr. Edaño obtained his bachelor’s degree in Law in 1999 from the University of the Philippines and his bachelor’s degree in Liberal Arts major in Philosophy from the same institution in 1995.

Celeste Z. Sioson
Assistant Corporate Secretary

Ms. Sioson, 38 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Senior Assistant Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor’s degree in Law from the University of the Philippines in 2002 and her bachelor’s degree in Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal, administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

Significant Employees

The business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Mr. Andrew L. Tan and Ms. Katherine L. Tan, both directors of the Company, are spouses.

Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 11. Executive Compensation

Compensation of Certain Executive Officers

The total annual compensation paid to the President/CEO and four most highly compensated executive officers of the Company amounted to Php12,087,586 in 2014 and Php10,759,782 in 2013. The projected total annual compensation of the named executive officers for the current year is Php13,276,345.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2014, the Company paid a total of Php600,000 for directors' per diem. For 2015, the Company has allocated the same amount of Php700,000 for directors' per diem.

Apart from directors' per diem, there are no other arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

SUMMARY COMPENSATION TABLE

The following table identifies the President and the four most highly compensated officers of the Company and summarizes their aggregate compensation in 2013 and 2014 and estimated aggregate compensation for 2015:

Name and Principal Position	Year	Salary	Others Variable Pay	Total Annual Compensation
Anthony Charlemagne C. Yu, President & CEO				
Ricky S. Libago SVP for Property Development				
Antonio E. Llantada, Jr., VP for Audit and Management Services				
Evelyn G. Cacho, VP for Finance				
Ricardo B. Gregorio, VP for HR, General & Admin Services				
President and 4 Most Highly Compensated Officers	2013	8,678,714	2,081,068	10,759,782
	2014	9,746,841	2,340,745	12,087,586
	2015	10,721,526	2,554,819	13,276,345
All Other Officers and Directors as a Group	2013	23,122,174	4,316,127	27,438,301
	2014	17,606,515	4,574,349	22,180,864
	2015	19,473,089	4,991,784	24,464,873

Employment Contracts and Change-in-Control Arrangements

Executive officers are appointed by the Board of Directors to their respective offices. Certain executive officers are employees of the Company and are entitled to standard employee benefits extended by the Company to the employees.

Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are no outstanding warrants and options in respect of the Company's shares that are held by the Company's CEO, or any director or executive officer of the Company.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of March 31, 2015

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City	Megaworld Corporation	Filipino	11,993,426,438	81.7202%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Filipino	1,485,597,370	10.1225%
Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Non-Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Non-Filipino	779,540,544	5.3116%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security Ownership of Management as of March 31, 2015

Title of Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.16542278%
		1[1] (indirect)	Filipino	0.00000001%
		11,993,426,438[2] (indirect)	Filipino	81.72024855%
		138,133,820[3] (indirect)	Filipino	0.94120967%
Common	Gerardo C. Garcia	636,277 (direct)	Filipino	0.00433543%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.00000001%
Common	Katherine L. Tan	1 (direct) 24,277,777[4] (indirect)	Filipino Filipino	0.00000001% 0.16542278%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00008103%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.00024012%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Four Most Highly Compensated Officers				
Common	Anthony Charlemagne C. Yu	Same as above		
Common	Ricky S. Libago	0	Filipino	n/a
Common	Antonio E. Llantada, Jr.	92,532 (direct)	Filipino	0.00063049%
Common	Evelyn G. Cacho	Same as above		
Common	Ricardo B. Gregorio	0	Filipino	n/a
Other Executive Officers				
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Celeste Z. Sioson	0	Filipino	n/a
Common	All directors and executive officers as a group	25,053,721 (direct)	Filipino	0.170709873%

Voting Trust Holders of 5% or More

The Company has no knowledge of any person holding more than five percent (5%) of the Company's shares of common stock under a voting trust or similar agreement.

Changes in Control

No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

[1]The share is beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.
[2] The shares are held by Megaworld Corporation which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.
[3] The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.
[4] The shares are beneficially owned by Andrew L. Tan, spouse of Katherine L. Tan.

Item 13. Certain Relationships and Related Transactions

Please refer to the discussion under Transactions with and/or dependence on Related Parties on page 6.

The Group's policy on related party transactions is disclosed in Note 2.21 (page 25) of its Audited Financial Statements.

Also, Note 22 (pages 55 to 57) of the Group's Audited Financial Statements cite the conditions, purpose, and types of transactions (i.e., advances given to and received from related parties for construction-related activities, recognition of rental income, recognition of commission income and the grant by a stockholder of security under the Group's commercial/term loan) which give rise to the due to/from related parties and advances to/from stockholders, associates and other related parties.

In accordance with PAS 24.18, the Group disclosed the amounts of the transactions with its related parties, including the amount of outstanding balances as of the reporting dates.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24 but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART V – EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2014 and 2013
2	Annual Corporate Governance Report for 2014

The Company filed the following reports on SEC Form 17-C during the last six-month period covered by this report.

Date	Disclosures
10 June 2014	Results of Annual Stockholder's Meeting
10 June 2014	Results of Organizational Meeting of the Board of Directors
10 June 2014	Press Release: "Empire East announces P25 B capex over the next 5 years"
10 December 2014	Amendment to the Third Article of the Articles of Incorporation

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati, Philippines on APR 24 2015

EMPIRE EAST LAND HOLDINGS, INC.

By:

ANTHONY CHARLEMAGNE C. YU
President
(Principal Executive Officer
and Principal Operating Officer)

EVELYN G. CACHO
Vice President for Finance
(Principal Financial Officer,
Comptroller and Principal
Accounting Officer)

DENNIS E. EDAÑO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of APR 24 2015 affiants exhibiting to me their Tax Identification Numbers and Community Tax Certificates, as follows:

NAMES	TIN NOS.
Anthony Charlemagne C. Yu	132-173-451
Evelyn G. Cacho	127-326-686
Dennis E. Edaño	207-906-709

Doc. No. 81;
Page No. 18;
Book No. XVII;
Series of 2015.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2015-2016)
PTR No. 4748512 Jan. 5, 2015
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Empire East

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Empire East Land Holdings, Inc. and subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, in accordance with Philippine Financial Reporting Standards, including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration
c. Schedule of PFRS Effective as of December 31, 2014
d. Schedule of Financial Indicators for December 31, 2014 and 2013
e. Map Showing the Relationship Between and Among the Company and its Related Entities
f. Schedule of Proceeds and Expenditures for the Recent Stock Rights Offering;

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, including the additional supplemental information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

EVELYN G. CACHO
Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 16 2015
RECEIVED

Empire East Land Holdings, Inc.
21/F The World Centre, 330 Sen. Gil Puyat Avenue Extension,
Makati City 1200, Philippines • Tels: (632) 867-8351 to 59

SUBSCRIBED AND SWORN to me before this MAR 25 2015 of 2015 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	00076725	January 06, 2015	Quezon City
Anthony Charlemagne C. Yu	02421185	January 12, 2015	Makati City
Evelyn G. Cacho	02412696	January 05, 2015	Makati City

Celeste Z. Sioson
Notary Public
Until 31 December 2016
Lifetime IBP No. 924749; 01.11.13; Q.C.
PTR No. 4757591; 01.07.15; Makati City
Roll No. 48369; 03.24.03
24/F The World Centre Building
330 Sen. Gil Puyat Ave., Makati City
Tel. No. 867-8018

Doc. No. 018
Page No. 004
Book No. XXVIII
Series of 2015

CELESTE Z. SIOSON NOTARY PUBLIC ROLL NO. 48369 MAKATI CITY, PHILIPPINES

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 16 2015 SDS
RECEIVED

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building
330 Sen. Gil Puyat Avenue, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 16 2015 SDS
RECEIVED

We have audited the accompanying consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Empire East Land Holdings, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 13, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
APR 16 2015
SDS
RECEIVED

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 821,513,652**	P 504,471,331
Trade and other receivables - net	6	**4,021,021,060**	2,979,566,315
Advances to related parties	22	**1,956,360,549**	2,053,791,774
Residential and condominium units for sale	7	**16,765,013,572**	12,824,659,670
Property development costs	7	**2,428,011,799**	2,902,642,906
Prepayments and other current assets	2	**658,003,473**	760,206,175
Total Current Assets		**26,649,924,105**	22,025,338,171
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**2,412,999,198**	2,421,692,485
Available-for-sale financial assets	8	**2,539,130,000**	2,905,080,000
Advances to landowners and joint ventures	9	**775,835,465**	787,075,245
Land held for future development	10	**2,218,661,983**	4,088,300,118
Investment in an associate	11	**293,290,510**	293,372,235
Property and equipment - net	12	**153,529,494**	160,370,094
Investment property - net	13	**168,747,693**	185,552,516
Other non-current assets		**84,612,960**	84,458,536
Total Non-current Assets		**8,646,807,303**	10,925,901,229
TOTAL ASSETS		**P 35,296,731,408**	P 32,951,239,400

	Notes	2014	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 58,691,642**	P 71,200,342
Trade and other payables	15	**709,271,471**	438,132,758
Deferred gross profit on real estate sales	2	**37,796,605**	49,703,647
Customers' deposits	16	**3,608,515,425**	2,957,368,755
Advances from related parties	22	**2,170,359,594**	1,643,353,984
Reserve for property development	2	**243,836,218**	132,642,060
Income tax payable		**20,641,970**	7,267,113
Other current liabilities	17	**450,672,211**	305,700,294
Total Current Liabilities		**7,299,785,136**	5,605,368,953
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**77,829,911**	148,530,809
Deferred gross profit on real estate sales	2	**115,497,634**	125,286,085
Reserve for property development	2	**1,185,419,892**	815,738,947
Retirement benefit obligation	20	**433,173,474**	288,880,437
Deferred tax liabilities - net	21	**1,343,085,670**	1,177,480,246
Total Non-current Liabilities		**3,155,006,581**	2,555,916,524
Total Liabilities		**10,454,791,717**	8,161,285,477
EQUITY			
Capital stock	23	**14,803,455,238**	14,803,455,238
Additional paid-in capital		**4,307,887,996**	4,307,887,996
Treasury stock - at cost	23	**(102,106,658)**	(102,106,658)
Revaluation reserves		**1,548,097,532**	1,980,515,883
Retained earnings	23	**3,668,638,956**	3,186,793,388
Equity attributable to parent company's shareholders		**24,225,973,064**	24,176,545,847
Non-controlling interest		**615,966,627**	613,408,076
Total Equity		**24,841,939,691**	24,789,953,923
TOTAL LIABILITIES AND EQUITY		**P 35,296,731,408**	P 32,951,239,400

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
REVENUES AND INCOME				
Real estate sales	2	**P 3,480,191,566**	P 1,705,620,061	P 1,381,413,611
Realized gross profit on prior years' sales	2	**113,810,909**	193,650,909	80,660,991
Finance income	19	**381,185,394**	492,576,792	531,444,542
Commissions	22	**134,923,506**	147,636,430	149,623,356
Rental income	13	**111,812,748**	121,363,871	45,025,948
Equity share in net earnings (losses) of associates	11	**(81,725)**	34,635,124	83,770,918
Other income	18	**353,854,913**	255,633,125	250,814,251
		4,575,697,311	2,951,116,312	2,522,753,617
COSTS AND EXPENSES				
Cost of real estate sales	2	**2,300,438,219**	1,152,377,269	906,264,248
Deferred gross profit on current year's sales	2	**92,115,417**	53,293,704	144,324,450
Salaries and employee benefits	20	**302,327,535**	255,508,254	191,024,216
Taxes and licenses	13	**268,431,334**	125,442,799	39,573,594
Commissions		**193,938,329**	190,078,824	176,184,120
Finance costs	19	**127,855,308**	126,572,738	96,630,630
Travel and transportation		**106,764,956**	108,794,974	117,177,770
Advertising and promotion		**98,878,593**	101,628,164	196,150,807
Depreciation and amortization	12, 13	**37,777,025**	37,015,034	38,394,105
Loss from dilution of investment in subsidiary	11	**-**	-	37,501,256
Other expenses	18	**298,231,868**	329,796,416	268,719,399
Tax expense	21	**264,418,347**	170,136,355	74,787,036
		4,091,176,931	2,650,644,531	2,286,731,631
NET PROFIT		**484,520,380**	300,471,781	236,021,986
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified subsequently through profit or loss:				
Remeasurements on retirement benefit obligation	20	**(94,939,688)**	(96,792,260)	(3,699,968)
Tax income on remeasurement	21	**28,355,076**	28,805,985	929,818
		(66,584,612)	(67,986,275)	(2,770,150)
Item that will be reclassified subsequently through profit or loss:				
Fair value gains (losses) on available-for-sale financial assets	8	**(365,950,000)**	1,017,904,000	722,892,000
Reclassification of unrealized fair value gains on disposed AFS financial assets to profit and loss		**-**	-	(221,000,000)
		(365,950,000)	1,017,904,000	501,892,000
TOTAL COMPREHENSIVE INCOME		**P 51,985,768**	P 1,250,389,506	P 735,143,836
Net profit attributable to:				
Parent company's shareholders		**P 481,845,568**	P 299,466,849	P 234,603,385
Non-controlling interest		**2,674,812**	1,004,932	1,418,601
		P 484,520,380	P 300,471,781	P 236,021,986
Total comprehensive income attributable to:				
Parent company's shareholders		**P 49,427,217**	P 1,249,596,958	P 733,890,393
Non-controlling interest		**2,558,551**	792,548	1,253,443
		P 51,985,768	P 1,250,389,506	P 735,143,836
EARNINGS PER SHARE - Basic and Diluted	24	**P 0.033**	P 0.021	P 0.021

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

		Attributable to Parent Company's Shareholders							
	Notes	Capital Stock	Additional Paid-in-Capital	Treasury Stock	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2014		P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,980,515,883	P 3,186,793,388	P 24,176,545,847	P 613,408,076	P 24,789,953,923
Total comprehensive income for the year									
Net profit for the year		-	-	-	-	481,845,568	481,845,568	2,674,812	484,520,380
Fair value losses on available-for-sale financial assets	8	-	-	-	(365,950,000)	-	(365,950,000)	-	(365,950,000)
Remeasurements on retirement benefit obligation	20	-	-	-	(94,823,427)	-	(94,823,427)	(116,261)	(94,939,688)
Tax income on remeasurement	21	-	-	-	28,355,076	-	28,355,076	-	28,355,076
Balance at December 31, 2014	23	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,548,097,532	P 3,668,638,956	P 24,225,973,064	P 615,966,627	24,841,939,691
Balance at January 1, 2013		P 13,603,455,238	P 4,247,887,996	(P 102,106,658)	P 1,030,385,774	P 2,887,326,539	P 21,666,948,889	P 612,615,528	P 22,279,564,417
Transaction with owners:									
Additional subscription during the year	23	1,200,000,000	60,000,000	-	-	-	1,260,000,000	-	1,260,000,000
Total comprehensive income for the year:									
Net profit for the year		-	-	-	-	299,466,849	299,466,849	1,004,932	300,471,781
Fair value gains on available-for-sale financial assets	8	-	-	-	1,017,904,000	-	1,017,904,000	-	1,017,904,000
Remeasurements on retirement benefit obligation	20	-	-	-	(96,579,876)	-	(96,579,876)	(212,384)	(96,792,260)
Tax income on remeasurement	21	-	-	-	28,805,985	-	28,805,985	-	28,805,985
Balance at December 31, 2013	23	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,980,515,883	P 3,186,793,388	P 24,176,545,847	P 613,408,076	P 24,789,953,923
Balance at January 1, 2012		P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 452,715,833	P 2,652,723,154	P 18,178,985,288	P 853,472,453	P 19,032,457,741
Transactions with owners:									
Additional subscription during the year	23	2,695,239,834	-	-	-	-	2,695,239,834	-	2,695,239,834
Direct costs in issuance of shares of stock		-	(33,676,709)	-	-	-	(33,676,709)	-	(33,676,709)
Reduction in non-controlling interest representing the shares held by a deconsolidated subsidiary		-	-	14,127,150	-	-	14,127,150	-	14,127,150
Deconsolidation of balance related to GPMAI		-	-	-	78,382,933	-	78,382,933	-	78,382,933
Total comprehensive income for the year:									
Net profit for the year		-	-	-	-	234,603,385	234,603,385	1,418,601	236,021,986
Available-for-sale financial assets:									
Fair value gains on available-for-sale financial assets		-	-	-	722,892,000	-	722,892,000	-	722,892,000
Reclassification to profit or loss		-	-	-	(221,000,000)	-	(221,000,000)	-	(221,000,000)
Remeasurements on retirement benefit obligation	20	-	-	-	(3,534,810)	-	(3,534,810)	(165,158)	(3,699,968)
Tax income on remeasurement	21	-	-	-	929,818	-	929,818	-	929,818
Reduction in non-controlling interest		-	-	-	-	-	-	(242,110,368)	(242,110,368)
Balance at December 31, 2012	23	P 13,603,455,238	P 4,247,887,996	(P 102,106,658)	P 1,030,385,774	P 2,887,326,539	P 21,666,948,889	P 612,615,528	P 22,279,564,417

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philipine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 748,938,727	P 470,608,136	P 310,809,022
Adjustments for:				
Finance income	19	(338,397,394)	(449,788,792)	(490,908,542)
Finance costs	19	127,855,309	126,572,738	96,630,630
Dividend income	19	(42,788,000)	(42,788,000)	(40,536,000)
Depreciation and amortization	12, 13	37,777,025	37,015,034	38,394,105
Equity share in net losses (earnings) of associates	11	81,725	(34,635,124)	(83,770,918)
Impairment loss - LBASSI	6	62,244	79,820	18,300
Loss from sale of investment in an associate	11	-	35,422,273	-
Gain on sale of property and equipment	12	-	(487,890)	-
Loss from dilution of investment in subsidiary	11	-	-	37,501,256
Operating profit (loss) before working capital changes		533,529,636	141,998,195	(131,862,147)
Increase in trade and other receivables		(885,019,119)	(593,261,118)	(548,433,029)
Decrease (increase) in advances to related parties		97,431,225	(133,230,631)	(654,297,479)
Increase in residential and condominium units for sale		(3,924,472,242)	(1,456,829,490)	(1,854,871,188)
Decrease (increase) in property development costs		474,631,107	(243,026,014)	(235,827,882)
Decrease (increase) in prepayments and other current assets		102,089,591	(93,961,622)	(172,118,201)
Decrease in advances to landowners and joint ventures		11,239,780	35,509,548	117,631,400
Decrease (increase) in land held for future development		1,869,638,135	(425,547,777)	(551,246,238)
Decrease (increase) in other non-current assets		(154,430)	287,614	16,151,725
Increase (decrease) in trade and other payables		164,193,169	(510,308,745)	630,744,307
Increase (decrease) in deferred gross profit on real estate sales		(21,695,493)	(140,357,205)	63,663,460
Increase in customers' deposits		651,146,670	217,826,347	393,712,546
Increase (decrease) in reserve for property development		480,875,103	(134,045,868)	227,469,858
Increase in other current liabilities		144,971,919	108,429,012	35,141,875
Increase in retirement benefit obligation		34,125,993	32,328,471	14,820,055
Cash used in operations		(267,468,956)	(3,194,189,283)	(2,649,320,938)
Interest received		185,446,993	301,396,245	291,250,824
Cash paid for income taxes		(57,082,990)	(77,894,360)	(52,039,412)
Net Cash Used in Operating Activities		(139,104,953)	(2,970,687,398)	(2,410,109,526)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	19	42,788,000	42,788,000	40,536,000
Acquisitions of property and equipment	12	(14,227,073)	(11,815,910)	(16,125,846)
Interest received		5,145,818	17,228,413	24,447,560
Proceeds from sale of property and equipment	12	208,585	2,789,118	-
Proceeds from sale of investment in shares of stock	11	-	471,236,862	-
Net Cash From Investing Activities		33,915,330	522,226,483	48,857,714
Balance Carried Forward		(P 105,189,623)	(P 2,448,460,915)	(P 2,361,251,812)

	Notes	2014	2013	2012
Balance Brought Forward		(P 105,189,623)	(P 2,448,460,915)	(P 2,361,251,812)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from advances from related parties	22	556,226,387	142,239,176	1,979,020,494
Payments of interest-bearing loans and borrowings	14	(83,209,598)	(170,152,311)	(249,364,217)
Payments of advances from related parties	22	(28,439,048)	(1,286,978,539)	(80,417,177)
Interest paid		(22,345,797)	(25,399,062)	(43,776,313)
Proceeds from issuance of shares of stock	23	-	1,260,000,000	2,695,239,834
Direct costs in issuance of shares of stock	23	-	-	(33,676,709)
Net Cash From (Used in) Financing Activities		422,231,944	(80,290,736)	4,267,025,912
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		317,042,321	(2,528,751,651)	1,905,774,100
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		504,471,331	3,033,222,982	827,666,321
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES	11	-	-	(195,406,748)
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARY	11	-	-	495,189,309
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 821,513,652	P 504,471,331	P 3,033,222,982

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions which include the following:

- Capitalization of interest expense as part of Residential and condominium units for sales account (see Note 7) and
- Settlements of Advances to Landowners through receipt of certain parcels of land and reclassification to real estate assets upon full payment (see Note 10).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 1994. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

As of December 31, the Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership 2014	2013	2012
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(c)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(d)	**100%**	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	**73%**	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(f)	**60%**	60%	60%
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(g)	47%	47%	47%
Suntrust Properties Inc. (SPI)	(h)	**-**	-	33%

Explanatory Notes:

(a) Subsidiary incorporated in 1996 and serves as the marketing arm of the Company for the latter's projects, as well as those of other related parties.

