

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, 2015
2. SEC Identification Number
167423
3. BIR Tax Identification No.
000-477-103
4. Exact name of issuer as specified in its charter
MEGAWORLD CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
28th Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City
Postal Code
1227
8. Issuer's telephone number, including area code
(632) 8678826 to 40
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	32,239,445,872
Preferred	6,000,000,000

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, Common Shares
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

Php39,079,692,871.20 based on the closing price of Php3.60 per share as of February 29, 2016.

**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

and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



MEGAWORLD CORPORATION

Megaworld Corporation

MEG

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, 2015
Currency (indicate units, if applicable)	Philippine Pesos

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Current Assets	131,175,365,355	122,090,504,171
Total Assets	251,684,763,702	221,039,841,593
Current Liabilities	36,478,816,621	38,878,034,885
Total Liabilities	117,271,409,059	92,241,048,372
Retained Earnings/(Deficit)	70,780,278,605	62,470,152,903
Stockholders' Equity	134,413,354,643	128,798,793,221
Stockholders' Equity - Parent	116,688,480,613	110,802,948,163
Book Value per Share	3.67	3.48

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Operating Revenue	42,252,866,468	37,300,841,957
Other Revenue	2,742,793,901	15,829,916,006
Gross Revenue	44,995,660,369	53,130,757,963
Operating Expense	28,410,205,062	26,762,225,526
Other Expense	2,725,974,969	1,693,486,697
Gross Expense	31,136,180,031	28,455,712,223
Net Income/(Loss) Before Tax	13,859,480,338	24,675,045,740

Income Tax Expense	3,284,678,495	3,120,330,226
Net Income/(Loss) After Tax	10,574,801,843	21,554,715,514
Net Income/(Loss) Attributable to Parent Equity Holder	10,215,095,444	21,219,577,584
Earnings/(Loss) Per Share (Basic)	0.32	0.67
Earnings/(Loss) Per Share (Diluted)	0.31	0.66

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2015	Dec 31, 2014
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.6	3.14
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.37	1.26
Solvency Ratio	Total Assets / Total Liabilities	2.15	2.4
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.47	0.42
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.39	0.26
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	7.41	14.59
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.87	1.72
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	46.03	44.33
Net Profit Margin	Net Profit / Sales	23.5	40.57
Return on Assets	Net Income / Total Assets	4.2	9.75
Return on Equity	Net Income / Total Stockholders' Equity	7.87	16.74
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	13.24	6.99

Other Relevant Information
None

Filed on behalf by:

Name	Dohrie Edangalino
Designation	Head-Corporate Compliance Group

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2. SEC Identification Number: 167423 3. BIR Tax Identification No.: 000-477-103

4. MEGAWORLD CORPORATION
Exact name of issuer as specified in its charter

5. Metro Manila
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code

7. 28th Floor The World Centre
330 Sen. Gil Puyat Avenue
Makati City, Philippines 1227
Address of principal office

8. (632) 867-8826-40
Issuer's telephone number, including area code

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Title of Each Class	Number of Shares of Stock Outstanding
---------------------	---------------------------------------

Common	32,239,445,872
Preferred	6,000,000,000
Total	38,239,445,872

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

Yes ☒ No ☐

Philippine Stock Exchange

Common Shares

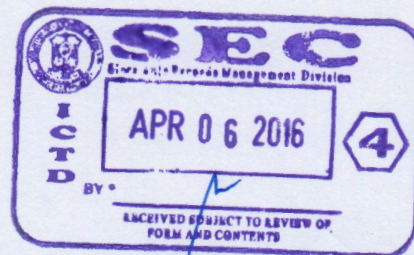
11. Check whether the issuer:

- (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 ☒ No ☐

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

Yes ☒ No ☐



12. Aggregate Market Value of Voting Common Stock held by Non-Affiliates as of **February 29, 2016** is **Php39,079,692,871.20** based on the closing price of **Php3.60 per share**.

PART I - BUSINESS AND GENERAL INFORMATION

BUSINESS

Business Development

The Company was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 to engage in the development, leasing and marketing of real estate. The Company initially established a reputation for building high-end residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City community township. In addition, the Company engages in other property related activities such as project design, construction oversight and property management. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a PEZA special economic zone.

Since its incorporation in 1989, the Company and its affiliates have launched approximately 371 residential buildings, office buildings and hotels consisting in aggregate of more than 6,786,146 square meters of floor area.

The following are some of the major residential and office projects completed by the Company:

Residential

8 Newtown Boulevard (Cebu City)	150 Newport Boulevard (Pasay City)
Greenbelt Madisons (Makati City)	Belmont Luxury Hotel (Pasay City)
Greenbelt Parkplace (Makati City)	Palmtree Villas (Pasay City)
Greenbelt Radissons (Makati City)	The Parkside Villas (Pasay City)
One and Two Lafayette Square (Makati City)	The Residential Resort (Pasay City)
One Central (Makati City)	Corinthian Hills (Quezon City)
Paseo Parkview 1 & 2 (Makati City)	Eastwood Excelsior (Quezon City)
The Manhattan Square (Makati City)	Eastwood Lafayette Square (Quezon City)
The Salcedo Park (Makati City)	Eastwood Le Grand (Quezon City)
Two Central (Makati City)	Eastwood Parkview (Quezon City)
8 Wack Wack Road (Mandaluyong City)	El Jardin del Presidente (Quezon City)
Wack-Wack Heights (Mandaluyong City)	Grand Eastwood Palazzo (Quezon City)
City Place (Manila)	Kentwood Heights (Quezon City)
Marina Square Suites (Manila)	Manhattan Heights – Tower A (Quezon City)
Brentwood Heights (Paranaque)	Manhattan Parkview (Quezon City)
Sherwood Heights (Paranaque)	Manhattan Parkview Garden (Quezon City)
Manhattan Parkway (Quezon City)	One Orchard Road (Quezon City)
Narra Heights (Quezon City)	Greenhills Heights (San Juan City)
One Central Park (Quezon City)	One Beverly Place (San Juan City)
115 Upper McKinley (Taguig City)	The Bellagio (Taguig City)
8 Forbestown Road (Taguig City)	The Venice – Alessandro (Taguig City)
Forbeswood Heights (Taguig City)	The Venice – Bellini (Taguig City)
McKinley West Subdivision (Taguig City)	The Venice – Caruso (Taguig City)
Morgan Suites Executive Residences (Taguig City)	The Venice – Domenico (Taguig City)

Office and Retail

One World Center (Cebu City)	CyberOne (Quezon City)
Two World Center (Cebu City)	Eastwood Mall (Quezon City)
Mactan AlFresco (Cebu City)	Global One (Quezon City)
1800 Eastwood Avenue (Quezon City)	IBM Plaza (Quezon City)

1880 Eastwood Avenue (Quezon City)
 Citibank Square (Quezon City)
 Richmond Hotel (Iloilo City)
 Paseo Center (Makati City)
 Petron Megaplaza (Makati City)
 The World Centre (Makati City)
 Landbank Plaza (Manila)
 Lucky Chinatown Mall (Manila)
 Richmond Plaza (Pasig City)
 Cybermall (Quezon City)
 Eastwood City Walk 1&2 (Quezon City)
 Techno Plaza (Quezon City)
 8 Campus Place (Taguig City)
 8 Park Avenue (Taguig City)
 Commerce and Industry Plaza (Taguig City)
 Emperador Steel Parking Building (Taguig City)

ICITE (Quezon City)
 One Global Center (Iloilo City)
 Forbes Town Center (Taguig City)
 One Campus Place (Taguig City)
 Science Hub (Taguig City)
 The Venice Piazza (Taguig City)
 Three World Square (Taguig City)
 Two World Square (Taguig City)
 Uptown Parade (Taguig City)
 Uptown Bonifacio Tower 1&2 (Taguig City)
 Uptown Place Mall (Taguig City)
 Venice Corporate Center (Taguig City)
 Venice Grand Canal Mall (Taguig City)

Subsidiaries and Associates¹

As of December 31, 2015, the Company holds interests in the following subsidiaries and associates:

<u>Subsidiaries and Associates</u>	<u>Date of Incorporation</u>	<u>Percentage Ownership</u>
Subsidiaries		
Megaworld Land, Inc.	May 26, 1994	100%
Prestige Hotels & Resorts, Inc.	February 16, 1999	100%
Mactan Oceanview Properties and Holdings, Inc....	August 16, 1996	100%
Megaworld Cayman Islands, Inc.....	August 14, 1997	100%
Richmonde Hotel Group International Limited	June 24, 2002	100%
Eastwood Cyber One Corporation	October 21, 1999	100%
Megaworld Cebu Properties, Inc.....	February 6, 2002	100%
Megaworld Newport Property Holdings, Inc.	October 6, 2003	100%
Oceantown Properties, Inc.....	August 15, 2006	100%
Piedmont Property Ventures, Inc.....	August 28, 1996	100%
Stonehaven Land, Inc.....	August 21, 1996	100%
Streamwood Property, Inc.....	August 21, 1996	100%
Suntrust Properties, Inc.....	November 14, 1997	100%
Arcovia Properties, Inc. (formerly: Woodside Greentown Properties, Inc.).....	March 28, 1985	100%
Lucky Chinatown Cinemas, Inc.....	December 21, 2011	100%
Luxury Global Hotels and Leisure, Inc.....	July 17, 2013	100%
Global One Integrated Business Services, Inc.....	September 25, 2014	100%
Luxury Global Malls, Inc.....	September 18, 2014	100%
Davao Park District Holdings, Inc.....	April 14, 2014	100%
Belmont Newport Luxury Hotels, Inc.....	March 5, 2015	100%
Global One Hotel Group, Inc.....	May 4, 2015	100%
McKinley Cinemas, Inc.....	March 20, 2015	100%
Uptown Cinemas, Inc.....	March 20, 2015	100%
Megaworld Bacolod Properties, Inc.....	May 12, 1918	91.55%
Empire East Land Holdings, Inc.....	July 15, 1994	81.73%
Global-Estate Resorts, Inc.....	May 18, 1994	82.26%
Megaworld Central Properties Inc.	September 15, 2005	76.55%
La Fuerza, Inc.	January 24, 1958	66.67%
Megaworld-Daewoo Corporation	November 29, 1996	60%

¹ Please refer to pages 1 to 4 of the attached Audited Financial Statements ended December 31, 2015 for a complete lists.

Manila Bayshore Property Holdings, Inc.....	October 14, 2011	50.92%
Eastwood Cinema 2000, Inc.....	March 11, 2003	55%
Gilmore Property Marketing Associates, Inc.....	September 5, 1996	52.14%
Megaworld Resort Estates, Inc.	April 30, 2007	51%
Megaworld-Globus Asia, Inc.....	March 17, 1995	50%
Philippine International Properties, Inc.....	March 25, 2002	50%

Associates

Bonifacio West Development Corporation.....	November 15, 2001	46.11%
Suntrust Home Developers, Inc.	January 18, 1956	42.48%
Palm Tree Holdings & Development Corporation ...	August 15, 2005	40%

Set out below is a description of each subsidiary or associate and its main activity.

Empire East Land Holdings, Inc. is a publicly-listed company that is engaged in the development and marketing of affordable housing projects either in the form of condominium communities or house-and-lot packages, and to a limited extent, commercial and office space and mixed-use complexes.

Global-Estate Resorts, Inc. is a publicly listed company which is engaged in diversified portfolio including integrated tourism estates development; horizontal residential subdivision lots and residential/commercial complexes; residential communities integrated with golf, resort and other leisure-related and commercial complexes; residential, office and commercial high rise; business park; and low cost housing.

Suntrust Home Developers, Inc. is a publicly-listed company which owns interests in a property management company.

Megaworld Land, Inc. provides a leasing service to the Company by locating tenants for rental properties and coordinating relations with brokers primarily in relation to the Eastwood Cyberpark.

Prestige Hotels & Resorts, Inc. owns and operates Richmonde Hotel located in Ortigas Center, Pasig City and Eastwood Richmonde Hotel located in Eastwood, Bagumbayan, Quezon City.

Mactan Oceanview Properties and Holdings, Inc. was organized to develop a resort property in Cebu.

Megaworld Cayman Islands, Inc. was incorporated in the Cayman Islands to act as a promoter and entrepreneur, carry on the business as a financier, broker, dealer, agent, and importer and to undertake investments, financial, trading and other operations.

Richmonde Hotel Group International Ltd. was incorporated in the British Virgin Islands to undertake various investments on behalf of the Company and engage in trading, hotel, restaurant and related businesses.

Eastwood Cyber One Corporation was set up as a special purpose entity to own and develop certain BPO rental properties located in the Eastwood City CyberPark.

Megaworld Cebu Properties, Inc. was organized primarily to act as a principal agent or broker, on commission basis or otherwise, and to acquire by purchase or lease, construct, manage or sell real estate properties.