(b) Subsidiary incorporated in 2006; additional shares were acquired in November 2008 through assignment of shares from a third party.

(c) Subsidiary incorporated in 2007; shares acquired through assignment of shares from Yorkshire Holdings Inc., a related party, in January 2008.

(d) Subsidiary incorporated in 2008 to primarily engage in the purchase, development, sale and lease of real properties but is currently engaged in the marketing of real estate properties.

(e) Subsidiary incorporated in 1996 to primarily engage in operating a school for primary and secondary education.

(f) Subsidiary incorporated in 2007 as a holding entity to primarily engage in the development and marketing of all kinds of real estate. Additional shares were acquired from First Centro, Inc. in March and June 2008.

(g) Entity incorporated in 1996. In 2012, the entity was deconsolidated and treated as an associate of the Company.

(h) Entity incorporated in 1997. In 2011, the entity was deconsolidated and treated as an associate of the Company. In 2013, the Company's remaining ownership interest was sold to Megaworld Corporation.

The registered office, which is also the place of operations of the Company's subsidiaries and associates, is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City except for EPHI, LBASSI and SPI. The registered office, which is also the place of operations, of EPHI, LBASSI and SPI are summarized below.

(a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) SPI – Ground Floor, One World Square Bldg., No. 2 Upper Mc Kinley Road, Town Center, Fort Bonifacio Taguig City

Prior to March 25, 2011, the Company held 80% ownership interest in SPI and, thus, was a consolidated subsidiary in 2010. On March 25, 2011, the percentage ownership of the Company over SPI was reduced to 33% due to the subscription by Megaworld to SPI's increase in authorized capital stock. Accordingly, SPI was treated as an associate in 2012 and 2011. On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. A total of 315,000,008 shares were sold for a total consideration of P471.2 million (see Note 11.1). As a result of the sale, SPI ceased to be an associate of the Company.

On December 26, 2012, GPMAI issued additional 5,000,000 shares of stock at P1 par value which were purchased by a third party. As a result, the percentage of ownership of the Company over GPMAI was reduced from 52% to 47%. In addition, the Company is no longer part of the Board of Directors (BOD) of GPMAI, thereby losing its control over the financial and operating policies of GPMAI. Starting that date, GPMAI is treated as an associate of the Company.

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting to 100% and 73% ownership control over the respective subsidiaries. This resulted to the recognition of goodwill which amounted to P78.3 million as of December 31, 2014 and 2013, and shown as part of Other non-current assets account in the consolidated statements of financial position.

The Company is a subsidiary of Megaworld Corporation (Megaworld). Megaworld is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The parent company is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 67.25% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

The Company's registered office is located at the 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City. Megaworld's registered office is at the 28th Floor of the same building. On the other hand, AGI's registered office is located at the 7th Floor 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered offices are also their respective principal places of business.

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2014 (including the comparative financial statements for December 31, 2013 and 2012) were authorized for issue by the Company's BOD on March 13, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Company

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for financial statements for the annual periods beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosure for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.* The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's consolidated financial statements for any periods presented. The details and outstanding balances of financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar arrangements are disclosed in Note 27.2.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the consolidated financial statements. This amendment did not result in additional disclosures in the financial statements since there were no impairment losses recognized on the Group's non-financial assets during the years presented.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Group's consolidated financial statements.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12 (Amendment), *Disclosure of Interests in Other Entities*, and PAS 27 (Amendment), *Separate Financial Statements*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have a significant impact on the Group's consolidated financial statements as there were no transactions entered into by the Group involving an investment entity.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2014 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and associate.

(v) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) IFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2017). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers,* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.

(viii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(ix) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

(e) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

(b) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(c) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation and Interests in Joint Ventures

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and (iii) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see also Note 2.9).

(b) Investments in an Associate

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

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings (Losses) of Associates in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

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

(c) Transactions with Non-controlling Interests

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

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

(d) Interests in Joint Ventures

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the jointly controlled assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

The Company holds interests in various subsidiaries and associates as presented in Note 1.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus directly attributable transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and the related transaction costs recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group is as follows:

(a) *Loans and Receivables*

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

The Group's financial assets categorized as loans and receivables include Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors), and Advances to Related Parties accounts in the consolidated statements of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is any objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or 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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

(b) *AFS Financial Assets*

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

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

The fair value of AFS financial asset is determined by direct reference to published price quoted in an active market for traded securities. On the other hand, unquoted AFS financial assets are carried at cost because the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique.

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

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as other non-current assets.

2.6 Property and Equipment

Property and equipment are stated cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Building and other improvements	5-25 years
Transportation equipment	5 years
Office furniture and equipment	3-5 years

Leasehold improvements are amortized over the term of the lease or lives of the improvements, whichever is shorter.

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated profit or loss in the year the item is derecognized.

2.7 Investment Property

Investment property consists of building and office/commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office/commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for building and office/commercial units classified as investment property is computed on the straight-line basis over the estimated useful life of 20 years.

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.8 Financial Liabilities

Financial liabilities which include interest-bearing loans and borrowings, trade and other payables (except tax-related liabilities), advances from related parties and other current liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in the consolidated profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when dividends are approved by the BOD.

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.9 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.10 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.11 Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

2.12 Real Estate Transactions and Revenue and Expense Recognition

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land Held for Future Development account. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. Once revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related costs are reclassified to Residential and Condominium Units for Sale. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs or Residential and Condominium Units for Sale account (see Note 2.19).

Costs of properties and projects accounted for as Land Held for Future Development, Property Development Costs and Residential and Condominium Units for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

For financial reporting purposes, revenues on sales of residential and condominium units are recognized using the percentage-of-completion method. Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. Uncompleted portion of gross profit in condominium and residential units sold are recognized in the Deferred Gross Profit on Real Estate Sales in the consolidated statement of financial position. Completed portion during the year from Deferred Gross Profit on Real Estate of prior year is recognized as income under Realized Gross Profit on Prior Years' Sales in the consolidated statement of comprehensive income. Collections, which have not yet met the threshold (determined as a certain percentage of the net contract price) before a sale is recognized, are initially recorded as Advances from customers under the Customers' Deposits account in the consolidated statement of financial position.

Revenue and cost relating to forfeited or backed-out sales are reversed in the current year as they occur. Any collections received from customers which will not be refunded are recognized as Forfeited collections and deposits, included as part of Other Income in the consolidated statement of comprehensive income.

For tax purposes, revenue on sales of condominium units is recognized in full in the year of sale when a certain percentage of the net contract price has been received. Otherwise, the taxable income for the year is computed based on collections from the sales.

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of real estate property sold, as determined by the entities' project engineers, are charged to the cost of residential and condominium units sold with a corresponding credit to the Reserve for Property Development account, which pertains to the remaining costs that will be incurred relative to the development/construction of the sold units.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations in the period in which the loss is determined.

Revenues, other than those originating from real estate transactions, are recognized to the extent that it is probable that the future economic benefits will flow to the Group; revenue can be measured reliably; and, the costs incurred or to be incurred can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Forfeited collections and deposits* – Revenue is recognized in the year the contract was cancelled.

(b) *Rendering of services* – Revenue is recognized upon substantial rendition of the services required.

(c) *Rental* – Lease income from operating lease is recognized on a straight-line basis over the lease term [see Note 2.14 (b)].

(d) *Marketing fees* – Revenue is recognized when the performance of contractually agreed services have been substantially rendered.

(e) *Tuition fees and miscellaneous fees on tuition fees* – Revenue is recognized over the corresponding school term.

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

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

Other costs and expenses are recognized in profit or loss upon utilization of the services, receipt of goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.19).

2.13 Commissions

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Commissions are recognized as expense in the period in which they are incurred.

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- research costs, if any, relating to new business activities; and
- revenue and costs from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.16 Foreign Currency Transactions and Translation

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

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

2.17 Impairment of Non-financial Assets

The Group's advances to landowners and joint ventures, investment in an associates investment property, property and equipment, goodwill and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) *Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment 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 benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Defined Contribution Plans*

A defined contribution plan is a post-employment 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 plans 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.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Property Development Costs and Residential and Condominium Units for Sale accounts in the consolidated statement of financial position (see Note 2.12). The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.20 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

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

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of the reporting period.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in the consolidated other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associate; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's retirement fund.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. As of December 31, 2014, 2013 and 2012, the Company does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stock are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves arise from remeasurements on retirement benefit obligation and unrealized gains and losses arising from fair value changes of AFS financial assets, net of applicable taxes.

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

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) *Distinguishing Investment Property, Owner-managed Properties and Land Held for Future Development*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while land held for future development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

(b) Distinguishing Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Based on management's assessment, all of the Group's current lease agreements are classified as operating leases.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 25.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(b) Determining Net Realizable Value of Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development

In determining the net realizable value of residential and condominium units for sale, property development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate, residential and condominium units for sale, property development costs and land held for future development are higher than their related carrying values as of the end of the reporting periods.

(c) Estimating Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically 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.

The carrying amounts of property and equipment and investment property are analyzed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2014 and 2013, there is no change in estimated useful lives of investment property and property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period 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 asset to be utilized.

The carrying values of the Group's deferred tax assets as of December 31, 2014 and 2013 are disclosed in Note 21.

(e) *Impairment of Non-financial Assets*

In assessing impairment, the Group estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though the Group believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on advances to landowners and joint ventures, investments in an associate, property and equipment and investment property in 2014, 2013 and 2012 (see Notes 9, 11, 12 and 13).

(f) *Valuation of Post-Employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 20.2.

(g) *Revenue Recognition Based on Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project. Should the proportion of the percentage of completed projects differ by 10% from management's estimates, the amount of revenue recognized in 2014 and 2013 would have increased by P99.37 million and P28.9 million, respectively, if percentages of completion were increased by 10%. Consequently, revenue would have decreased by P123.17 million and P56.1 million in 2014 and 2013, respectively, if the percentages of completion were decreased by 10%.

(h) *Basis for Revenue Recognition Benchmark*

As discussed in Note 2.12, the Group recognizes its revenue in full when a certain percentage of the net contract price is received /collected. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history of customers and number of back out sales in prior years. A buyer's interest in the property is considered to have vested when a defined percentage of the net contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

(i) Determination of Fair Value of Investment Property

Investment property is measured using the cost model. The fair value disclosed in Note 28.4 to the consolidated financial statements is determined by the Group using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

The fair values of the properties were derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting periods. A significant change in these elements may affect prices and the value of the assets.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, property development costs and residential and condominium units for sale. Segment liabilities include all operating liabilities incurred by management in each particular segment.

4.3 Intersegment Transactions

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the financial statements.

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2014, 2013 and 2012 is analyzed in the succeeding pages.

	High Rise Projects			Horizontal Projects			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
REVENUES									
Real estate sales	P 2,606,331,123	P 1,393,785,610	P 1,134,391,661	P 873,860,443	P 311,834,451	P 247,021,950	P 3,480,191,566	P 1,705,620,061	P 1,381,413,611
Realized gross profit on prior years' sale	62,338,430	111,914,555	54,887,331	51,472,479	81,736,354	25,773,660	113,810,909	193,650,909	80,660,991
Finance income	216,913,253	335,211,278	323,695,054	(5,855,810)	(16,461,227)	29,823,710	211,057,443	318,750,051	353,518,764
Rental income	91,652,776	99,522,551	36,497,835	17,133,640	18,805,389	4,743,136	108,786,416	118,327,940	41,240,971
Other income	214,791,657	139,366,064	163,610,459	42,144,945	48,657,616	29,548,470	256,936,602	188,023,680	193,158,929
Total revenues	3,192,027,239	2,079,800,058	1,713,082,340	978,755,697	444,572,583	336,910,926	4,170,782,936	2,524,372,641	2,049,993,266
COSTS AND OTHER OPERATING EXPENSES									
Cost of real estate sales	1,822,392,339	988,400,529	739,162,660	478,045,880	163,976,740	167,101,588	2,300,438,219	1,152,377,269	906,264,248
Deferred gross profit on current year's sales	91,662,975	37,359,174	94,773,101	452,442	15,934,530	49,551,349	92,115,417	53,293,704	144,324,450
Salaries and employee benefits	4,856	-	5,486	473,242	471,320	596,865	478,098	471,320	602,351
Commissions	125,878,411	103,382,383	96,922,750	31,038,978	42,622,296	24,679,728	156,917,389	146,004,679	121,602,478
Rentals	103,940,256	102,227,942	65,760,076	10,112,477	16,087,532	32,881,024	114,052,733	118,315,474	98,641,100
Taxes and licenses	16,858,491	29,025,731	15,929,200	10,437,720	21,537,594	17,001,389	27,296,211	50,563,325	32,930,589
Advertising and promotion	62,287,965	42,673,406	103,827,731	16,321,735	31,426,143	29,965,682	78,609,700	74,099,549	133,793,413
Association dues	24,323,939	18,927,486	22,608,540	-	4,526,170	7,441,309	24,323,939	23,453,656	30,049,849
Others	20,179,055	21,167,818	17,119,555	9,686,452	13,440,746	12,232,515	29,865,507	34,608,564	29,352,070
Cost and other operating expenses excluding depreciation and amortization	2,267,528,287	1,343,164,469	1,156,109,099	556,568,926	310,023,071	341,451,449	2,824,097,213	1,653,187,540	1,497,560,548
Depreciation and amortization	3,360,116	3,395,290	3,674,999	13,990,685	14,061,920	14,209,915	17,350,801	17,457,210	17,884,914
	2,270,888,403	1,346,559,759	1,159,784,098	570,559,611	324,084,991	355,661,364	2,841,448,014	1,670,644,750	1,515,445,462
SEGMENT OPERATING PROFIT (LOSS)	P 921,138,836	P 733,240,299	P 553,298,242	P 408,196,086	P 120,487,592	(P 18,750,438)	P 1,329,334,922	P 853,727,891	P 534,547,804
SEGMENT ASSETS AND LIABILITIES									
Segment assets	P16,657,976,354	P14,074,551,368		P 6,611,226,516	P 4,990,407,147		P 23,269,202,870	P19,064,958,515	
Segment liabilities	1,397,195,150	798,100,219		185,355,199	325,270,520		1,582,550,349	1,123,370,739	

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its financial statements

	2014	2013	2012
Revenues			
Total segment revenues	**P 4,170,782,936**	P 2,524,372,641	P 2,049,993,266
Unallocated revenues:			
Rental income from investment property	**3,026,332**	3,035,931	3,784,977
Finance income	**170,127,951**	173,826,741	177,925,778
Commissions	**134,923,506**	147,636,430	149,623,356
Equity share in net earnings of associate	**(81,725)**	34,635,124	83,770,918
Other income	**96,918,311**	67,609,445	57,655,322
	404,914,375	426,743,671	472,760,351
Revenues as reported in the consolidated statements of comprehensive income	**P 4,575,697,311**	P 2,951,116,312	P 2,522,753,617
Profit or loss			
Segment operating profit	**P 1,329,334,922**	P 853,727,891	P 534,547,804
Other unallocated income	**404,914,375**	426,743,671	472,760,351
Other unallocated expense	**(985,310,570)**	(809,863,426)	(696,499,133)
Profit before tax as reported in the consolidated statements of comprehensive income	**P 748,938,727**	P 470,608,136	P 310,809,022

	2014	2013
Assets		
Segment assets	**P 23,269,202,870**	P19,064,958,515
Unallocated assets:		
Cash and cash equivalents	**821,513,652**	504,471,331
Trade and other receivables	**2,357,842,759**	2,063,602,861
Advances to related parties	**1,956,360,549**	2,053,791,774
Prepayments and other current assets	**658,003,473**	760,206,175
Advances to landowners and joint ventures	**775,835,465**	787,075,245
Land held for future development	**2,218,661,983**	4,088,300,118
Investment in an associate	**293,290,510**	293,372,235
Available for sale financial assets	**2,539,130,000**	2,905,080,000
Property and equipment – net	**153,529,494**	160,370,094
Investment property – net	**168,747,693**	185,552,516
Other non-current assets	**84,612,960**	84,458,536
	12,027,528,538	13,886,280,885
Total assets as reported in the consolidated statements of financial position	**P 35,296,731,408**	P32,951,239,400
Liabilities		
Segment liabilities	**P 1,582,550,349**	P 1,123,370,739
Unallocated liabilities:		
Interest-bearing loans and borrowings	**136,521,553**	219,731,151
Trade and other payables	**709,271,471**	438,132,758
Customers' deposits	**3,608,515,425**	2,957,368,755
Advances from related parties	**2,170,359,594**	1,643,353,984
Income tax payable	**20,641,970**	7,267,113
Other current liabilities	**450,672,211**	305,700,294
Retirement benefit obligation	**433,173,474**	288,880,437
Deferred tax liabilities – net	**1,343,085,670**	1,177,480,246
	8,872,241,368	7,037,914,738
Total liabilities as reported in the consolidated statements of financial position	**P 10,454,791,717**	P 8,161,285,477

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2014	2013
Cash on hand and in banks	**P 524,100,973**	P 410, 026,705
Short-term placements	**297,412,679**	94,444,626
	P 821,513,652	P 504,471,331

Cash in banks generally earn interest at rates based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 60 days in 2014 and 2013, and 91 days in 2012 and earn annual effective interest ranging from 0.15% to 3.60% in 2014, 0.25% to 3.00% in 2013 and 0.50% to 4.25% in 2012. Dollar-denominated short-term placements are made for varying periods of up to 91 days in 2014, 118 days in 2013 and 93 days in 2012 and earn annual effective interest ranging from 0.25% to 1.5% in 2014, 0.50% to 2.00% in 2013 and 0.25% to 1.50% in 2012 (see Note 19.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2014	2013
Current:		
Trade receivables	**P2,478,920,095**	P1,571,441,013
Advances to suppliers and contractors	**937,015,136**	865,590,629
Interest receivable	**330,228,876**	378,930,113
Rent receivable	**125,542,439**	66,977,121
Others	**149,886,104**	97,186,469
	4,021,592,650	2,980,125,345
Allowance for impairment	**(571,590)**	(559,030)
	4,021,021,060	2,979,566,315
Non-current:		
Trade receivables	**2,283,831,537**	2,313,206,474
Refundable security deposits	**65,347,310**	44,665,660
Others	**63,820,351**	63,820,351
	2,412,999,198	2,421,692,485
	P6,434,020,258	P5,401,258,800

The Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on current and non-current trade and other receivables at the beginning and end of 2014 and 2013 is shown below.