Megaworld Newport Property Holdings, Inc. provides a sales and marketing service for development of the Newport City projects.

Oceantown Properties, Inc. is a company that was incorporated to own land in Mactan, Cebu.

Piedmont Property Ventures, Inc. was incorporated on 28 August 1996 and was acquired by the Company in 2008.

Stonehaven Land, Inc. was incorporated on 21 August 1996 and was acquired by the Company in 2008.

Streamwood Property, Inc. was incorporated on 21 August 1996 and was acquired by the Company in 2008.

Suntrust Properties, Inc. which was incorporated on November 14, 1997, is a company that is engaged in the development of affordable real estate projects.

Arcovia Properties, Inc. (formerly Woodside Greentown Properties, Inc.) is engaged primarily in real estate activities which include leasing out of real properties.

Lucky Chinatown Cinemas, Inc. is engaged in cinema operations, movie houses, theatre and other allied businesses.

Luxury Global Hotels and Leisure, Inc. was formed to own, lease and manage hotels.

Global One Integrated Business Services, Inc. was incorporated on September 25, 2014 and is engaged in business process outsourcing.

Luxury Global Malls, Inc. was incorporated on September 18, 2014 and is engaged in business process outsourcing.

Davao Park District Holdings, Inc. is engaged in the real estate business and was incorporated on April 14, 2014.

Belmont Newport Luxury Hotels, Inc. is engaged in owning, leasing, operation and management of hotels.

Global One Hotel Group, Inc. is engaged in owning, leasing, operation and management of hotels.

McKinley Cinemas, Inc. is engaged in business of cinemas, movie houses, theaters and other allied businesses.

McKinley Cinemas, Inc. is engaged in cinema operations, theatres, food concession, restaurant and other related businesses.

Uptown Cinemas, Inc. is engaged in business of cinemas, movie houses, theaters and other allied businesses.

Megaworld Bacolod Properties, Inc. is engaged primarily in real estate activities.

Megaworld Central Properties Inc. was formed to provide sales services in respect of residential units in the Manhattan Garden City project.

La Fuerza, Inc. is engaged in the real estate business, including leasing of real estate properties.

Megaworld-Daewoo Corporation is a joint venture between the Company and Daewoo Corporation which developed three residential condominium towers in Eastwood City.

Manila Bayshore Property Holdings, Inc. was organized to engage in real estate development. It started commercial operations on January 1, 2012.

Eastwood Cinema 2000, Inc. is engaged in cinema operations, theatres, food concession, restaurant and other related businesses.

Gilmore Property Marketing Associates, Inc. was incorporated on September 5, 1996 primarily to act as a principal agent or owner, on commission basis or otherwise, and to acquire, lease and construct or dispose of buildings and other real estate properties.

Megaworld Resort Estates, Inc. is a company that was incorporated to engage in the real estate business.

Megaworld-Globus Asia, Inc. was formed to develop and sell "The Salcedo Park", a twin-tower residential condominium project located in Makati City which has been completed.

Philippine International Properties, Inc. is a company that was incorporated to own, use, improve, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

Bonifacio West Development Corporation is engaged in real estate business and was incorporated on November 15, 2001.

Palm Tree Holdings & Development Corporation is a company that was acquired in connection with its landholdings adjacent to the Company's Eastwood City township. It is currently engaged in the real estate business.

Neither the Company nor any of its subsidiaries have, during the past 3 years, been the subject of a bankruptcy, receivership or similar proceeding, or involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Description of Business

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large-scale mixed-use planned communities, or community townships, that integrate residential, commercial, educational/training, leisure and entertainment components.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space. The Company has three primary business segments: (1) real estate sales of residential and office developments, (2) leasing of office space, primarily to business process outsourcing ("BPO") enterprises, and retail space, and (3) management of hotel operations. The Company's consolidated revenues for the year ended December 31, 2015 were Php44.67 billion compared to Php53.13 billion for the year ended December 31, 2014. Real estate sales of residential developments accounted for 61% of the Company's consolidated revenues in 2015 and 46% in 2014. Rental income from leasing operations accounted for approximately 19% of the Company's consolidated revenues in 2015 and 13% in 2014. The Company's consolidated net profit for the year ended December 31, 2015 was Php10.57 billion compared to Php21.55 billion for the year ended December 31, 2014.