		2014		2013
Balance at beginning of year	**P**	**559,030**	P	518,498
Impairment losses during the year		**62,244**		79,820
Recovery of accounts previously provided with allowance	**(**	**49,684)**	(	39,288)
Balance at end of year	**P**	**571,590**	P	559,030

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years. Interest-bearing receivables bear nominal interest rates, which are equal to the effective interest rates ranging from 16% to 22% in 2014, 14% to 19% in 2013 and 14% to 18% in 2012. The related finance income earned on these sales contracts amounting to P145.4 million in 2014, P267.5 million in 2013 and P319.2 million in 2012 are reported as part of Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

The installment period of noninterest-bearing sales contracts ranges from 3 to 5 years. The fair values of the noninterest-bearing trade receivables as of December 31, 2014 and 2013 were determined by calculating the present value of the cash flows anticipated to be received until the end of the installment term using 9% discount rate in 2014 and 10% discount rate in 2013. Amortization of day one loss amounting to P65.7 million in 2014, P51.3 million in 2013 and P34.4 million in 2012 are presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

All trade receivables are subject to credit risk exposure. The Group does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers. In addition, certain accounts receivable from trade customers are covered by post-dated checks. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

The Group partially finances its real estate projects and other business undertakings through discounting of its trade receivables on a with-recourse basis with certain local banks. The carrying amount of discounted trade receivables amounted to P136.5 million and P219.7 million as of December 31, 2014 and 2013, respectively, while the related liability is presented as part of Bank Loans under Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 14.1).

Advances to suppliers and contractors represent downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by Group that are used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

Refundable security deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric company, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

7. REAL ESTATE PROPERTIES

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income, on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

Total capitalized borrowing cost during the year amounted to P15.8 million, P25.4 million and P43.8 million in 2014, 2013 and 2012, respectively (see Note 14.2).

Certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P497.8 million and P654.7 million as of December 31, 2014 and 2013, respectively are used as security for the Group's interest-bearing loans and borrowings (see Note 14).

7.2 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.3 Net Realizable Value

Management believes that the net carrying amounts of these assets are lower than their net realizable values considering present market rates; hence, no provisions for write-down of real estate inventories have been recognized in the consolidated financial statements.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movements of the carrying amounts of AFS financial assets are as follows:

	2014	2013
Balance at beginning of year	**P 2,905,080,000**	P 1,887,176,000
Fair value gains (losses) – net	**(365,950,000)**	1,017,904,000
Balance at end of year	**P 2,539,130,000**	P 2,905,080,000

AFS financial assets mainly consist of investments held by EPHI in equity securities of the ultimate parent company listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments, amounting to P2.5 billion, is categorized as Level 1 in the fair value hierarchy.

The net accumulated fair value gains or losses in AFS financial assets is shown as part of Revaluation Reserves in the equity section of the consolidated statements of financial position.

Dividends earned amounted to P42.8 million in 2014 and 2013 and P40.5 million in 2012 and are presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venturer shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential and Condominium Units for Sale and Property Development Costs accounts in the consolidated statements of financial position (see Note 7). In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The details of advances to landowners and joint ventures as of December 31, 2014 and 2013 are as follows:

	2014	2013
Advances to landowners:		
Balance at beginning of year	**P 25,000,029**	P 25,000,029
Additional advances granted	**66,143,750**	-
Balance at end of year	**91,143,779**	25,000,029
Advances to joint ventures:		
Balance at beginning of year	**762,075,216**	797,584,764
Additional advances granted	**7,671,817**	3,185,932
Collections	**(85,055,347)**	(38,695,480)
Balance at end of year	**684,691,686**	762,075,216
	P 775,835,465	P 787,075,245

The Group commits to develop the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Company as of December 31, 2014 and 2013.

The net commitment for construction expenditures amounts to:

	2014	2013
Total commitment for construction expenditures	**P 7,465,887,664**	P 7,465,887,664
Total expenditures incurred	**(4,354,160,487)**	(3,067,637,235)
Net commitment	**P 3,111,727,177**	P 4,398,250,429

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2014 and 2013. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

As of December 31, 2014 and 2013, the Group has no other material contingent liabilities with regard to these joint ventures.

10. LAND HELD FOR FUTURE DEVELOPMENT

This account includes cost of several parcels of land acquired by the Group and other costs incurred to effect the transfer of the title of the properties to the Group. Most of these properties are located in Metro Manila and Calabarzon areas and are intended for future development. Real estate taxes paid relating to these properties amounted to P2.0 million, P9.4 million and P4.8 million in 2014, 2013 and 2012, respectively, and is presented as part of Taxes and Licenses in the consolidated statements of comprehensive income. Considering the Group's pricing policy, management believes that the net realizable value of land held for future development is higher than its related carrying value as of the end of the reporting periods.

11. INVESTMENTS IN AN ASSOCIATE

The components of investments in an associate as of December 31, 2014 and 2013 are as follows:

	% Interest Held	**2014**	% Interest Held	2013
Investments in an associate – at equity				
Acquisition costs:				
GPMAI	47%	**P293,960,618**	47%	P 293,960,618
Accumulated equity in net earnings:				
Balance at beginning of year		**(588,383)**		100,280,810
Equity share in net earnings (losses) for the year		**(81,725)**		34,635,124
Equity in net earnings on investment in SPI sold during the year		**-**		(135,504,317)
Balance at end of year		**(670,108)**		(588,383)
		P293,290,510		P 293,372,235

11.1 Sale of Investment in SPI

On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. A total of 315,000,008 shares were sold for a total consideration of P471.2 million. The carrying amount of investment in SPI at the time of sale is P506.7 million. Accordingly, loss on the sale of investment amounting to P35.4 million was recognized and presented as part of Other Expenses in the 2013 consolidated statement of comprehensive income (see Note 18.2).

11.2 Dilution of Ownership Interest in GPMAI and SPI

On December 26, 2012, GPMAI issued additional 5,000,000 shares of stock at P1 par value which was purchased by a third party. As a result, the percentage of ownership of the Company over GPMAI was diluted from 52% to 47%, thereby losing control over the latter. The fair value from the remeasurement of the Company's investment in GPMAI amounting to P294.0 million was recognized as the deemed cost of the new investment in associate. The related balances of GPMAI's assets and liabilities as of December 26, 2012 were deconsolidated in 2012 and were no longer in the consolidated statement of financial position as of December 31, 2012. Accordingly, loss from dilution amounting to P37.5 million was recognized in the 2012 consolidated statement of comprehensive income.

11.3 Summarized Financial Information

The aggregated amounts of assets, liabilities and net profit (loss) of the associate are as follows:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2014:	**P 606,947,764**	**P 11,989,961**	**P 5,404,122**	**P 77,338**
2013:	P 606,925,269	P 12,044,804	P 6,100,708	(P 10,390,561)

As of December 31, 2014 and 2013, the related book values of these investments amounted to P294.0 million.

12. PROPERTY AND EQUIPMENT

As of December 31, 2014 and 2013, this account includes land amounting to P81,095,000 which is used as LBASSI's school site. The gross carrying amounts and accumulated depreciation and amortization of other items of property and equipment at the beginning and end of 2014 and 2013 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2014					
Cost	P 74,190,122	P 121,858,719	P 51,703,111	P 61,489,309	P 309,241,261
Accumulated depreciation and amortization	(28,094,085)	(105,570,906)	(45,738,945)	(57,402,831)	(236,806,767)
Net carrying amount	**P 46,096,037**	**P 16,287,813**	**P 5,964,166**	**P 4,086,478**	**P 72,434,494**
December 31, 2013					
Cost	P 73,617,523	P 110,449,797	P 51,677,754	P 59,561,765	P 295,306,839
Accumulated depreciation and amortization	(25,130,765)	(98,267,819)	(42,325,796)	(50,307,365)	(216,031,745)
Net carrying amount	P 48,486,758	P 12,181,978	P 9,351,958	P 9,254,400	P 79,275,094
January 1, 2013					
Cost	P 73,144,723	P 104,133,832	P 55,886,319	P 57,990,193	P 291,155,067
Accumulated depreciation and amortization	(22,195,567)	(92,500,052)	(43,614,764)	(42,874,061)	(201,184,444)
Net carrying amount	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013 is shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 48,486,758	P 12,181,978	P 9,351,958	P 9,254,400	P 79,275,094
Additions	572,599	11,432,429	294,500	1,927,545	14,227,073
Reclassification	-	113,114	-	-	113,114
Disposals	-	-	(208,585)	-	(208,585)
Depreciation and amortization charges for the year	(2,963,320)	(7,439,708)	(3,473,707)	(7,095,467)	(20,972,202)
Balance at December 31, 2014, net of accumulated depreciation and amortization	**P 46,096,037**	**P 16,287,813**	**P 5,964,166**	**P 4,086,478**	**P 72,434,494**
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623
Additions	472,800	6,419,491	3,100,482	1,823,137	11,815,910
Disposals	-	(67,434)	(2,108,346)	(125,448)	(2,301,228)
Depreciation and amortization charges for the year	(2,935,198)	(5,803,859)	(3,911,733)	(7,559,421)	(20,210,211)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 48,486,758	P 12,181,978	P 9,351,958	P 9,254,400	P 79,275,094

The amount of depreciation and amortization of property and equipment is presented as part of the Depreciation and Amortization under Costs and Expenses in the consolidated statements of comprehensive income.

The cost of fully depreciated assets still used in business amounted to P176.5 million and P152.0 million as of December 31, 2014 and 2013, respectively.

13. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units for lease and a parcel of land held for capital appreciation. Rental revenues recognized for the years ended December 31, 2014, 2013 and 2012 amounted to P111.8 million, P121.4 million and P45.0 million, respectively, and are presented as Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs related to these properties. Real estate tax amounting to P1.4 million, P1.1 million and P1.6 million was recognized as a related expense in 2014, 2013 and 2012, respectively, and presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2014 and 2013 is shown below.

	2014	2013	2012
Cost	**P337,136,458**	P337,136,458	P351,596,080
Deconsolidation of balance related to GPMAI	**-**	-	(14,459,622)
Accumulated depreciation	**(168,388,765)**	(151,583,942)	(134,779,119)
Net carrying amount	**P168,747,693**	P185,552,516	P202,357,339

A reconciliation of the carrying amount of investment property at the beginning and end of 2014 and 2013 is as follows:

	2014	2013
Balance at January 1, net of accumulated depreciation	**P 185,552,516**	P 202,357,339
Depreciation charges for the year	**(16,804,823)**	(16,804,823)
Balance at December 31, net of accumulated depreciation	**P 168,747,693**	P 185,552,516

The amount of depreciation of investment property is presented as part of Depreciation and Amortization under Costs and Expenses in the consolidated statements of comprehensive income.

Other information relating to fair value measurements and disclosures of investment property are disclosed in Note 28.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

14.1 Bank Loans

As at December 31, 2014 and 2013, the Group's short-term and long-term interest bearing loans and borrowings consist only of bank loans. These loans bear annual interest rates ranging from 7.8 to 9.5% in 2014, 7.8% to 10.5% in 2013 and 2012. Bank loans also include proceeds received from certain trade receivables that were discounted on a with-recourse basis (see Note 6).

The Group's interest-bearing loans and borrowings are secured by trade receivables and certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P497.8 million and P654.7 million as of December 31, 2014 and 2013, respectively.

Finance costs that are directly attributable to construction of the Group's projects are capitalized as part of Residential and Condominium Units for Sale (see Note 14.2).

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2014 and 2013, the Group is in compliance with such financial covenant obligation.

14.2 Interests

Total interests on these interest-bearing loans and borrowings in 2014, 2013 and 2012 amounted to P15.8 million, P25.4 million and P43.8 million respectively, and are directly attributable to the construction of the Group's projects; hence, capitalized as part of the Residential and Condominium Units for Sale account in the consolidated statements of financial position. The Company's capitalization rate is 8.8%, 9.2% and P9.5% in 2014, 2013 and 2012, respectively (see Note 7.1). Unpaid interest as of December 31, 2014 and 2013 amounted to P0.4 million and P0.7 million, respectively, and is presented as Interest payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2014	2013
Trade payables		**P 601,285,258**	P 295,606,188
Accrued expenses		**26,809,500**	66,381,919
Taxes payable		**68,473,961**	60,829,266
Commissions		**11,759,017**	13,759,017
Interest payable	14.2	**433,498**	676,235
Miscellaneous		**510,237**	880,133
		P 709,271,471	P 438,132,758

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2014	2013
Advances from customers	**P 3,329,730,939**	P 2,752,160,241
Other deposits	**278,784,486**	205,208,514
	P 3,608,515,425	P 2,957,368,755

Advances from customers represent cash received from customers for real estate property purchases has not yet reached the sales recognition threshold of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

17. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

		2014		2013
Retention payable	**P**	**410,254,495**	P	262,364,441
Refundable tenant rental deposits		**23,903,098**		23,057,330
Deferred income		**13,115,533**		17,787,624
Miscellaneous		**3,399,085**		2,490,899
	P	**450,672,211**	P	305,700,294

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Deferred income represents unearned tuition, miscellaneous and other fees relating to the portion of the school year applicable to the succeeding financial year.

18. OTHER INCOME AND EXPENSES

18.1 Other Income

The details of this account are shown below.

		2014		2013		2012
Forfeited collections and deposits	**P**	**258,958,962**	P	188,025,808	P	193,158,929
Tuition and miscellaneous fees		**46,424,880**		40,659,477		39,950,878
Marketing fees		**12,237,144**		5,560,753		4,424,538
Miscellaneous		**36,233,927**		21,387,087		13,279,906
	P	**353,854,913**	P	255,633,125	P	250,814,251

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers. This also include portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrolment.

Miscellaneous income mostly includes manning costs charged by the Company for the construction project of its related party.

18.2 Other Expenses

The breakdown of other operating expenses is shown below.

	Notes	2014	2013	2012
Rentals	25.2	**P 157,719,595**	P 162,986,752	P 137,407,335
Association dues		**28,714,377**	29,087,260	34,312,370
Utilities		**26,856,166**	26,148,135	27,145,364
Security services		**17,650,157**	17,529,361	14,060,312
Professional fees		**9,596,697**	7,244,942	5,531,073
Repairs and maintenance		**5,648,126**	7,097,326	5,305,360
Office supplies		**6,715,505**	5,248,190	8,786,138
Representation		**4,654,045**	646,371	524,485
Documentation		**4,544,472**	8,065,249	10,159,405
Janitorial services		**3,740,024**	5,368,875	3,646,844
Outside services		**3,628,675**	3,824,093	3,263,566
Insurance		**3,385,706**	3,234,555	3,136,770
Marketing events and awards		**2,320,101**	1,201,920	649,537
Loss on sale of investment	8	**-**	35,422,273	-
Miscellaneous		**23,058,222**	16,691,114	14,790,840
		P 298,231,868	P 329,796,416	P 268,719,399

Miscellaneous expenses include bank charges, donations and contributions, trainings and seminars, motor vehicle registration and others.

19. FINANCE INCOME AND FINANCE COSTS

The details of this account are shown below.

19.1 Finance Income

	Notes	2014	2013	2012
Interest income:				
Trade and other receivables	6	**P 145,397,708**	P 267,456,702	P 319,203,884
Advances to related parties	22.1	**122,027,646**	108,034,380	109,628,132
Cash and cash equivalents	5	**2,889,125**	16,201,060	24,447,560
Tuition fees		**2,423,180**	1,027,354	1,006,313
		272,737,659	392,719,496	454,285,889
Amortization of day one loss on noninterest – bearing financial instruments	6	**65,659,735**	51,293,349	36,622,653
Dividend income	8	**42,788,000**	42,788,000	40,536,000
Foreign currency gains – net		**-**	5,775,947	-
		P 381,185,394	P 492,576,792	P 531,444,542

19.2 Finance Costs

The breakdown of Finance costs is shown below.

	Notes	2014	2013	2012
Interest expense on advances from related parties	22.1	**P 112,101,093**	P 117,115,432	P 84,211,966
Net interest expense on post-employment defined benefit obligation	20.2	**15,227,357**	9,457,306	7,799,450
Foreign currency losses – net		**526,858**	-	4,619,214
		P 127,855,308	P 126,572,738	P 96,630,630

20. SALARIES AND EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	Note	2014	2013	2012
Short-term benefits		**P 265,201,543**	P 219,979,783	P 173,004,160
Post-employment benefits	20.2	**37,125,992**	35,528,471	18,020,056
		P 302,327,535	P 255,508,254	P 191,024,216

20.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a partially-funded, tax-qualified, non-contributory, post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment defined benefit plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of final monthly salary for every year of credited service, but shall not be less than the regulatory benefit under the Republic Act 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2014 and 2013.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follow:

	2014	2013
Present value of the obligation	**P 447,721,635**	P 300,366,865
Fair value of the assets	**(14,548,161)**	(11,486,428)
	P 433,173,474	P 288,880,437

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2014	2013
Balance at beginning of year	**P 300,366,865**	P 158,756,207
Current service cost	**37,125,992**	35,528,471
Interest expense	**15,780,613**	9,942,846
Remeasurements:		
Actuarial losses (gains) arising from		
- changes in financial assumptions	**69,607,504**	98,849,047
- experience adjustments	**24,840,661**	(2,709,706)
Balance at end of year	**P 447,721,635**	P 300,366,865

The movements in the fair value of plan assets are presented below.

	2014	2013
Balance at beginning of year	**P 11,486,428**	P 8,453,807
Contributions to plan	**3,000,000**	3,200,000
Interest income	**553,256**	485,540
Return on plan assets (excluding amounts included in net interest	**(491,523)**	(652,919)
Balance at end of year	**P 14,548,161**	P 11,486,428

The Group's plan assets only consist of cash and cash equivalents as of December 31, 2014 and 2013 and do not comprise any of the Group's financial instruments or any of its assets occupied and/or used in its operations.

The plan assets earned a return of P0.06 million in 2014 and incurred a negative return of P0.17 million in 2013.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	2014	2013	2012
Reported in profit or loss:				
Current service cost	20.1	**P 37,125,992**	P 35,528,471	P 18,020,056
Net interest expense	19.2	**15,227,357**	9,457,306	7,799,450
		P 52,353,349	P 44,985,777	P 25,819,506
Reported in other comprehensive income:				
Actuarial losses (gains) arising from:				
- changes in financial assumptions		**P 69,607,504**	P 98,849,047	P 3,224,238
- experience adjustments		**24,840,661**	(2,709,706)	317,408
Return on plan assets (excluding amounts included in net interest)		**491,523**	652,919	158,322
		P 94,939,688	P 96,792,260	P 3,699,968

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses in the consolidated statements of comprehensive income (see Note 20.1) while the amounts of net interest expense is included as part of Finance Costs under Costs and Expenses in the consolidated statements of comprehensive income (see Note 19.2).

The amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2014	2013	2012
Company			
Discount rates	**4.49%**	5.32%	6.44%
Expected rate of salary increases	**10.00%**	10.00%	8.00%
EPHI			
Discount rates	**4.88%**	5.65%	6.18%
Expected rate of salary increases	**8.20%**	6.00%	8.00%
LBASSI			
Discount rate	**4.73%**	5.17%	5.64%
Expected rate of salary increases	**6.00%**	6.00%	5.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Company; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 for both males and females are as follows:

	Retirement Age	Average Remaining Working Life
Company	60	28
LBASSI	60	23
EPHI	65	21

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2014 and 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2014			
Company			
Discount rate	+0.50%/-1.00%	(P 64,189,242)	P 80,767,663
Salary increase rate	+0.75%/-1.25%	71,528,291	(58,979,949)
LBASSI			
Discount rate	+/-1.00%	(102,847)	1,642,963
Salary increase rate	+/-1.00%	1,566,888	(62,254)
EPHI			
Discount rate	+/-0.50%	(3,693,771)	4,100,666
Salary increase rate	+/-1.00%	8,044,281	(6,710,441)
2013			
Company			
Discount rate	+0.50%/-1.00%	(P 41,570,957)	P 51,824,555
Salary increase rate	+0.75%/-1.25%	46,249,221	(38,411,489)
LBASSI			
Discount rate	+/-1.00%	(557,697)	693,575
Salary increase rate	+/-1.00%	641,647	(530,851)
EPHI			
Discount rate	+/-0.50%	(2,355,692)	2,604,416
Salary increase rate	+/-2.00%	15,588,813	(9,414,363)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in cash and cash equivalents with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

Funding Arrangements and Expected Contributions

The plan is currently underfunded by P433.17 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

The Company expects to make contribution of P5.0 million to the plan during the next financial year.

The maturity profile of undiscounted expected benefit payments from the plan follows for the next ten years:

	2014	2013
Within one year	**P 13,338,676**	P 1,299,026
More than one year to five years	**485,787**	12,551,481
More than five years to ten years	**155,593,805**	107,576,032
	P 169,418,268	P 121,426,539

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 to 22 years.

21. TAXES

The components of tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2014	2013	2012
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 69,997,949**	P 58,642,014	P 47,323,257
Final tax at 20% and 7.5%	**459,898**	3,131,633	4,749,031
Capital gains tax at 10%	-	16,334,686	-
	70,457,847	78,108,333	52,072,288
Deferred tax expense relating to origination and reversal of temporary differences	**193,960,500**	92,028,022	22,714,748
	P 264,418,347	P 170,136,355	P 74,787,036
Reported in other comprehensive loss –			
Deferred tax income at 30% and 10% relating to origination and reversal of temporary differences	**(P 28,355,076)**	(P 28,805,985)	(P 929,818)

LBASSI, as an educational institution, is subject to 10% tax on its taxable income as defined under the tax regulations of the National Internal Revenue Code (NIRC) Section 27(B).

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Tax on pretax profit at 30% and 10%	**P 222,836,225**	P 171,138,247	P 89,231,241
Adjustment for income subjected to lower income tax rates:			
Final tax	**(298,891)**	(1,649,690)	(2,372,586)
Capital gains tax	**-**	(13,689,927)	-
Tax effects of:			
Nondeductible taxes and licenses	**49,627,001**	-	-
Nontaxable income	**(12,871,440)**	(12,856,959)	(23,299,281)
Unrecognized deferred tax assets	**4,945,348**	10,112,505	14,073,191
Nondeductible loss on discounting	**(3,112,490)**	-	-
Nondeductible expenses	**3,060,536**	17,082,179	6,766,579
Nondeductible interest expense	**232,058**	-	-
Deductible issuance costs	**-**	-	(10,103,013)
Others – net	**-**	-	490,905
Tax expense reported in profit or loss	**P 264,418,347**	P 170,136,355	P 74,787,036

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2014	2013	**2014**	2013	2012
Deferred tax assets:					
Retirement benefit obligation	**P 128,570,691**	P 85,593,828	**(P 14,621,787)**	(P 12,407,640)	(P 6,667,694)
Unamortized past service cost	**2,877,000**	2,400,000	**(477,000)**	(627,000)	(423,000)
Unrealized foreign currency losses - net	**158,058**	-	**(158,058)**	-	(1,385,764)
Accrued rent	**14,446**	78,144	**63,698**	31,754	(59,674)
	131,620,195	88,071,972	**(15,193,147)**	(13,002,886)	(8,536,132)
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,245,834,388)**	(1,026,966,308)	**218,868,080**	108,146,579	36,907,489
Capitalized borrowing cost	**(228,871,477)**	(236,853,126)	**(7,981,649)**	(6,234,219)	(5,656,609)
Unrealized foreign exchange gains – net	**-**	(1,732,784)	**(1,732,784)**	3,118,548	-
	(1,474,705,865)	(1,265,552,218)	**209,153,647**	105,030,908	31,250,880
Deferred Tax Expense			**P 193,960,500**	P 92,028,022	P 22,714,748
Net Deferred Tax Liabilities	**(P 1,343,085,670)**	(P 1,177,480,246)			

The deferred tax income recognized in other comprehensive income amounting to P28.4 million, P28.8 million and P0.9 million in 2014, 2013 and 2012, respectively, pertains to the tax effect of remeasurements of retirement benefit obligation.

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher.

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiary	Year Incurred	Amount	Valid Until
EECI	2014	P 16,275,621	2017
	2013	33,552,513	2016
	2012	45,231,215	2015
SPLI	2014	166,158	2017
	2013	158,754	2016
	2012	165,981	2015
SOHI	2014	909,343	2017
	2013	1,332,016	2016
	2012	1,150,692	2015
VVPI	2014	142,908	2017
	2013	271,483	2016
	2012	262,501	2015

EECI, SPLI, SOHI and VVPI did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2014 for which the related deferred tax asset has not been recognized amounted to a total of P17.5 million with a total tax effect of P5.2 million.

The aggregated amounts of assets, deficit, revenues and net loss of the subsidiaries which incurred NOLCO are as follows:

	Assets		Deficit		Revenues		Net Loss
2014							
EECI	P	27,771,361	P	194,338,757	P	13,917,726	P	26,446,421
SPLI		511,946,672		9,492,595		-		166,158
SOHI		17,007,166		8,191,618		-		909,343
VVPI		90,889,549		3,417,986		-		142,908
	P	**647,614,748**	**P**	**215,440,956**	**P**	**13,917,726**	**P**	**27,664,830**
2013							
EECI	P	28,397,146	P	167,892,337	P	20,746,854	P	33,549,522
SPLI		511,899,161		9,326,437		-		158,754
SOHI		16,936,665		7,282,275		-		1,505,855
VVPI		90,918,618		3,275,078		-		271,483
	P	648,151,590	P	187,776,127	P	20,746,854	P	35,485,614

In 2014, 2013 and 2012, the Group opted to claim itemized deductions in computing for its tax due.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its associate, parent company, ultimate parent company, stockholders, related parties under common ownership, key management personnel, and the Group's retirement plan as described below.

The summary of the Group's significant transactions and outstanding balances with its related parties follows:

Related Party Category	Notes	Amounts of Transaction 2014	2013	2012	Outstanding Balance 2014	2013
Ultimate Parent:						
AFS financial assets	8	**(P 365,950,000)**	P 1,017,904,000	P 464,392,000	**P2,539,130,000**	P 2,905,080,000
Dividend income	19.1	**42,788,000**	42,788,000	40,536,000	**42,788,000**	-
		(P 323,162,000)	P 1,060,692,000	P 504,928,000	**P2,581,918,000**	P 2,905,080,000
Advances to related parties:						
Associates:	22.1					
Loans and interest		**P -**	(P 913,981,506)	P 102,712,258	**P -**	P -
Capital expenditure		**-**	(231,570,819)	-	**-**	-
Working capital		**31,989,602**	5,778,194	42,563,867	**316,190,329**	284,200,727
		P 31,989,602	(P1,139,774,131)	P 145,276,125	**P 316,190,329**	P 284,200,727
Under common ownership:	22.1					
Loans and interest		**P 130,007,806**	P 1,029,390,050	P 2,219,097	**P1,193,229,539**	P 1,063,221,733
Investment		**(36,875,000)**	242,250,000	-	**205,375,000**	242,250,000
Capital expenditure		**-**	231,570,819	-	**234,164,981**	234,164,981
Working capital		**(222,553,633)**	2,962,841	(91,285,366)	**7,400,700**	229,954,333
		(P 129,420,827)	P1,506,173,710	(P 89,066,269)	**P1,640,170,220**	P1,769,591,047
Advances from related parties:						
Parent Company:	22.1					
Loans and interest		**(P 584,038,848)**	P -	(P 84,645,102)	**(P1,125,657,122)**	(P 541,618,274)
Capital expenditure		**-**	1,125,828,215	(1,494,000,000)	**(577,248,542)**	(577,248,542)
Working capital		**34,297,062**	8,154,691	68,052,310	**(37,281,399)**	(71,578,461)
		(P 549,741,786)	P1,133,982,906	(P1,510,592,792)	**(P1,740,187,063)**	(P1,190,445,277)
Associates:	22.1					
Capital expenditure		**P -**	P -	(P 380,770,134)	**(P 380,770,134)**	(P 380,770,134)
Working capital		**(2,775,769)**	(493,543)	(6,432,028)	**(9,701,340)**	(6,925,571)
		(P 2,775,769)	(P 493,543)	(P 387,202,162)	**(P 390,471,474)**	(P 387,695,705)
Under common ownership:	22.1					
Loans and interest		**P -**	P -	(P 65,021)	**P -**	P -
Capital expenditure		**11,250,000**	11,250,000	10,921,754	**(52,117,245)**	(63,367,245)
Working capital		**14,261,944**	(37,500,000)	37,500,000	**12,416,187**	(1,845,757)
		P 25,511,944	(P 26,250,000)	P 48,356,733	**(P 39,701,058)**	(P 65,213,002)

The Group's outstanding receivables from and payables to related parties arising from interest-bearing loans, joint venture agreements, lease of property and cash advances to related party are unsecured and demandable anytime.

There were no impairment losses recognized on the outstanding receivables from related parties in 2014, 2013 and 2012.

22.1 Advances to and from Related Parties

Entities within the Group obtain advances from the related parties for working capital requirements and other purposes.

The details of Advances to Related Parties as presented in the consolidated statements of financial position are as follows:

	2014	2013
SPI	**P 1,595,425,894**	P 1,468,674,266
MCPI	**291,776,004**	284,200,726
First Oceanic Property Management, Inc.	**34,449,016**	34,449,016
Other related parties	**34,709,635**	266,467,766
	P 1,956,360,549	P 2,053,791,774

The movements in the advances to related parties are shown below.

	2014	2013
Balance at beginning of year	**P 2,053,791,774**	P 1,687,392,195
Additional advances	**207,276,862**	161,150,136
Reclassification	**(3,272,528)**	242,250,000
Collections received	**(301,435,559)**	(37,000,557)
Balance at end of year	**P 1,956,360,549**	P 2,053,791,774

The details of Advances from Related Parties are as follows:

	2014	2013
Advances from parent company:		
Balance at beginning of year	**P 1,190,445,277**	P 2,324,428,183
Additions	**584,739,351**	141,745,633
Repayments	**(34,997,565)**	(1,275,728,539)
Balance at end of year	**P 1,740,187,063**	P 1,190,445,277
Advances from associates and related parties under common ownership:		
Balance at beginning of year	**P 452,908,707**	P 426,165,164
Additions	**2,819,201**	493,543
Repayments	**(24,773,648)**	(11,250,000)
Reclassification	**(781,729)**	37,500,000
Balance at end of year	**P 430,172,531**	P 452,908,707
Total advances from related parties:		
Balance at beginning of year	**P 1,643,353,984**	P 2,750,593,347
Additions	**587,558,552**	142,239,176
Repayments	**(59,771,213)**	(1,286,978,539)
Reclassification	**(781,729)**	37,500,000
Balance at end of year	**P 2,170,359,594**	P 1,643,353,984

These advances to/from stockholders, associate and other related parties are generally unsecured. Some of these are interest-bearing (see Note 19.1). The amounts are generally collectible/payable in cash on demand or through offsetting arrangements with the related parties (see Note 27.2).

22.2 Marketing Fees

The Group earns marketing fees from the sale of Megaworld's real estate properties and also from the sale of landowners' share/units in the joint venture projects with the Group. The marketing fee recognized amounted to P 134.9 million, P147.6 million and P149.6 million in 2014, 2013 and 2012, respectively, which is presented as Commission in the consolidated statements of comprehensive income. The related receivables arising from marketing fees are offset against the advances received from Megaworld.

22.3 Deed of Assignment

In June 2011, Fil-Estate Properties, Inc. (FEPI), a related party under common ownership, has agreed to assign the right to develop a certain property. In consideration of the assignment, the Company shall pay FEPI a non-refundable cash consideration totaling P60.0 million. The consideration was presented as part of Property Development Costs in the statements of financial position. As of December 31, 2014 and 2013, the unpaid portion of the cash consideration amounting to P5.6 million and P16.8 million, respectively, is presented as part of the Advances from Related Parties account in the statement of financial position.

22.4 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2014	2013	2012
Short-term benefits	**P 27,578,218**	P 25,295,848	P 23,386,710
Post-employment benefits	**10,981,129**	10,283,038	7,692,779
	P 38,559,347	P 35,578,886	P 31,079,489

These are presented as part of Salaries and Employee Benefits under Cost and Expenses in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012 (see Note 20.1).

22.5 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The plan assets consist of cash and cash equivalents and investment in debt securities amounting to P14.5 million and P11.5 million as of December 31, 2014 and 2013, respectively (see Note 20.2).

The retirement fund neither provides any guarantees or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and benefits paid out by the plan are presented in Note 20.2.

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2014	2013	**2014**	2013
Common shares – P1 par value				
Authorized:	**31,495,200,000**	31,495,200,000	**P 31,495,200,000**	P 31,495,200,000
Issued:				
Balance at beginning of year	**14,803,455,238**	13,603,455,238	**P 14,803,455,238**	P 13,603,455,238
Issuance during the year	**-**	1,200,000,000	**-**	1,200,000,000
Balance at end of year	**14,803,455,238**	14,803,455,238	**P 14,803,455,238**	P 14,803,455,238
Preferred shares – P1 par value				
Authorized:	**2,000,000,000**	2,000,000,000	**P 2,000,000,000**	P 2,000,000,000

On June 26, 2013, the Company issued additional 1.2 billion common shares to Megaworld at P1.05 per share for a total cash consideration of P1.3 billion resulting to additional paid in capital of P60.0 million. Megaworld's ownership interest in the Company as of December 31, 2014 and 2013 is 81.72% and 81.53%, respectively.

On April 24, 2012, the Company's BOD approved the offer for subscription of 2,695,239,834 new shares (the "right shares") by way of a pre-emptive offer (the "rights offer") to holders of its common shares at the proportion of one new share for every four existing common shares, at the offer/exercise price equivalent to their par value of P1 per share. This was approved by the SEC on August 30, 2012.

Also, on April 24, 2012, the BOD approved the increase in the Company's authorized capital stock from P23.5 billion divided into 21.5 billion common and 2.0 billion preferred shares both with par value of P1 each, to P33.5 billion divided into 31.5 billion common and 2.0 billion preferred shares both with par value of P1 per share. The application for the increase in authorized capital stock was approved by the SEC on October 17, 2012.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements.

On April 24, 1996, the Company obtained approval for the listing of its common stock on the PSE; thereafter, the shares were offered for the sale to the public. The initial public offering consists of 214,666,667 new common shares and the sale by a stockholder of the Group of 210,333,333 existing common shares at an offer price of P12.90 per share.

As of December 31, 2014 and 2013, the Company's outstanding number of shares totalled 14,676,199,167 with total of 127,256,071 treasury stock as of the end of both years in which 13,603,455,238 as of December 31, 2014 and 2013 were listed and closed at a price of P0.90 and P0.92 per share (as of December 29, 2014 and December 27, 2013, respectively). The Group has 12,775 and 12,894 holders of equity securities listed in PSE as of December 31, 2014 and 2013, respectively.

23.2 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Company's shares of common stock within a 24-month period under certain terms and conditions as the Company's senior management may deem beneficial to the Company and its stockholders.

As of December 31, 2014 and 2013, the Company's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

23.3 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

24. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

	2014	2013	2012
Net profit attributable to parent company's shareholders	**P 481,845,568**	P 299,466,849	P 234,603,385
Divided by the weighted average number of issued and outstanding common shares	**14,676,199,167**	14,057,360,265	11,181,475,712
Basic and diluted earnings per share	**P 0.033**	P 0.021	P 0.021

25. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

25.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P111.8 million in 2014, P121.4 million in 2013 and P45.0 million in 2012.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

	2014	2013	2012
Within one year	**P 25,621,665**	P 24,439,210	P 18,699,525
After one year but not more than five years	**44,175,410**	66,825,230	5,499,839
More than five years	**-**	-	5,976,632
	P 69,797,075	P 91,264,440	P 30,175,996

25.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering certain offices, showroom and parking slots. The leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 2% to 10%. The future minimum rental payable under these non-cancellable operating leases are as follows as of December 31:

	2014	2013	2012
Within one year	**P 43,193,006**	P 38,496,570	P 36,893,558
After one year but not more than five years	**3,844,014**	38,161,726	23,383,968
	P 47,037,020	P 76,658,296	P 60,277,526

Total rentals from these operating leases which was charged to Rentals under Other Expenses in the consolidated statements of comprehensive income amounted to P157.7 million, P163.0 million and P137.4 million in 2014, 2013 and 2012, respectively (see Note 18.2).

25.3 Legal Claims

As of December 31, 2014 and 2013, the Group is a party to a litigation arising in the normal course of business. No provision for contingency was recognized in the consolidated financial statements because the ultimate outcome of this litigation cannot be presently determined. In addition, the Group's management believes that its impact in the consolidated financial statements, taken as a whole, is not material.

25.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P2.9 billion as of December 31, 2014 and 2013. The Group has unused lines of credit amounting to P670.0 million as of December 31, 2014 and 2013.

25.5 Capital Commitments

As of December 31, 2014, the Group has fully utilized the balance of its stock rights offering, hence, no capital commitments pertaining to landbanking, project development and general corporate purposes were outstanding as of the end of the period.

25.6 Others

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

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's United States (U.S.) dollar-denominated cash and cash equivalents (see Note 5).

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P55.3 million, P81.3 million and P77.1 million as of December 31, 2014, 2013 and 2012, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2014 and 2013.

At December 31, 2014, 2013 and 2012, if the Philippine peso had strengthened by 27.84%, 23.40% and 15.67% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P15.4 million, P19.0 million and P12.1 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had weakened by the same percentage, with all other variables held constant, profit before tax would have been higher by the same amount in each of those years.

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Group's interest rate risk largely arises from cash and cash equivalents and interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The following paragraph presents the sensitivity of the Group's profit before tax for the year to a reasonably possible change in interest rate of +/- 1.42% and +/- 1.71% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2014, +/- 2.14% and +/- 2.16% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2013 and +/- 1.53% and +/- 3.65% for cash and cash equivalents and interest-bearing loans and borrowings, respectively in 2012. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on changes in the average market interest rates for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

If the interest rates were to increase, profit before tax would increase by P6.4 million, P5.3 million and P31.6 million in 2014, 2013 and 2012, respectively. If interest rates were to decrease, profit before tax would decrease in 2014, 2013 and 2012 by the same amounts.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 99%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

(c) Other Price Risk

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

For equity securities listed in the Philippines, an average volatility of 21.49% and 73.12% has been observed during 2014 and 2013. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P0.5 billion in 2014 and P2.1 billion in 2013.

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

The Group is not subject to commodity price risk.

26.2 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	2014	2013
Cash and cash equivalents	5	**P 821,513,652**	P 504,471,331
Trade and other receivables – net (excluding advances to suppliers and contractors)	6	**5,497,005,122**	4,535,668,171
Advances to related parties	22.1	**1,956,360,549**	2,053,791,774
		P8,274,879,323	P7,093,931,276

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade receivables under Trade and Other Receivables, as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) *Trade and Other Receivables*

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Majority of the trade receivables are secured by postdated checks. Also, titles to residential units sold to buyers are retained to the Group until such time that the outstanding balance is collected in full. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2014	2013
Not more than 3 months	**P 65,706,815**	P 66,282,246
More than 3 months but not more than 6 months	**143,011,689**	126,380,754
More than 6 months but not more than one year	**162,198,252**	193,346,546
More than one year	**58,370,432**	60,038,070
	P 429,287,188	P 446,047,616

(c) Advances to Related Parties

The Group is not exposed to significant credit risk as advances are made to reputable entities.

The table below shows the credit quality by class of financial assets as of December 31, 2014.

	Neither Past Due nor Specifically Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due or Individually Impaired	Total
Cash and cash equivalents	P 821,513,652	P -	P -	P -	P 821,513,652
Trade and other receivables - net	3,084,005,924	2,412,999,198	-	-	5,497,005,122
Advances to related parties - net	1,956,360,549	-	-	-	1,956,360,549
	P 5,861,880,125	**P 2,412,999,198**	**P -**	**P -**	**P 8,274,879,323**

This compares with the credit quality by class of financial assets as of December 31, 2013.

	Neither Past Due nor Specifically Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due or Individually Impaired	Total
Cash and cash equivalents	P 504,471,331	P -	P -	P -	P 504,471,331
Trade and other receivables - net	2,113,975,686	2,421,692,485	-	-	4,535,668,171
Advances to related parties - net	2,053,791,774	-	-	-	2,053,791,774
	P 4,672,238,791	P 2,421,692,485	P -	P -	P 7,093,931,276

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2014, the Group's financial liabilities have contractual maturities which are presented below.

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 35,018,345	P 124,193,305
Trade and other payables	640,797,510	-
Advances from related parties	2,170,359,594	-
Other current liabilities	437,556,678	-
	P 3,283,732,127	**P 124,193,305**

This compares to the maturity of the Group's financial liabilities as of December 31, 2013.