Foreign sales contributed approximately 18%, 18% and 17.5% to the Company's consolidated sales and revenues for the years 2015, 2014 and 2013. The percentage of sales broken down by major markets is as follows:

Market	2015	2014	2013
North America	26%	33%	32%
Europe	40%	46%	35%
Asia	19%	11%	18%
Middle East	15%	10%	15%
Total	100%	100%	100%

Current Property Development Projects

The Company's current property development projects consist of mixed-use residential and commercial developments located throughout Metro Manila, Cebu, Iloilo and Davao. The objective of each of the mixed-use developments is to provide an integrated community with high quality "live-work-play-learn" amenities within close proximity to each other. Each of the Company's main projects is described below.

Eastwood City

Eastwood City is a mixed-use project on approximately 18.5 hectares of land in Quezon City, Metro Manila that integrates corporate, residential, education/training, leisure and entertainment components. In response to growing demand for office space with infrastructure capable of supporting IT-based operations such as high-speed telecommunications facilities, 24-hour uninterruptible power supply and computer security, the Company launched the Eastwood City Cyberpark, the Philippines' first IT park, within Eastwood City in 1997. The Eastwood City Cyberpark includes the headquarters of IBM Philippines and Citibank's credit card and data center operations as anchor tenants. In connection with the development of the Cyberpark, the Company was instrumental in working with the Philippine Government to obtain the first PEZA-designated special economic zone status for an IT park in 1999. A PEZA special economic zone designation confers certain tax incentives such as an income tax holiday of four to six years and other tax exemptions upon businesses that are located within the zone. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the Eastwood City Cyberpark to provide offices with the infrastructure such as high-speed telecommunications and 24-hour uninterrupted power supply to support BPO and other technology-driven businesses, and to provide education/training, restaurants, leisure and retail facilities and residences to complement Eastwood City Cyberpark.

The office properties at Eastwood City consist of office buildings. Tenants in the Eastwood City Cyberpark include major multinational corporations, largely comprised of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support. The tenants, which include Citibank, IBM and Dell, are able to benefit from a variety of business and tax incentives in conjunction with the PEZA special economic zone status conferred upon the Eastwood City Cyberpark.

The leisure and entertainment zone consists of the Eastwood Mall, Eastwood Richmond Hotel, Eastwood Citywalk I, a dining and entertainment hub, and Eastwood Citywalk II, an amusement center with a state-of-the-art digital complex, a billiard and bowling center, restaurants and specialty shops, which are designed to complement the office and residential buildings in the community township.

Forbes Town Center

Forbes Town Center is located on five hectares of land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the prestigious Forbes Park residential subdivision and Dasmariñas Village. Forbes Town Center has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties.

The focal point of activity in Forbes Town Center is the aptly named Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community's three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53-storey Eight Forbes Town Road. This is connected to another Fort Bonifacio landmark, Burgos Circle, a leisure spot with residential condominiums and a small park. These commercial centers along with each of the condominiums' convenient location and top-notch resort-style amenities form a lifestyle of absolute leisure.

McKinley Hill

McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers.

The residential zone consists of subdivision lots for low-density single-detached homes, clusters of low-rise residential garden villas and residential condominiums.

The office properties will include the McKinley Hill Cyberpark which is a PEZA-designated IT special economic zone. Tenants of the office properties will largely be comprised of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support.

The leisure and entertainment zone will consist of bars, restaurants, specialty shops, cinemas and sports complex, which are expected to complement the office and residential areas in the community township.

Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with *Les Roches* of Switzerland, will initially comprise the “learn” component of the township.

McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property within the development and the Korean Embassy which is located in a 5,822 square meter site within the project.

Newport City

Newport City is a community township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. Newport City similarly integrates the live-work-play concept of Eastwood City, with the exception that it will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage.

The residential zone will consist of eight to nine-storey medium-rise buildings. The corporate zone is expected to be comprised of office buildings. The Company expects to establish a PEZA special economic zone cyberpark at Newport City.

The leisure and entertainment zone is expected to consist of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to Resorts World Manila, which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets.

Upon full development, the hotel zone shall comprise the Marriott Hotel, Maxims Hotel, Remington Hotel, Belmont Luxury Hotel and Savoy Hotel.