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 46,718,976	P 217,927,707
Trade and other payables	377,303,492	-
Advances from related parties	1,643,353,984	-
Other current liabilities	287,912,670	-
	P 2,355,289,122	P 217,927,707

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

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

27.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2014		2013	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and Receivables:					
Cash and cash equivalents	5	**P 821,513,652**	**P 821,513,652**	P 504,471,331	P 504,471,331
Trade and other receivables	6	**5,497,005,122**	**5,497,005,122**	4,535,668,171	4,535,668,171
Advances to related parties	22.1	**1,956,360,549**	**1,956,360,549**	2,053,791,774	2,053,791,774
		8,274,879,323	**8,274,879,323**	7,093,931,276	7,093,931,276
AFS Financial Assets	8	**2,539,130,000**	**2,539,130,000**	2,905,080,000	2,905,080,000
		P 10,814,009,323	**P 10,814,009,323**	P 9,999,011,276	P 9,999,011,276
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 136,521,553**	**P 136,521,553**	P 219,731,151	P 219,731,151
Trade and other payables	15	**640,797,510**	**640,797,510**	377,303,492	377,303,492
Advances from related parties	22.1	**2,170,359,594**	**2,170,359,594**	1,643,353,984	1,643,353,984
Other current liabilities	17	**437,556,678**	**437,556,678**	287,912,670	287,912,670
		P 3,385,235,335	**P 3,385,235,335**	P 2,528,301,297	P 2,528,301,297

See Notes 2.4 and 2.8 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

27.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets and financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	2014			2013		
	Gross amounts recognized in the statements of financial position		Net amount presented in the statement of financial position	Gross amounts recognized in the statements of financial position		Net amount presented in the statement of financial position
	Financial instruments	Financial instruments set off		Financial instruments	Financial instruments set off	
December 31, 2014:						
Advances to related parties	P 2,261,934,186	P 4,138,078	P 1,956,360,549	P 2,090,792,331	P 557	P 2,053,791,774
Advances from related parties	2,018,566,728	34,144,673	2,170,359,594	2,930,332,523	9,812,366	1,643,353,984
	P 4,280,500,914	**P 38,282,751**	**P 4,126,720,143**	P 5,021,124,854	P 9,812,923	P 3,697,145,758

	2014			2013		
	Related amounts not set off in the statements of financial position			Related amounts not set off in the statement of financial position		
	Financial liabilities	Collateral received	Net amount	Financial instruments	Collateral received	Net amount
December 31, 2014:						
Interest-bearing loans and borrowings	**P 136,521,553**	**P 136,521,553**	**P -**	P 219,731,151	P 219,731,151	P -

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

28.2 Financial Instruments Measured at Fair Value

As of December 31, 2014 and 2013, only the equity securities classified as AFS financial assets in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2014 and 2013.

There were no transfers between Levels 1 and 2 in both years.

28.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2014 consolidated statement of financial position but for which fair value is disclosed.

		2014			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 821,513,652	P -	P -	P 821,513,652
Trade and other receivables	6	-	-	5,497,005,122	5,497,005,122
Advances to related parties	22	-	-	1,956,360,549	1,956,360,549
		P 821,513,652	**P -**	**P 7,453,365,671**	**P 8,274,879,323**
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings		P -	P -	P 136,521,553	P 136,521,553
Trade and other payables		-	-	640,797,510	640,797,510
Advances from related parties		-	-	2,170,359,594	2,170,359,594
Other current liabilities		-	-	437,556,678	437,556,678
		P -	**P -**	**P 3,385,235,335**	**P 3,385,235,335**

		2013			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 504,471,331	P -	P -	P 504,471,331
Trade and other receivables	6	-	-	4,535,668,171	4,535,668,171
Advances to related parties	22	-	-	2,053,791,774	2,053,791,774
		P 504,471,331	P -	P 6,589,459,945	P 7,093,931,276
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings		P -	P -	P 219,731,151	P 219,731,151
Trade and other payables		-	-	377,303,492	377,303,492
Advances from related parties		-	-	1,643,353,984	1,643,353,984
Other current liabilities		-	-	287,912,670	287,912,670
		P -	P -	P 2,528,301,297	P 2,528,301,297

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability.

28.4 Fair Value Measurement of Non-Financial Assets

The table below shows the Levels within the hierarchy of non-financial assets for which fair value is disclosed as of December 31, 2014 and 2013.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment property:				
Land	P -	P -	P 8,400,000	P 8,400,000
Buildings and office/commercial units	-	-	516,230,104	516,230,104
	P -	**P -**	**P 524,630,104**	**P 524,630,104**

	2013			
	Level 1	Level 2	Level 3	Total
Investment property:				
Land	P -	P -	P 8,400,000	P 8,400,000
Buildings and office/commercial units	-	-	513,206,740	513,206,740
	P -	P -	P 521,606,740	P 521,606,740

The Level 3 fair value of the investment property was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustments on the price for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, 2014 and 2013, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2014	2013
Interest-bearing loans and borrowings	**P 136,521,553**	P 219,731,151
Total equity	**24,841,939,691**	24,789,953,923
Debt-to-equity ratio	**0.01 : 1**	0.01 : 1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14.1).

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building
330 Sen. Gil Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2014, on which we have rendered our report dated March 13, 2015. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 13, 2015

Empire East Land Holdings, Inc and Subsidiaries
List of Supplementary Information
December 31, 2014

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule A - Financial Asset at Fair Value Through Profit or Loss
December 31, 2014

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount in Peso	Equity in earnings (losses) of investee for the period	Other	Distibution of earnings by investee	Other	Number of shares or principal amount of bonds and notes	Amount in Peso	Dividends received from investments not accounted for by the equity method
AFS Financial Assets									
Alliance Global Group, Inc.	112,600,000	2,539,130,000						2,539,130,000	

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2014

			Deductions		Ending Balance		
Name and designation of debtor	Balance at Beginning of period	Additions/Transfer 2014	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Advances to Officers and Employees:							
Barrera, Julieta	345,101		(67,858)		277,243		277,243
Cabrera, Edna Esperanza	224,955		(74,762)		150,193		150,193
Cacho, Evelyn	415,672		(111,019)		304,653		304,653
Chan, Ermanric	31,913		(31,913)		-		-
Domingo, Ma. Visitacion	11,678		(11,678)		-		-
Edaño, Dennis	1,012,344		(230,273)		782,071		782,071
Gregorio, Ricardo	482,044		(106,942)		375,102		375,102
Llaga, Jhoanna Lyndelou	613,729		(217,280)		396,449		396,449
Llantada Jr. , Antonio	458,530		(106,605)		351,925		351,925
Llena, Jose Arnel	-	783,484	(121,322)		662,162		662,162
Libago, Ricky S.	667,195		(131,192)		536,003		536,003
Madridejos, Arminus	17,612		(17,612)		-		-
Manalastas, Gail	361,509		(66,850)		294,659		294,659
Manalac, Michael	49,749		(49,749)		-		-
Pailan, Ellan Mark	342,345		(342,345)		-		-
Ramos, Franemil	44,022	793,000	(451,859)		385,163		385,163
Sioson-Bumatay, Celeste Z.	759,114		(276,906)		482,208		482,208
	5,837,512	1,576,484	(2,416,165)	-	4,997,831	-	4,997,831

Note: Please refer to Schedule C for Amounts Receivable from Related parties.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2014

Name and Designation of debtor	Balance of beginning period	Balance at the end of period
Eastwood Properties Holdings, Inc.	1,279,306,782	1,060,006,782
Empire East Communities Inc.	195,231,139	221,527,103
Laguna Bel Air Science School, Inc.	58,076,420	52,392,376
Valle Verde Properties, Inc.	62,833,696	62,944,535
Sherman Oak Holdings Inc.	18,410,790	19,430,784
Sonoma Premier Land Inc.	7,566,950	21,301,267
TOTAL	**1,621,425,777**	**1,437,602,847**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2014

			Deduction			
Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	P 78,326,757	-	-	-	-	P 78,326,757

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Long-Term Debt
December 31, 2014

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-term Debt" in related Statement of Financial Position
Loans	**136,521,553**	**58,691,642**	**77,829,911**

Loans are payable up to 2017and bear interest at annual average rate of 7.8% to 9.5% per annum, subject to monthly repricing.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties (Other than Affiliates)
December 31, 2014

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Megaworld Corporation	P 1,190,445,277	P 1,740,187,063
Gilmore Property Marketing Association	387,695,705	390,471,474
Others	65,213,002	39,701,058
	P 1,643,353,984	P 2,170,359,595

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by: Related Parties	Number of Shares Held by: Directors, Officers and Employees	Number of Shares Held by: Others
Preferred shares	2,000,000,000	-				
Common shares	31,495,200,000	14,676,199,167 *		11,993,426,438	24,961,189	92,532

** Number of shares issued and outstanding net of 127,256,071 Treasury Shares.*

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
For the years ended December 31, 2014 and 2013
(Amounts in Philippine Pesos)

	2014	2013	2014	2013
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	P 26,649,924,105	P 22,025,338,171	3.65	3.93
Total Current Liabilities	7,299,785,136	5,605,368,953		
b. Quick Ratio				
(Cash and Cash Equivalents + Trade and Other Receivables)	4,842,534,712	3,484,037,646	0.66	0.62
Total Current Liabilities	7,299,785,136	5,605,368,953		
II. Solvency ratios				
a. Solvency Ratio				
(Earnings Before Interest and Taxes)	861,039,820	587,723,568	0.08	0.07
Total Liabilities	10,454,791,717	8,161,285,477		
b. Debt-to-Equity Ratio				
Total Liabilities	10,454,791,717	8,161,285,477	0.42	0.33
Total Equity	24,841,939,691	24,789,953,923		
III. Asset-to-equity ratio				
Total Assets	35,296,731,408	32,951,239,400	1.42	1.33
Total Equity	24,841,939,691	24,789,953,923		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	861,039,820	587,723,568	6.73	4.12
Interest Expense	127,982,753	142,514,494		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	484,520,380	300,471,781	14%	18%
Revenues	3,480,191,566	1,705,620,061		
b. Return on Equity				
Net profit	484,520,380	300,471,781	2%	1%
Average Equity	24,815,946,807	23,534,759,170		
c. Return on Assets				
Net profit	484,520,380	300,471,781	1%	1%
Average Assets	34,123,985,404	32,462,961,690		

EMPIRE EAST LAND HOLDINGS, INC.
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2014

Unappropriated Retained Earnings at Beginning of Year	P	3,238,056,268
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(	78,190,267)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		3,159,866,001
Net Profit Realized during the Year		
Net profit per audited financial statements		458,694,630
Non-actual/unrealized income, net of tax		
Deferred tax income	(	14,150,981)
		444,543,649
Retained Earnings Restricted for Treasury Shares	(	102,106,658)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**3,502,302,992**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative * *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions * *(effective July 1, 2014)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

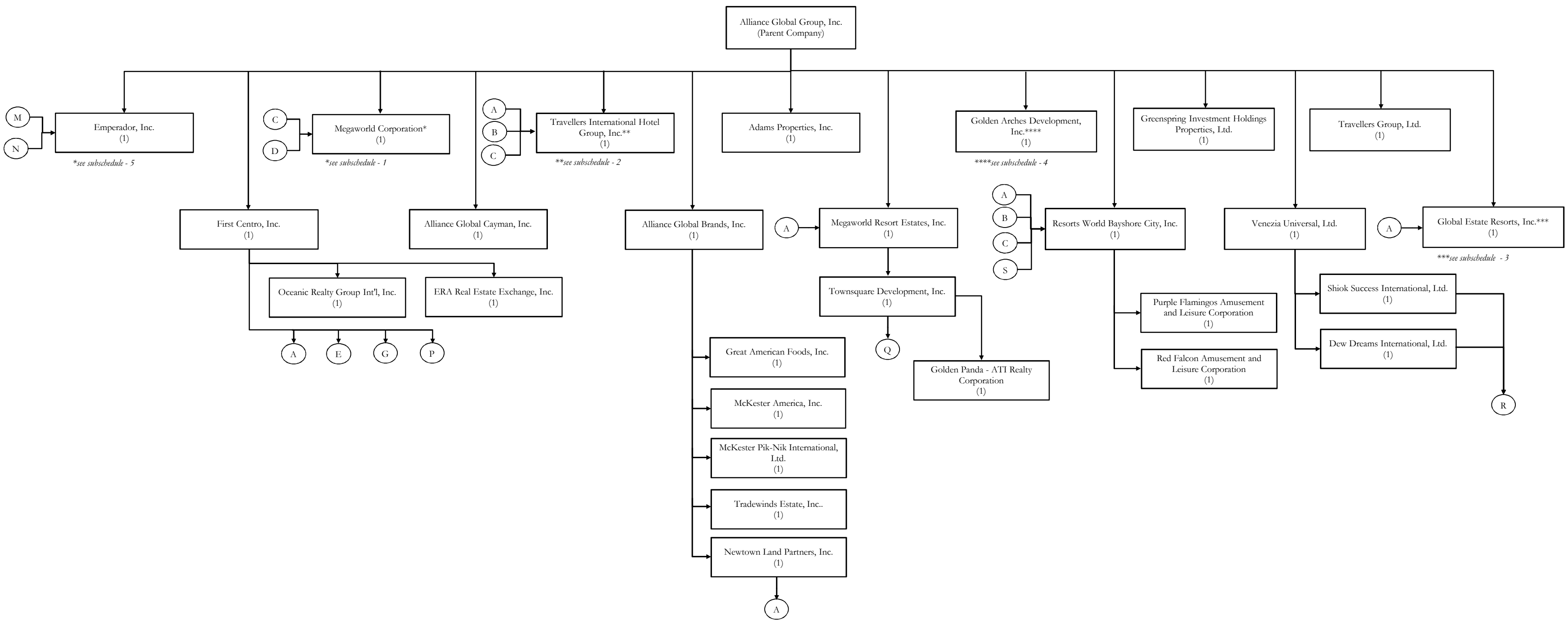
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		

Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

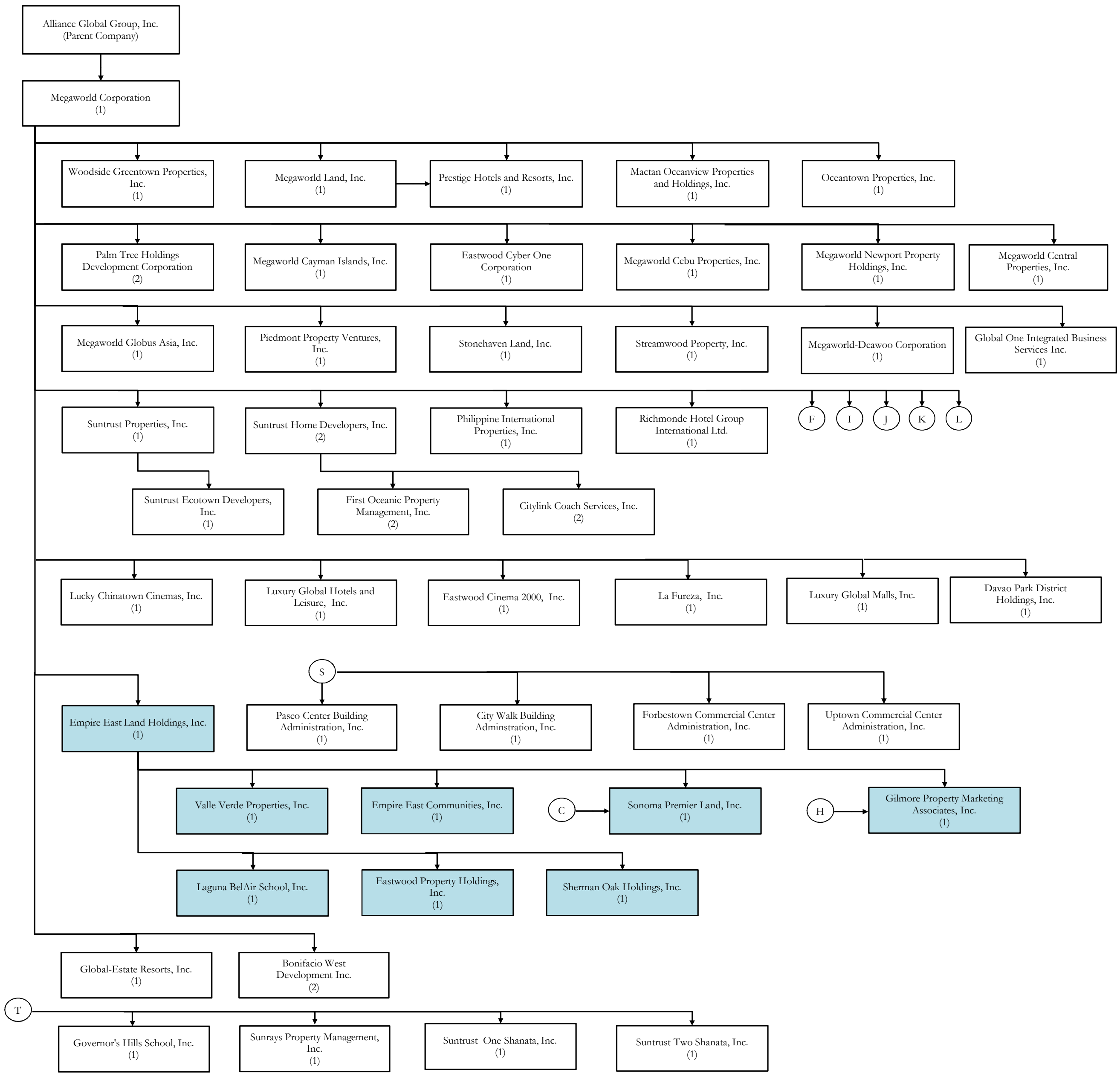
EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and its Related Entities
December 31, 2014



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global-Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	ResortsWorld Bayshore City, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort-Estates, Inc.	N	Dew Dreams International, Ltd.	S	Travellers International Hotel Group, Inc.
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	File-Estate Properties, Inc.		

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and its Related Entities
Subschedule - 1
December 31, 2014

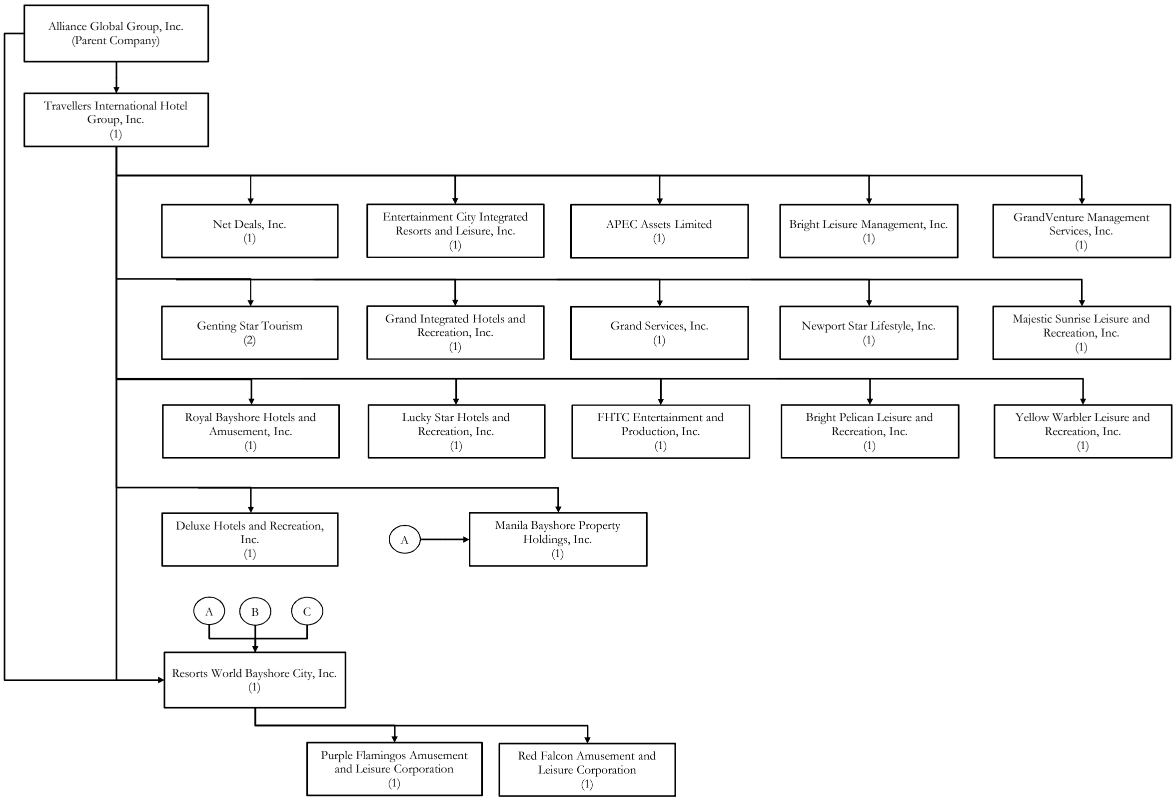


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes Corporation	S	Megaworld Land Inc.
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.	T	Suntrust Properties, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.		
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.		
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.		
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.		
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.		
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.		
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.		

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and its Related Entities
Subschedule - 2
December 31, 2014

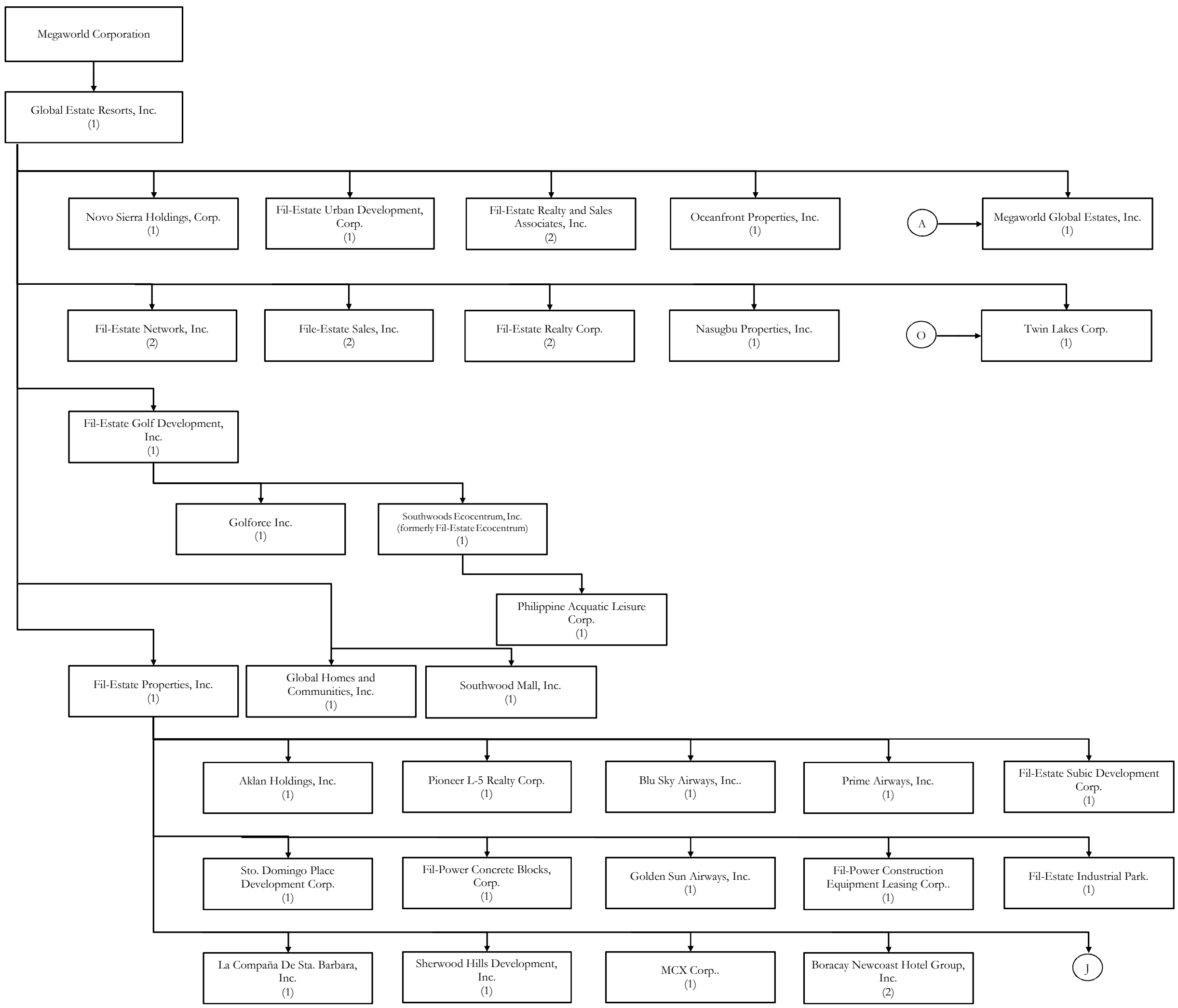


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and its Related Entities
Subschedule - 3
December 31, 2014

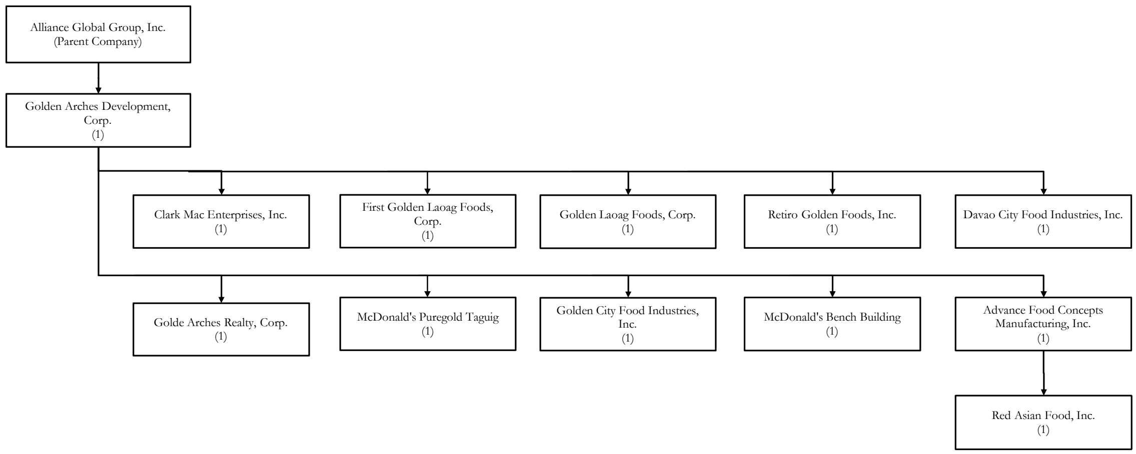


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Globa- Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and its Related Entities
Subschedule - 4
December 31, 2014

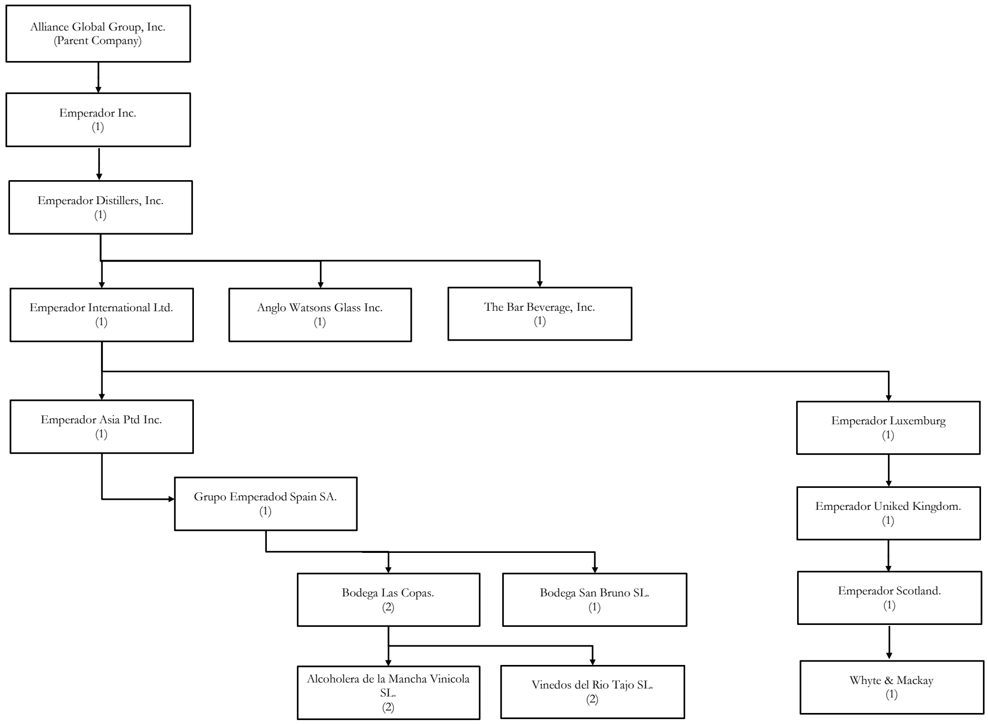


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and its Related Entities
Subschedule - 5
December 31, 2014



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Summary of Application of SRO Proceeds
December 31, 2014

	BASED ON IPO PROSPECTUS	BASED ON ACTUAL
SRO Proceeds	**P 2,695,239,834**	**P 2,695,239,834**
Less: SRO related expenses	**5,239,834**	**5,239,834**
Net proceeds	**2,690,000,000**	**2,690,000,000**
Less: Disbursements		
Construction Site Development	**1,800,000,000**	**1,885,000,000**
Pioneer Woodlands	800,000,000	350,000,000
San Lorenzo Place	700,000,000	532,081,376
The Rochester	300,000,000	275,267,709
Kasara	-	140,479,357
Sonoma	-	70,000,000
Little Baguio Terraces	-	314,520,643
South Science Park	-	202,650,915
Landbanking	**890,000,000**	**805,000,000**
Total Disbursements	**2,690,000,000**	**2,690,000,000**
Remaining Balance of Proceeds, as at December 31, 2014		-

Supplementary information on the Summary of Application of SRO Proceeds

The proceeds were subsequently reallocated and transferred to fund the urgent construction of other projects that have exceeded their respective allocations.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2014**
2. Exact Name of Registrant as Specified in its Charter: **EMPIRE EAST LAND HOLDINGS, INC.**
3. 21st Floor, The World Centre Bldg., 330 Sen. Gil Puyat Avenue, Makati City
   Address
   1234
   Postal Code
4. SEC Identification Number: **AS094-6430**
5. (SEC Use Only)
   Industry Classification Code
6. BIR Tax Identification Number: **003-942-108**
7. **(02) 867 8351 to 59**
   Issuer's Telephone Number, including area code
8. same address
   Former name or former address, if changed from the last report

EMPIRE EAST LAND HOLDINGS, INC.

2014 ANNUAL CORPORATE GOVERNANCE REPORT

TABLE OF CONTENTS

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	7

Actual number of Directors for the year	7

(a) Composition of the Board (updated as of June 10, 2014)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
ANDREW L. TAN	ED	Megaworld Corporation		July 15, 1994	10 June 2014	Annual Stockholders Meeting	21
GERARDO C. GARCIA	ID		Rommel Canto, (not related to ID)	October 1994	10 June 2014	Annual Stockholders Meeting	20
KATHERINE L. TAN	NED	Megaworld Corporation		1994	10 June 2014	Annual Stockholders Meeting	5
ANTHONY CHARLEMAGNE C. YU	ED	Megaworld Corporation		January 1998	10 June 2014	Annual Stockholders Meeting	16
EVELYN G. CACHO	ED	Megaworld Corporation		February 20, 2009	10 June 2014	Annual Stockholders Meeting	5
ENRIQUE SANTOS L. SY	NED	Megaworld Corporation		April 1996	10 June 2014	Annual Stockholders Meeting	18
ALEJO L. VILLANUEVA, JR.	ID		Maria Rosario Justo, (not related to ID)	June 13, 2007	10 June 2014	Annual Stockholders Meeting	8

Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Answer: The Company has adopted a Manual of Corporate Governance following the guidelines set by the Securities and Exchange Commission in SEC Memorandum Circular No. 6 Series of 2009 (the "Code"). The Code encapsulates the Company's best practices commitment and highlights the duties and obligation of the Board of Directors, the Board Committees and officers of the Company. The Code further highlights the Company's commitment to protect the rights of its stockholders and provides, in Section 3 thereof, that the right of its stockholders to the following matters shall at all times be respected: (i) to vote on all matters that require their consent and approval, (ii) pre-emptive right to all stock issuances of the Corporation; (iii) to inspect the corporate books and records, including the Code, which shall be made available for inspection by any stockholder of the Company at reasonable hours on business days; (iv) right to information; (v) dividends; and (vi) appraisal right.

Stockholders are invited to attend the annual and special stockholders' meetings of the Company and are encouraged to personally attend such meetings. If they cannot attend, they are informed ahead of time of their right to appoint a proxy in accordance with the by-laws of the Company.

[1]Reckoned from the election immediately following January 2, 2012.

Although all stockholders are treated equally, the Code also directs the Company's Board of Directors to give minority stockholders the right to propose the holding of meetings and items for discussion in the agenda that relate directly to the business of the Company.

How often does the Board review and approve the vision and mission?

Answer: The Board, as may be necessary, may conduct an evaluation of the Company's mission and vision, in keeping with the strategic direction set by the Board for the Company.

(b) Directorship in Other Companies

(i) Directorship in the Company's Group[2] (updated as of December 31, 2014)

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
ANDREW L. TAN	1. Megaworld Corporation 2. Gilmore Property Marketing Associates, Inc. 3. Megaworld Central Properties, Inc. 4. Sherman Oak Holdings, Inc. 5. Sonoma Premier Land, Inc. 6. Valle Verde Properties, Inc. 7. Global-Estate Resorts, Inc.	1. Executive Director & Chairman 2. Executive Director & Chairman 3. Executive Director & Chairman 4. Executive Director & Chairman 5. Executive Director & Chairman 6. Executive Director & Chairman 7. Executive Director & Chairman
GERARDO C. GARCIA	1. Megaworld Corporation 2. Global-Estate Resorts, Inc.	1. Independent Director 2. Independent Director
KATHERINE L. TAN	1. Megaworld Corporation	1. Non-Executive Director
ANTHONY CHARLEMAGNE C. YU	1. Empire East Communities, Inc. 2. Laguna BelAir School, Inc. 3. Megaworld Central Properties, Inc. 4. Sherman Oak Holdings, Inc. 5. Sonoma Premier Land, Inc. 6. Valle Verde Properties, Inc. 7. Megaworld Newport Property Holdings, Inc.	1. Executive Director & Chairman Executive Director & Chairman 2. Non-Executive Director 3. Non-Executive Director 4. Non-Executive Director 5. Non-Executive Director 6. Non-Executive Director
EVELYN G. CACHO	1. Empire East Communities, Inc. 2. Laguna BelAirSchool, Inc. 3. Sherman Oak Holdings, Inc. 4. Sonoma Premier Land, Inc. 5. Valle Verde Properties, Inc. 6. Suntrust Home Developers, Inc.	1. Non-Executive Director 2. Non-Executive Director 3. Non-Executive Director 4. Non-Executive Director 5. Non-Executive Director 6. Non-Executive Director
ENRIQUE SANTOS L. SY	1. Megaworld Corporation	1. Non-Executive Director

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Andrew L. Tan	Alliance Global Group, Inc. Global-Estate Resorts, Inc. Emperador Inc.	Executive Director/Chairman Executive Director/Chairman Executive Director/Chairman
Katherine L. Tan	Alliance Global Group, Inc. Emperador Inc.	Non-Executive Director Non-Executive Director
Alejo L. Villanueva, Jr.	Alliance Global Group, Inc. Suntrust Home Developers, Inc.	Independent Director Independent Director
Gerardo C. Garcia	Global-Estate Resorts, Inc.	Independent Director
Evelyn G. Cacho	Suntrust Home Developers, Inc.	Executive Director
Enrique Santos L. Sy	Megaworld Corporation	Non-Executive Director

(iii) Relationship within the Company and its Group (updated as of December 31, 2014)

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Andrew L. Tan	Megaworld Corporation Gilmore Property Marketing Associates, Inc. Megaworld Central Properties, Inc. Sherman Oak Holdings, Inc. Sonoma Premier Land, Inc. Valle Verde Properties, Inc.	Director, Chairman & CEO Director Director Director Director Director
Katherine L. Tan	Megaworld Corporation	Director
Gerardo C. Garcia	Megaworld Corporation	Independent Director
Enrique Santos L. Sy	Megaworld Corporation	Director
Anthony Charlemagne C. Yu	Empire East Communities, Inc. Laguna Bel Air School, Inc. Megaworld Central Properties, Inc. Sherman Oak Holdings, Inc. Sonoma Premier Land, Inc. Valle Verde Properties, Inc. Megaworld Newport Property Holdings, Inc	Director Director Director Director Director Director Director
Evelyn G. Cacho	Empire East Communities, Inc. Laguna Bel-Air School, Inc. Sherman Oak Holdings, Inc. Sonoma Premier Land, Inc. Valle Verde Properties, Inc. Suntrust Home Developers, Inc.	Director Director Director Director Director Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	The Company has no specific policy limiting the number of board seats that its Executive and Non-Executive Directors may hold in other publicly-listed companies. For Independent Directors, the Company observes the limitation set forth in SEC Circular Memorandum No. 9 Series of 2011 and has not elected any Independent Director with more than five directorships within the Group.	
Non-Executive Director		
CEO		

(c) Shareholding in the Company (updated as of December 31, 2014)

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andrew L. Tan	24,277,777		0.16542278%
		11,993,426,438 (Megaworld Corp.)	81.72024855%
Gerardo C. Garcia	636,277	0	0.00433543%
Anthony Charlemagne C. Yu	1	0	0.00000001%
Katherine L. Tan	1		0.00000001%
		24,277,777 (Spouse- Andrew L. Tan)	0.16542278%
Enrique Santos L. Sy	11,892	0	0.00008103%
Evelyn G. Cacho	35,240	0	0.00024012%
Alejo L. Villanueva, Jr.	1	0	0.00000001%
TOTAL	**24,961,189**	12,017,704,215	0.17007939% (direct) 81.88567133% (indirect)

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes **X** No

Identify the Chair and CEO:

Chairman of the Board	Andrew L. Tan
CEO/President	Anthony Charlemagne C. Yu

Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	(i) Provides leadership to the Board and participates in the formulation of the Company's business plans; (ii) Ensures that communication lines between the CEO and the Board is open and fosters the flow of information between Management and the Board; (ii) Spearheads the meetings of the Board which are held in accordance with the Corporation's By – Laws.	(i) Manages the business and affairs of the Company; (ii) Implements the corporate plans approved by the Board and as may be necessary, provide operational guidance to ensure implementation of targets; (iii) Communicates to the Board information which may aid in the performance by the Board of its duties and as may be appropriate, recommends to the Board strategic

		directions and/or policies.
Accountabilities	(i) Ensures that Company policies are consistent with its commitments in the Code; (ii) Ensures that the corporate actions approved by the Board are in line with the plans, objectives and goals set by the Company for the relevant period. (iii) Supervises the preparation of the agendas in meetings, in consultation with the CEO, Corporate Secretary and Management;	(i) Effective Implementation of the plans and resolutions approved by the Board of Directors; (ii) Identify issues affecting the business of the Company and informs the Board according;
Deliverables	(i) Board approvals consistent with the business plans of the Company.	(i) Management Report conveyed to the Board of Directors and stockholders, which details the report of the operations of the Company for the preceding year, and the state of its affairs.

Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Answer: The Amended By-Laws of the Company, particularly Article III. Section 2 thereof, provides for the mode of succession of key officers of the Company, who shall be elected by every newly constituted Board at its organizational meeting. The Board, in making appointments, is guided by the standards, more particularly the definition of the roles and responsibilities to be assumed by said officers as set forth in the Code and in the Company's By-laws, in evaluating the merit of each appointee. Unless removed from office, said officers shall hold office until their successors are appointed and qualified. Vacancies are filled by the Board of Directors.

3) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Answer: Yes. Aside from meeting the qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board maybe composed of both Executive and Non-Executive Directors who have business experience, practical understanding of the business of the Company and are members in good standing in relevant professional industry, business and professional organizations (Section 2.2, Code).