Manhattan Garden City

Manhattan Garden City is a residential development project which is expected to consist of 20 residential towers on a 5.7-hectare property at the Araneta Center in Quezon City. Manhattan Garden City will be the Philippines’ first major transit-oriented residential community, having direct links to two light rail transport lines, the MRT-3 and the LRT- 2. The MRT-3 line runs north to south along the EDSA highway in Metro Manila while the LRT-2 line runs east to west along Aurora Boulevard across Metro Manila. All key areas along the transportation lines within Metro Manila will be easily accessible from the development. The amenities of the Araneta Center such as the Gateway Mall will be available to residents of Manhattan Garden City.

Cityplace

Cityplace project is a mixed-use project under development on a 2.5-hectare lot in Binondo, Metro Manila. The development is expected to have over 2,000 residential condominium units and a shopping center called Lucky Chinatown Mall. The development is also expected to include a public car parking facility, new bypass roads and pedestrian overpasses to make the project environment and pedestrian-friendly.

Uptown Bonifacio

The Company is developing Uptown Bonifacio, an approximately 15.4-hectare property in Fort Bonifacio in Taguig, Metro Manila. Uptown Bonifacio is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space, on a parcel of land owned by NAPOLCOM. The Company will develop Uptown Bonifacio under joint venture arrangements with BCDA and NAPOLCOM. Condominium developments within Uptown Bonifacio include One Uptown Residence and Uptown Ritz Residences. The Company expects to invest approximately Php65billion in Uptown Bonifacio.

McKinley West

The Company is developing McKinley West, an approximately 34.5-hectare portion of the JUSMAG property owned by BCDA and located across from McKinley Hill in Taguig, Metro Manila. The development of McKinley West into a mixed-use project is another joint venture undertaking with BCDA.

The Mactan Newtown

The Mactan Newtown is an expected mixed-use township development on a 28.8-hectare property near Shangri-La's Mactan Resort and Spa in Mactan, Cebu. The first phase of the project is expected on completion to comprise high-tech BPO offices, a retail center, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines' second largest airport.

The township will soon have five hotels that include two beachfront hotels. It will also have its own exclusive, world-class beach club at the township's beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach.

Iloilo Business Park

Iloilo Business Park is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. When completed, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention center, retail centers and a lifestyle center, all at the heart of Iloilo, a new growth center in the Visayas. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors.

Arcovia City

Arcovia City will rise on a 12.4 hectare property along C-5 in Pasig City. Megaworld is allocating P35 billion in the next 10 years to develop the township. Arcovia City is envisioned as an "environment-friendly" mixed-use development. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. The company is also constructing Leadership in Energy and Environmental Design (LEED)-registered office buildings in the township. Among the first to rise are three sustainable office towers. The first two towers, which will be located along the C-5 entrance of the township, will be designed by world-renowned architectural firm Skidmore, Owings, and Merrill. Among the other 'green' features of Arcovia City include rainwater catchment facility that will utilize rainwater and grey water for flushing and landscape irrigation; a network of bicycle lanes inside the township; and wide tree-lined sidewalks. Aside from office towers, the township will also feature residential condominiums, a lifestyle mall, retail and commercial strips, open parks and a transport hub.

Davao Park District

Davao Park District is the first township development in Mindanao, specifically on an 11-hectare property along S.P. Dakudao Loop in Lanang, Davao City which used to be the Lanang Golf and Country Club. The township is envisioned to be the Mindanao's new central business district. Aside from office towers, it will also feature themed residential condominiums that will be built by Suntrust Properties, Inc. It will also have a lifestyle mall, commercial and retail strips, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center, which is due for completion by 2016. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014.

SUNTRUST ECOTOWN

Suntrust Ecotown is an ongoing project under Suntrust Properties, Inc., will sit on a 350-hectare land in Tanza, Cavite and will be the first mixed-use development with an industrial park in the country. It is positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial and institutional establishments in the south. The industrial park is the country's first to be accredited by PEZA with lifestyle amenities.

Marketing and Sales

The Company maintains an in-house marketing and sales division for each of its projects. The marketing and sales division is staffed by a trained group of property consultants who exclusively market the Company's projects. All property consultants are trained prior to selling and the Company also provides skills enhancement program intended to further develop the sales and marketing staff into high-caliber marketing professionals. Property consultants are required to meet the criteria set by the Company. The Company also works with outside agents who compete directly with the Company's in-house personnel.