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Answer: Yes. Section 2.2.3 of the Manual of Corporate Governance ensures that a director possesses a practical understanding of the business of the Company and has business experience.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	(i) Responsible for the formulation of the Company's strategic	(i) Responsible for the formulation of the Company's strategic	(i) Responsible for the formulation of the Company's strategic

	direction to foster success and long term growth; (ii) Ensure the effective implementation of the corporate plans and strategies formulated by the Board.	direction to foster success and long term growth; (ii) Act as an independent adviser and decision maker on matters brought before the Board.	direction to foster success and long term growth; (ii) Bring an independent judgment on matters brought before the Board. (iii) Promote the Company's commitment to transparency and in this regard, is a member of the Company's Compensation and Remuneration Committee as well as the Audit Committee, which must be chaired by an independent director.
Accountabilities	(i) Ensure that the Board conducts itself with honesty and integrity in the performance of all actions according to a high standard of best practices for the Company and its stockholders; (ii) Implement the process for the selection of directors who can add value and contribute independent judgment to the formulation of corporate policies; (iii) Appoint competent, professional, honest and highly motivated management officers; (iv) Provide strategic policies and guidelines to the Company on major capital expenditures and programs that can sustain long-term viability and strength; (v) Ensure that the Company faithfully complies with all applicable laws, regulations and best business practices; (vi) Formulate and implement policies and procedures that ensure integrity and transparency of related party transactions between and among the Company and its parent company,	(i) Ensure that the Board conduct itself with honesty and integrity in the performance of all actions according to a high standard of best practices for the Company and its stockholders; (ii) implement the process for the selection of directors who can add value and contribute independent judgment to the formulation of corporate policies; (iii) Appoint competent, professional, honest and highly motivated management officers; (iv) Provide strategic policies and guidelines to the Company on major capital expenditures and programs that can sustain long-term viability and strength; (v) Ensure that the Company faithfully complies with all applicable laws, regulations and best business practices; (vi) Formulate and implement policies and procedures that ensure integrity and	(i) Ensure that the Board conduct itself with honesty and integrity in the performance of all actions according to a high standard of best practices for the Company and its stockholders; (ii) implement the process for the selection of directors who can add value and contribute independent judgment to the formulation of corporate policies; (iii) Appoint competent, professional, honest and highly motivated management officers; (iv) Provide strategic policies and guidelines to the Company on major capital expenditures and programs that can sustain long-term viability and strength; (v) Ensure that the Company faithfully complies with all applicable laws, regulations and best business practices; (vi) Formulate and implement policies and procedures that ensure integrity and transparency of related party transactions

	joint ventures, subsidiaries, associates, affiliates, and other related parties; (vii) Participation in the Relevant Board Committees.	transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, and other related parties; (vii) Participation in the relevant Board Committees.	between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, and other related parties; (vii) Participation in the Relevant Board Committees. More particularly in, the Compensation and Remuneration Committee and in the Audit Committee.
Deliverables	(i) Board Actions, approvals and strategic direction in line with corporate goals and the Company's best practices commitment; (ii) Internal control system that ensures adequacy and effectiveness of the Company's checks and balances.	(i) Board Actions, approvals and strategic direction in line with corporate goals and the Company's best practices commitment; (ii) Internal control system that ensures adequacy and effectiveness of the Company's checks and balances.	(i) Board Actions, approvals and strategic direction in line with corporate goals and the Company's best practices commitment; (ii) Internal control system that ensures adequacy and effectiveness of the Company's checks and balances.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Answer: The Company defines an Independent Director as a qualified individual in accordance with the Code, who, other than the per diem given by the Company for attendance in board meetings and his shareholdings, is independent of management and free of material or pecuniary relationship with the Company which can materially affect the exercise of independent judgment in the conduct of his responsibilities to the Company. The Company adheres to the said standard and has applied the same in the election of its Independent Directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Answer: The Company follows the term limits for Independent Directors prescribed by the Securities and Exchange Commission in SEC Memorandum Circular No. 9, Series of 2011 and allows its Independent Directors to serve for only five (5) consecutive years from January 2, 2012. In the same manner, the Company observes the cooling-off period imposed in the said circular.

4) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
There was no change in the composition of the Board of Directors during the covered period.			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The stockholders send their nomination to the Nomination Committee. The Nomination Committee determines if a nominee possesses the qualifications and none of the disqualifications for the position. Qualified Nominees are entitled to be voted upon during the Annual Stockholders Meeting.	The directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as (i) a college degree; (ii) business experience; (iii) practical understanding of the business of the Corporation, and (iv) membership in good standing in a relevant industry, business or professional organization.
b. Re-appointment		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	For Executive and Non-Executive Directors, re-appointment is allowed, following the above-enumerated process for the selection of the members of the Board of Directors. For Independent Directors, re-appointment is allowed as long as the term limits for Independent Directors in SEC Memorandum Circular No. 9, Series of 2011 is observed. The appointment process follows the above-enumerated selection process.	The same criteria is imposed for appointment and re-appointment, to wit: The directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as (i) a college degree; (ii) business experience; (iii) practical understanding of the business of the Corporation, and (iv) membership in good standing in a relevant industry, business or professional organization.
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	All matters pertaining to the qualification and/or disqualification of a director are referred to the Nomination Committee. The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board.	Any of the following shall be a ground for permanent disqualification of a director: (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor,

		mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures, commission merchant, commodity trading advisor, or floor broker, (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engaged in any activity involving securities and banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the

		organization; (iii) Any person convicted by final judgment or order by a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgression; (iv) Any person who has been adjudged by final judgment or order of the Commission or a court or other competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; (v) Any independent director who becomes an officer, employee or consultant of the Corporation shall cease to be an independent director until such time that his disqualification is lifted pursuant to the Securities Regulation Code and the rules and regulations of the Commission; (vi) Any person judicially declared to be insolvent; (vii) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and (viii) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
d. Temporary Disqualification		
(i) Executive Directors	A temporarily disqualified director is	Any of the following shall be a

(ii) Non-Executive Directors (iii) Independent Directors	given 60 business days to take appropriate actions that will remedy or correct such disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	ground for the temporary disqualification of a director: (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; (ii) Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, unless the absence is due to justifiable causes such as, illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election; (iii) Dismissal or termination for cause from directorship in another corporation covered by the Revised Code of Corporate Governance. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination; (iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock, he shall cease to be an independent director. The disqualification shall be lifted if the limit is later complied with, or (v) Conviction that has not yet become final referred to in the grounds for the permanent disqualification of directors.
e. Removal		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The Company follows the procedure for the removal of directors provided in the Corporation Code.	Removal of a director from office may be due to death, voluntary resignation and/or permanent disqualification from office

		consistent with the criteria enumerated in sub-section c (Permanent Disqualification) of this Table.
f. Re-instatement		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	A temporarily disqualified director is given 60 business days to take appropriate actions that will remedy or correct such disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent	Satisfactory corrective action performed by the director within the 60 day period, addressing the specific cause for disqualification.
g. Suspension		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The Company follows the procedure provided for in the Corporation Code.	Suspension is based on the grounds provided for in the Company's Manual of Corporate Governance.

Voting Result of the last Annual General Meeting held on 10 June 2014

Name of Director	Votes Received
Andrew L. Tan	12,298,393,745 shares
Katherine L. Tan	12,298,393,745 shares
Gerardo C. Garcia	12,298,393,745 shares
Anthony Charlemagne C. Yu	12,298,393,745 shares
Evelyn G. Cacho	12,298,393,745 shares
Enrique Santos L. Sy	12,298,393,745 shares
Alejo L. Villanueva, Jr.	12,298,393,745 shares

5) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

Answer: The Company has no formal orientation program for new directors, but all directors are required to attend the seminar/training conducted by the Institute of Corporate Directors.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

1. **Mandatory Continuing Legal Education**
2. **Corporate Governance and Anti-Money Laundering Act Seminar**

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Andrew L. Tan	**October 02, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Katherine L. Tan	**November 11, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Enrique Santos L. Sy	**November 14, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Gerardo G. Garcia	**November 14, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Anthony Charlemagne C. Yu	**November 14, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Evelyn G. Cacho	**November 11, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Alejo L. Villanueva, Jr.	**November 14, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Ricky S. Libago	**December 5, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Antonio E. Llantada, Jr.	**November 11, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Ricardo B. Gregorio	**November 14, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Jhoanna Lyndelou T. Llaga	**November 11, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Giovanni C. Ng	**November 14, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Dennis E. Edaño	**November 11, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**
Celeste Z. Sioson	**November 11, 2014**	**Corporate Governance Seminar**	**Risks, Opportunities, Assessment and Management, Inc.**

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	All directors should conduct themselves with honesty and integrity in the performance of their duties and functions to ensure a high standard of best practices for the Company (Section 2.2.6, Code). A director should conduct fair business transaction with the Company and ensure that his personal interest does not conflict with the interests of the company [Section 2.2.7 (i), Code].	The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity that will create conflict or interfere with the performance of his responsibilities (Company Code of Discipline).	The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any activity that will create conflict or interfere with the performance of his responsibilities (Company Code of Discipline).
(b) Conduct of Business and Fair Dealings	All directors should conduct themselves with honesty and integrity in the	The Company expects each employee to observe the highest standards of business ethics. An	The Company expects each employee to observe the highest standards of business ethics. An employee cannot engage in any

	performance of their duties and functions to ensure a high standard of best practices for the Company (Section 2.2.6, Code).	employee cannot engage in any activity which would create conflict or interfere with the performance of his responsibilities (Code of Discipline).	activity which would create conflict or interfere with the performance of his responsibilities (Code of Discipline).
(c) Receipt of gifts from third parties	N/A	Receipt of gifts from third parties is not allowed.	Receipt of gifts from third parties is not allowed.
(d) Compliance with Laws & Regulations	The Board shall ensure the Company's faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).	The Company, thru the Board, shall ensure the Company's faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).	The Company, thru the Board, shall ensure the Company's faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).
(e) Respect for Trade Secrets/Use of Non-public Information	The Company respects the proprietary ownership of trade secrets and observes the confidentiality of non-public information. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without authority of the Board [2.2.7 (vi), Code].	The Company respects the proprietary ownership of trade secrets and observes the confidentiality of non-public information.	The Company respects the proprietary ownership of trade secrets and observes the confidentiality of non-public information.
(f) Use of Company Funds, Assets and Information	The Board shall provide sound strategic policies and guidelines to the Company on major capital expenses and, establish programs that can sustain its long term viability and strength. The Board shall periodically monitor the implementation if such policies and strategies, including the business plans and operating budget (Section 2.2.6, Code).	All employees are advised to take care of the property of the Company and treat it like his own asset. Careless use or intentional damage to Company property shall make an employee liable for damages (Code of Discipline).	All employees are advised to take care of the property of the Company and treat it like his own asset. Careless use or intentional damage to Company property shall make an employee liable for damages (Code of Discipline).
(g) Employment &Labor Laws & Policies	The Board shall ensure the Company's faithful compliance with all applicable laws, regulations and best business practices (Section 2.2.6, Code).		
(h) Disciplinary action	The Code provides the grounds for permanent and temporary	Disciplinary actions are initiated, processed and violations of Company	Disciplinary actions are initiated, processed and violations of Company rules and regulations

	disqualification of a member of the Board.	rules and regulations are handled in accordance with the Company's Code of Conduct.	are handled in accordance with the Company's Code of Conduct.
(i) Whistle Blower	All information received from whistle blowers and/or anonymous sources are referred to the Grievance Committee of the Company which consists of the HR, Audit, and the Legal Department Head.		
(j) Conflict Resolution	One of the functions of the Board is to establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders and third parties (Section 2.2.6, Code).	Misunderstandings, differences in opinion and disputes among members of the Company are referred to the Grievance Committee (Code of Conduct).	Misunderstandings, differences in opinion and disputes among members of the Company are referred to the Grievance Committee (Code of Conduct).

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Answer: Yes. To ensure that all directors, senior management and employees of the Company has access to the Code of Conduct at all times, the Code was disseminated online through the intranet system of the Company, which may be accessed by all employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Answer: Compliance with the Company's Code of Conduct is lodged with the Human Resources Department. The said department is in charge of processing all complaints for violations thereof, in accordance with established due process standards.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company, in the normal course of business, enters into transaction with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business related purposes. Rental for lease properties and interest on interest-bearing advances are within market rates.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	The Company has no related party transaction with a director/officer, their family, siblings or parents.
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	The Company has no knowledge of a conflict of interest situation between the Company and its significant shareholders and officers. In any case the Code and the Code of Conduct provisions on Conflict of Interest shall serve as basis in handling the issue.
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	The Company has no knowledge of a conflict of interest situation between the Company and its significant shareholders and officers. In any case the Code and the Code of Conduct provisions on Conflict of Interest shall serve as basis in handling the issue.
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
ANDREW L. TAN and KATHERINE L. TAN	Family	Spouses

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Megaworld Corporation	Joint venture	Joint development of selected projects.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
The management of the Company is not aware of any shareholder agreement that may impact on the control, ownership and strategic direction of the Company.		

[4]Family relationship up to the fourth civil degree either by consanguinity or affinity.

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Company abides by and adheres to the judicial dispute resolution processes adopted by judicial and regulatory authorities.
Corporation & Third Parties	The Company abides by and adheres to the judicial dispute resolution processes adopted by judicial and regulatory authorities.
Corporation & Regulatory Authorities	The Company abides by and adheres to the judicial dispute resolution processes adopted by judicial and regulatory authorities.

C. BOARD MEETINGS AND ATTENDANCE (updated as of December 31, 2014)

1) **Are Board of Directors' meetings scheduled before or at the beginning of the year?**

Answer: The meetings of the Board of Directors are scheduled at the beginning of the year. The Board may, from time to time, be convened for special meetings, as may be necessary to address operational exigencies.

2) **Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Andrew L. Tan	**10 June 2014**	**9**	**9**	**100%**
Member	Katherine L. Tan	**10 June 2014**	**9**	**8**	**89%**
Member	Anthony Charlemagne C. Yu	**10 June 2014**	**9**	**9**	**100%**
Member	Evelyn G. Cacho	**10 June 2014**	**9**	**9**	**100%**
Member	Enrique Santos L. Sy	**10 June 2014**	**9**	**9**	**100%**
Independent	Gerardo C. Garcia	**10 June 2014**	**9**	**9**	**100%**
Independent	Alejo L. Villanueva, Jr.	**10 June 2014**	**9**	**9**	**100%**

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

Answer: No

4) **Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

Answer: The Company follows the quorum requirement of the Corporation Code.

5) **Access to Information**

(a) **How many days in advance are board papers[5] for board of directors meetings provided to the board?**

Answer: Board papers are provided to the Board, together with the notices, in accordance with the Company's By-Laws

(b) **Do board members have independent access to Management and the Corporate Secretary?**

Answer: Yes.

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Answer: Yes. The Corporate Secretary's function includes assisting the Chairman in the preparation of the board agenda, safekeeping the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation. The Corporate Secretary keeps all directors informed and updated of the agenda of their meetings and ensures that the members have before them accurate information that will enable them to come up with intelligent decisions on matters that require their approval.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Answer: Yes. Mr. Dennis E. Edaño is a lawyer by profession.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [**X**]   No [ ]

Committee	Details of the procedures
Executive	Reports and other data relevant to a committee are available to the Board upon request.
Audit	Reports and other data relevant to a committee are available to the Board upon request.
Nomination	Reports and other data relevant to a committee are available to the Board upon request.
Remuneration	Reports and other data relevant to a committee are available to the Board upon request.
Others (specify)	N/A

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Board may seek the advice or counsel of professional advisers as may be necessary in the performance of its mandate.	

Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
The Board has not introduced amendments to existing policies which may have an effect on its business.		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated

management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The remuneration and compensation package are determined by, among others, the annual performance evaluation results, industry salary bench marks, tenure, level of responsibility and the position held.	
(2) Variable remuneration	NONE	
(3) Per diem allowance	NONE	
(4) Bonus	Bonuses are discretionary. This may depend on the profitability, productivity and fund availability.	
(5) Stock Options and other financial instruments	NONE	
(6) Others (specify)	NONE	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors (updated as of July 10, 2013)

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The remuneration and compensation package are determined by, among others, the annual performance evaluation results, industry salary bench marks, tenure, level of responsibility and the position held.		
Non-Executive Directors	Non-Executive Directors are not entitled to remuneration other than per diem for attendance in Board meetings.		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
There is no change in the Company's remuneration policy and scheme mentioned above, and the same has been approved during the respective annual stockholders' meetings.	10 June 2014
	10 July 2013
	June 13, 2012

3) Aggregate Remuneration (updated as of December 31, 2014)

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	NONE	NONE	NONE
(b) Variable Remuneration	NONE	NONE	NONE
(c) Per diem Allowance	P200,000.00	P100,000.00	P200,000.00
(d) Bonuses	VARIABLE	NONE	NONE
(e) Stock Options and/or other financial instruments	NONE	NONE	NONE
(f) Others (Specify)	N/A	N/A	N/A
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NONE	NONE	NONE
2) Credit granted	NONE	NONE	NONE
3) Pension Plan/s Contributions	NONE	NONE	NONE
(d) Pension Plans, Obligations incurred	NONE	NONE	NONE
(e) Life Insurance Premium	NONE	NONE	NONE
(f) Hospitalization Plan	NONE	NONE	NONE
(g) Car Plan	NONE	NONE	NONE
(h) Others (Specify)	NONE	NONE	NONE
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
NONE		

5) Remuneration of Management (updated as of December 31, 2014)

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Senior Management as a group (Senior Vice President, and Vice Presidents)*	**Php7,790,628.00**

**includes the following officers:*

a. *Mr. Ricky S. Libago, Senior Vice President for Property Development*
b. *Mr. Antonio E. Llantada, Vice President for Audit and Management Services*
c. *Mr. Ricardo B. Gregorio, Vice President for Human Resources and General Administrative Services*
d. *Ms. Jhoanna Lyndelou T. Llaga, Vice President for Marketing*
e. *Mr. Dennis E.Edano, Senior Assistant Vice President for Legal and Corporate Affairs*

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	1	-		To act, by majority vote of all its members, on specific matters within the competence of the Board, as may be delegated in the By-Laws or on a majority vote of the Board, except in those instances expressly provided under Section 35 of the Corporation Code.	Acts on all matters that may be assigned by the Board	Acts on all matters that may be assigned by the Board
Audit	1	-	2	Audit Committee Charter	Oversight responsibilities for the financial reporting process, internal control, risk management, internal audit, external audit, management and legal, tax and regulatory compliance	Financial Reporting Risk Management Internal Control Internal Audit External Audit	Conduct investigation on matters within the scope of its responsibilities
Nomination	-	1	2	**None**	**Prescreens and shortlists all candidates nominated to become a member of the Board.**	**Reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval , and assesses the effectiveness of the Board's**	**Prescreens nominees and prepares final list of candidate**

						processes and procedures in the election and replacement of directors	
Remuneration	-	1	2	None	**Responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, as well as providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.**	**Establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and business environment**	**Establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and business environment**
Others (specify)	-	-	-				

2) Committee Members

(a) Executive Committee (updated as of December 31, 2014)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	ANDREW L. TAN	**10 June 2014**	**11**	**11**	100	2 years
Member (ED)	ANTHONY CHARLEMAGNE C. YU	**10 June 2014**	**11**	**11**	100	2 years
Member (ED)	EVELYN G. CACHO	**10 June 2014**	**11**	**11**	100	2 years

(b) Audit Committee (updated as of December 31, 2014)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	GERARDO C. GARCIA	**10 June 2014**	4	4	100	2 years
Member (ED)	EVELYN G. CACHO	**10 June 2014**	4	4	100	2 years
Member (ID)	ALEJO L. VILLANUEVA, JR.	**10 June 2014**	4	4	100	2 years

Disclose the profile or qualifications of the Audit Committee members.

Answer: The Audit Committee is chaired by Mr. Gerardo C. Garcia, an Independent Director, who has extensive background in finance.

Members of the Audit Committee are Ms. Evelyn G. Cacho and Mr. Alejo L. Villanueva, Jr.

Ms. Evelyn G. Cacho is a Certified Public Accountant and is currently the Corporation's Vice President for Finance.

Mr. Alejo L. Villanueva, Jr. is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consultancy work for the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture and World Bank (Subic Conversion Program).

Describe the Audit Committee's responsibility relative to the external auditor.

Answer: The Audit Committee has an oversight function over the Company's internal and external auditors. It, ensures that both auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to effectively perform their function.

The Audit Committee reviews the reports submitted by the internal and external auditors and may conduct investigations on matters within the scope of its responsibilities.

Nomination Committee (Updated as of December 31, 2014)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	ENRIQUE SANTOS L. SY	10 June 2014	1	1	100	2 years
Member (ID)	ALEJO L. VILLANUEVA, JR.	10 June 2014	1	1	100	2 years
Member (ID)	GERARDO C. GARCIA	10 June 2014	1	1	100	2 years

(c) Remuneration Committee (Updated as of December 31, 2014)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	ANDREW L. TAN	10 June 2014	1	1	100	2 years
Member (ID)	GERARDO C. GARCIA	10 June 2014	1	1	100	2 years
Member (ID)	ALEJO L. VILLANUEVA, JR.	10 June 2014	1	1	100	2 years

(d) **Others (Specify)**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	**THERE ARE NO OTHER BOARD COMMITTEES ASIDE FROM THE ABOVE-IDENTIFIED COMMITTEES.**					
Member (ED)						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	THERE IS NO CHANGE IN COMMITTEE MEMBERSHIP FOR THE COVERED PERIOD.	
Audit		
Remuneration		
Nomination		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Acted on all matters delegated by the Board.	Issued operational approvals within the scope of the Executive Committee's authority, as provided in the Company's By-Laws.
Audit	Implementation of the Company's Audit Committee Charter	Compliance with the Audit Committee Charter.
Nomination	Prepared the final list of candidates for election at the annual meeting of stockholders	Qualification of Nominees and finalization of the list of candidates.
Remuneration	Reviewed compensation of directors and officers	Determination of Industry Compensation and remuneration trends.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Implement the strategic direction set by the Board	Operational concerns vis-à-vis strategic direction set by the Board
Audit	Review of Risk Management System	Adherence to internal control policies
Nomination	Review of existing qualification and disqualification standards	Ensure compliance with new rules and regulations
Remuneration	Review of Organizational Structure and Company Benefits Program	Industry compensation/remuneration benchmarking
Others (specify)	NONE	NONE

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;
(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
(c) Period covered by the review;
(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

and

(e) **Where no review was conducted during the year, an explanation why not.**

Answer: The Board, thru the Audit Committee, periodically reviews the effectiveness of the Company's risk management systems with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures. Risk management review is conducted annually with the Internal Audit Department. A review for the period 2012 was conducted in the first quarter of the year. Criteria used for review are compliance with controls and accuracy of identified risks and appropriateness of risk treatment plans.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Country Risk relating to the continued performance of the Philippine economy and political stability.	Use of pre-selling as a project financing tool. Entering into joint development agreements from the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a new cash position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of supplies. Efficient project management and monitoring.	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation.	Revenue and property diversification.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Country Risk relating to the continued performance of the Philippine economy and political stability.	Use of pre-selling as a project financing tool. Entering into joint development agreements from the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a new cash position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of supplies. Efficient project management and monitoring.	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation.	Revenue and property diversification.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders

Megaworld's voting power in the Company poses a risk to the ability of minority shareholders to influence corporate strategy.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Country Risk relating to the continued performance of the Philippine economy and political stability.	Institutional reviews of the Philippine economy particularly the real property sector	Minimize each outlay for projects, control development costs and maintain a new each position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Project monitoring teams	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Customer Satisfaction/Default reports	Revenue and property diversification.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Country Risk relating to the continued performance of the Philippine economy and political stability.	Institutional reviews of the Philippine economy particularly the real property sector.	Minimize each outlay for projects, control development costs and maintain a new each position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Project monitoring teams	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Customer Satisfaction/Default reports	Revenue and property diversification.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Board Audit Committee	The mechanism established by the company to safeguard the independence of internal auditors is such that the auditor's report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures. The department annually declares/undertake a non-conflict of interests by its auditors.	Provides oversight over Management's risk management process, financial reporting process and reviews internal audit plans.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Answer: Internal Control System refers to the management's ability to control particular risks or business activities that the Company is exposed to. Internal Control is effected by the board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations.

(b) Period covered by the review;

Answer: January to December of each year

(c) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Answer: Internal controls are reviewed annually. The Internal Audit Group submits a post-audit report assessing the effectiveness of the internal control system of the Company to the Audit Committee of the Board.

(d) Where no review was conducted during the year, an explanation why not.

Answer: N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function
Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal audit's role is to provide an independent, objective assurance and consulting services designed to add value and improve the Company's operations. It assists the Company in achieving its objectives by bringing a systematic approach to evaluate and improve the effectiveness of internal control.	The scope of work of internal audit is to determine whether the company's internal control systems, procedures and processes is adequate and functioning to ensure that significant financial, managerial and operating information is accurate, reliable and timely; that employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations; and resources are acquired economically, used	The Internal Audit function in the company is done in-house.		i) Initial Planning; ii) Evaluation Process; iii) Compliance Tests and Analysis of Data Gathered; iv) Reporting; v) Review and Supervision of Audit Work/Report; vi) Follow-up of Reported Issues.

	efficiently, and adequately protected.			

Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Answer: Yes, as stated in the Audit Committee Charter of the Company.

(b) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Answer: Yes

(c) Resignation, Re-assignment and Reasons (updated as of December 31, 2014)

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Answer: There are no resignations or reassignments of audit staff as of December 31, 2014.

(d) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The progress of the annual internal audit plan is being monitored monthly and is reported to the President.
Issues[6]	Issues are discussed with the Auditor during closing meetings and their responses are incorporated in the internal audit report.
Findings[7]	Findings are reported to the President and concerned management through the internal audit report.
Examination Trends	Examinations are being done on the different departments of the Company and its subsidiaries regularly.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.

(e) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal Audit	Internal Audit is guided by a manual of internal control systems, policies and procedures as well as audit programs which it uses in its review and evaluation of the different departments of the Company and its subsidiaries.

[6]"Issues" are compliance matters that arise from adopting different interpretations.
[7]"Findings" are those with concrete basis under the company's policies and rules.

(f) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The mechanism established by the Company to safeguard the independence of internal auditors is such that, the auditor's report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures.			

(h) **State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

Name	**Position in the Company**
Andrew L. Tan	Chairman of the Board of Directors
Gerardo C. Garcia	Vice Chairman/ Independent Director
Katherine L. Tan	Director
Anthony Charlemagne C. Yu	Director/ President
Alejo J. Villanueva, Jr.	Independent Director
Evelyn G. Cacho	Director/Vice President for Finance
Enrique Santos L. Sy	Director
Ricky S. Libago	Senior Vice President for Property Development
Antonio E. Llantada, Jr.	Vice President for Audit and Management Services
Ricardo B. Gregorio	Vice President for Human Resources General and Administration Services
Jhoanna Lyndelou T. Llaga	Vice President for Marketing
Giovanni C. Ng	Treasurer
Dennis E. Edaño	Corporate Secretary
Celeste Z. Sioson	Assistant Corporate Secretary

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	To deliver innovative, responsive and high quality products in keeping with market demands.	Product innovation and focus on skill enhancement to meet market trends and ensure positive customer experience.
Supplier/contractor selection practice	Selection of suppliers and contractors on the basis of quality and pricing.	Canvassing and bid processes are observed to ensure quality and price competitiveness for the supply chain.
Environmentally friendly value-chain	Incorporate environmentally friendly practices as a form of corporate social responsibility.	Preference for suppliers with environmental advocacy, keeping the specific supply requirements of the Company in mind.

Community interaction	Responsible, innovative and responsive business practices with the well-being, safety and satisfaction of its clients and the community in mind.	The Company focuses on developing transit-oriented projects to maximize access to public transport, thereby reducing carbon-footprint. The Company also utilizes an intranet system for all communications within the organization in order to reduce paper consumption. The Company encourages the use of recycled paper in its communications.
Anti-corruption programmes and procedures?	Foster a culture of honesty and integrity.	Inculcate honesty and integrity in its workforce. Ensure compliance through the Code of Conduct.
Safeguarding creditors' rights	Full disclosure and transparency	Timely meeting of the Company's obligations and proper fund allocation.

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

Answer: Yes, the Annual Report has a corporate responsibility report.

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

Answer: The Company values the health and safety of its employees and provides in its Code of Conduct, standards for health and safety which must be observed by its employees.

(b) Show data relating to health, safety and welfare of its employees.

Answer: There have been no reported work-related accidents or health concerns in the Company.

(c) State the company's training and development programmes for its employees. Show the data.

Answer: The Company encourages its officers and employees to avail of continuing education programs to further enhance and/or complement their technical knowledge.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

Answer: NONE

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Answer: Complaints concerning misunderstandings and differences among members of the Company are handled by the Company's Grievance Committee, which spearheads investigations concerning such complaints.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure (updated as of December 31, 2014)**

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Megaworld Corp.	11,993,051,438	81.7176%	Megaworld Corporation
PCD Nominee Corp. (Filipino) **PCD Nominee Corp. (Non-Filipino**	1,470,306,568 783,792,192	10.0183% 5.3406%	The shares registered in the name of PCD Nominee Corporation (Filipino and Non-Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients. No PCD participants owns 5% or more of the Company's shares of common stocks.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NONE			

2) **Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee (updated as of December 31, 2014)**

Name of auditor	**Audit Fee**	**Non-audit Fee**
Punongbayan & Araullo	**Php1,600,000.00**	**NONE**

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Answer: Annual Report (both in printed and in digital format), Online Website.

5) **Date of release of audited financial report: April 30, 2014**

6) **Company Website: http://www.empire-east.com**

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
The Company's Annual Financial Statements provide a disclosure of its related party transactions. In the normal course of business, the Company enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes.			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Answer: The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	The Company follows the quorum requirement of the Corporation Code.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Corporate acts except those requiring stockholders' approval are approved by the Board.
Description	At least a majority vote of the directors present in a meeting is required to approve corporate acts.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
The Company complies with and follows the Corporation Code provisions for Stockholders' Rights concerning Annual and/or Special Stockholders' Meeting.	

Dividends

Declaration Date	Record Date	Payment Date
2006	13 July 2006	2006

(d) Stockholders' Participation (updated as of June 10, 2014)

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure
Open forum during Annual Stockholders Meeting	Verbal communication
Information Statement, Notice of Meeting	Written Communication

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

   a. **Amendments to the company's constitution**
   b. **Authorization of additional shares**
   c. **Transfer of all or substantially all assets, which in effect results in the sale of the company**

   Answer: The Company complies with the requirements of the Corporation Code and requires a 2/3 vote of stockholders for amendments to the Company's Articles of Incorporation and sale of all or substantially all of the Company's assets.

   Pre-emptive rights to subscribe to all stock issuances of the Company are waived in the Company's Articles of Incorporation.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

   Answer: Yes

   a. **Date of sending out notices:** 20 May 2014
   b. **Date of the Annual/Special Stockholders' Meeting:** 10 June 2014

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

Question: I read an article in National Geographic magazine which featured Empire East's lead in the middle income market and how the company can catch up with the rapid emergence of the Philippines as Asia's new economic tiger. You state there that it is the most stable segment in the housing sector. But other developers are also tapping in the mid segment. Will there be no oversupply of residential properties in that sector? Would that sector not be over saturated?

Answer: Honestly we think we have just started. The residential sector is booming and we would like to throw a comparison between our country and those neighboring Asian countries. The Philippines compared to other Asian neighbors has a lot of room for growth in the residential development. There are three important factors which I would like to highlight. First, unlike other Asian neighbors we have no massive government housing project. There is a huge gap that continues to be filled by the private sector. That is a very important distinction because unlike our other Asian neighbors where nearly 85% of housing needs are met by government resources, in this country, it is the private sector that supplies them.

The second factor is the Overseas Filipino Workers phenomenon. It is not unique in the Philippines. All countries around the world have sent overseas workers abroad where they are in need. But the Overseas Filipino Workers phenomenon here is different because it has been sustained through decades. Whereas before we used to send Filipino workers to work at the lower level, now we are going to the service sector which is a more creative sector.

The third factor would be the BPO factor or business process outsourcing. It is relatively new in our country but it has played very significant inroads in our economic growth. Business process outsourcing was pioneered in this country by Megaworld here in Eastwood City. Many years ago when we had the Asian crisis, Megaworld had to bring officials from the government to Bangalore in India to show them that there is a BPO industry and that if it can be done in India, it can be done in the Philippines. Because of that trip, Eastwood City was the first accredited cyber city in the Philippines. Today, we remain the biggest lessor for cyberspace. These factors create the demand for housing that we are supplying and that demand continues to grow. The only difference between us and the other companies is that we have the competitive advantage. We were there when no developer was there. We know the middle income sector very well and we believe that we have just started. The fact that they are all now tapping the middle income sector just proves that there is a very wide potential for the middle income sector which our Company continues to lead. We believe that there is no oversupply and that we have many more productive years to come in the middle income sector.

Question: I was personally amazed by your Olivia will you marry me campaign. Honestly, it made me think about who that rich man was. What is the next big idea in the Empire East marketing strategies? Will there be a continuation of the Olivia story?

Answer: Thank you for noticing the Olivia will you marry me ad campaign. That campaign was aimed not only to catch attention but to really introduce a new mindset. We would like to use that campaign as a campaign for us to direct their attention to consider investing in something that could grow, that will sustain them for their future. While that ad campaign became very successful and went viral, what is even more amazing is the fact that the entire concept from its conception up to its execution was done by an in-house team. Many of the ad agencies, broad sheets, broadcasting networks called us and asked who the ad agency was and they could not believe that it was a small group of very competent people in-house that conceptualized and executed this. As to your question whether or not there will be a continuation of the Olivia story, the answer is why not but at the proper time and like most successful ad campaigns, it is a secret which we will reveal in time.

Question: You mentioned about concepts that Empire East has ventured into such as transit oriented development. I've heard of concepts like serviced apartments, where in condominium floors are dedicated to serviced apartments where guests are given full service like the ones in hotels. Now my question is would Empire East decide to venture in those kind of projects as well?

Answer: Serviced apartment is a combination of two concepts – service and apartment. While it is a core competency of your company to do apartment condominium units, it is not our core competency to do the service portion of that. When we speak of serviced apartments, we're usually talking of the hotel industry, the service industry, which is actually more luxurious and big developers like Megaworld would be better suited to respond to. Not that we would preclude ourselves from ever entering into that market if the opportunity comes. But at the moment, we think that there is still a lot of room for us in the middle income sector and would like to focus on developing and selling residential units.

Question: Aside from being a stockholder, I've been a resident in one of the projects in Quezon City. Our property maintenance has been inconsistent lately. Can we first upgrade the existing property maintenance before venturing into luxury markets?

Answer: Thank you very much for trusting Empire East by being a shareholder and by buying and investing in one of our projects. We have received the feedback as well and we always make sure that we relay them to the person managing the properties. Most of the property management for properties of Empire East and other affiliates is done by First Oceanic. It has undergone some organizational changes which will definitely lift up our service for the maintenance of the different units in different projects. Also, because of the growing number of inventory in our finished products for the whole group, Empire East has also started to build its own in-house property management group in order for us to cater to the property management of the new projects of Empire East.

Question: Earlier in your report, I noticed this graph pertaining to the performance of the company's reservation sales. The figure shows the consistent increase of the sales reservations for years but now the figures have dropped. Do you believe that there is really a sales cycle? Does the Company develop a plan or strategy to increase the Company's reservation sales?

Answer: Our sales are going on an upward trajectory. However, we saw that for every four to five years there is a small dip. We're happy to note that we are at the 7th straight year of growth. For us to reach the point of 20 billion in reservation sales, we continue to build our sales team and come up with new projects. We believe that our reservation sales will continue to improve. Aside from reservation sales, there are also some portions of our project which may allow us some room for some commercial strips or even malls like in Broadway. For this, we shall be working very closely with the Megaworld Lifestyle Malls because they have the expertise there in order for us to ensure that the residents of the project around the area will get the best value for what they have in that area. We expect it to be a continuous uptrend but yes there are cycles. Your Company is watching over these cycles to make sure we are well protected should those cycles come.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
Engagement of External Auditor	All stockholders in attendance	None	none

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

Answer: Results were published on 10 June 2014 or on the day the Annual Stockholders' Meeting was held.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NONE	

(f) Stockholders' Attendance (updated as of December 31, 2014)

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	- Andrew L. Tan - Gerardo C. Garcia - Anthony Charlemagne C. Yu - Katherine L. Tan -Evelyn G. Cacho - Enrique Santos L. Sy - Alejo L. Villanueva, Jr.	10 June 2014	By nomination	0.014%	84.125%	84.139 %

Special	NONE

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Answer: Yes

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Answer: Yes

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Must be signed by authorized signatory of the stockholder with accompanying resolutions designating the proxy/representative
Notary	Not necessary
Submission of Proxy	Must be submitted at least 10 days before the scheduled meeting
Several Proxies	Yes. Multiple proxies is allowed.
Validity of Proxy	Appointments shall not exceed 5 years from date of grant and may be revoked by the stockholder at any time before the right granted is exercised.
Proxies executed abroad	Allowed
Invalidated Proxy	Share/s shall not be counted for quorum
Validation of Proxy	At least 10 days before scheduled meeting
Violation of Proxy	Vote/s shall not be counted

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**
The Company complies with the procedure provided in the Corporation Code and the Securities Regulation Code.	

(i) Definitive Information Statements[8] and Management Report (updated as of December 31, 2014)

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	**12,972[9] stockholders**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	**20 May 2014**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	**20 May 2014**
State whether CD format or hard copies were distributed	**CD format**

[8] Based on Definitive Information Statement for 2014 Annual Stockholders Meeting.
[9] Figure as of 31 May 2014

If yes, indicate whether requesting stockholders were provided hard copies	

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	The Company opted to reinvest its earnings and profits, and no dividend has been declared since year 2006.
The amount payable for final dividends.	
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

Answer: NONE

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
All stockholders are treated equally and without discrimination.	All stockholders are given the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation (Section 3(B), Manual of Corporate Governance)

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Answer: Yes.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Answer: All external and internal communications are being reviewed by the Compliance Officer, endorsed by the President/Chief Executive Officer, and approved by the Board of Directors prior to information distribution.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To keep shareholders informed of important development in he Company.
(2) Principles	Transparency and accessibility to investors
(3) Modes of Communications	Communication may be done through corporate disclosures, press release and company statements.

(4) Investors Relations Officer	Johann R. Quiazon/Tel. No. 8678048/ Email add: jquiazon@megaworldcorp.com

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Answer: The Company takes guidance from the Corporation Code and the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange with respect to the approval, pricing and the disclosures of acquisitions of corporate control in the capital markets and extraordinary transactions.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Answer: None. The Company may engage an independent appraiser as the need arises.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Tree planting activities	Environment, stakeholders and the general public
Contribute to the reduction of carbon footprint by focusing on developing transit-oriented projects	Environment, stakeholders and the general public

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self -Assessment	No formal performance evaluation is in place but the Board, through its Audit Committee, conducts an evaluation process to ensure that the Company's corporate governance practices are compliant with the best business practice guidelines.
Board Committees	Board Review	Performance of delegated functions
Individual Directors	Self-Assessment	No formal performance evaluation is in place but the Board, through its Audit Committee, conducts an evaluation process to ensure that the Company's corporate governance practices are compliant with the best business practice guidelines.
CEO/President	Board Review	Results of Operations

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
The Company designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Director to measure or determine the level of compliance by the Company with its Manual.	

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of CITY OF MAKATI on APR 2 4 2015, 2015.

SIGNATURES

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

GERARDO C. GARCIA
Independent Director

ALEJO L. VILLANUEVA, JR.
Independent Director

EVELYN G. CACHO
Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 2 4 2015 day of ______ 2015, affiant(s) exhibiting to me their Tax Identification Number, as follows:

NAME	TIN NO.
Andrew L. Tan	125-960-003
Gerardo C. Garcia	110-183-659
Anthony Charlemagne C. Yu	132-173-451
Alejo L. Villanueva, Jr.	107-279-348
Evelyn G. Cacho	127-326-686

NOTARY PUBLIC

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2015-2016)
PTR No. 4748512 Jan. 5, 2015
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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Series of 2015.