The Company also employs a marketing services staff whose job is to provide auxiliary services required by the marketing division for its sales and promotional activities. The group is also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division.

In addition, the Company has an international marketing division based in Manila who oversees a global network of sales offices which market the projects of the Company and its affiliates to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. The Company enters into marketing agreements with various brokers based in the different overseas markets, which will then market the Company projects overseas through their respective marketing networks.

The Company's real estate business is not dependent upon a single customer or a few customers. No customer accounts for twenty percent (20%) or more of sales. The Company primarily sells its residential properties directly to end-users and is not dependent on any single purchaser or group of purchasers.

Construction

The Company has its own architectural and engineering teams and engages independent groups to carry out the design of its high profile development projects. The Company has a team of project managers who work closely with outside contractors in supervising the construction phase of each project. The Company has also established relationships with Philippine architectural firms as well as with international architectural firms.

Competition

The Company competes with other property investment, development, leasing and property holding companies to attract purchasers as well as tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, execution and completion, quality of construction, brand and service. The Company believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects and a good reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion.

The Company is the number one residential condominium developer in terms of number of units completed as of 2013 and units to be completed until 2019 based on all projects launched as of third quarter of 2014. This represents about 17% of the market. In terms of total aggregate saleable area of those projects launched and to be completed in the same period, it represents about 13% of the market with a total saleable area of about 1.85 million square meters.

The Company attributes its strong residential sales to two main factors – the popularity of its live-work-play-learn communities in Metro Manila and the Company's proven track record of delivering more than 320 buildings to its customers over the last two decades.

With respect to community township developments, the Company considers Ayala Land Inc. ("ALI") to potentially be its only significant competitor. ALI is present in Fort Bonifacio, which is where the Company's Forbes Town Center, McKinley Hill, McKinley West and Uptown Bonifacio projects are located.

With respect to its office and retail leasing business, the Company believes that it has many competitors in the industry such as Robinsons Land Corporation ("RLC"), ALI and SM Prime Holdings, Inc. ("SMPHI").

Total Assets of Megaworld and subsidiaries for the period ended December 31, 2015 is P251.68B while their Net Profit for the same period is P10.57B.

With respect to high-end and middle income land and condominium sales, ALI claims to compete for buyers primarily on the basis of reputation, reliability, price, quality and location. With respect to its office rental properties, ALI claims to compete for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. Total Assets of ALI and subsidiaries for the period ended December 31, 2015 is Php442.34B while their Net Income for the same period is Php20.89B¹.

RLC believes that its strength is in its mixed-use, retail, commercial and residential developments. For its commercial center business, RLC claims to compete on the basis of its flexibility in developing malls with different sizes. For its residential business, RLC claims to compete in terms of industry-specific technological know-how, capital, reputation and sales and distribution network. Total Assets of RLC and subsidiaries as of the period ended September 30, 2015 is Php99.06B while their Net Income for the same period is Php5.70B.²

SMPHI believes that it has certain significant competitive advantages which include the very good location of its malls, proven successful tenant mix and selection criteria and the presence of SM stores as anchor tenants. Total Assets of SMPHI and subsidiaries as of the period ended December 31, 2015 is Php433.82B while their Net Income for the same period is Php28.89B.³

The Company generates its revenues from a wide base of customers. The Company is not dependent upon a single or a few customers. No customer accounts for 20% or more of its revenues.

Sources and Availability of Raw Materials

The Company has a broad base of suppliers from which it sources its construction materials. The Company is not dependent on any one or a limited number of suppliers. The Company also has no plans on being dependent on any one or a limited number of suppliers.

Transactions with and/or dependence on related parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Other related parties include joint venture partners (See Note 10 to the Audited Financial Statements, Advances to Landowners and Joint Ventures) and investees which investments are accounted for at cost and other entities which are owned and managed by investors/owners of the Company (See Note 11 to the Audited Financial Statements, Investments in and Advances to Associates and Other Related Parties). Advances granted to joint venture partners are in the nature of cash advances made to landowners under agreements covering the development of parcels of land, which are to be used for pre-development expenses such as relocation of existing occupants. Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the landowner's share in saleable lots or in the form of cash to be derived from sales of the landowner's share in the saleable lots and residential and condominium units. The commitment for cash advances under the agreements has been fully granted by the Company.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. For more information, see Note 27 to the Audited Financial Statements.

Other related party transactions include collections from sales of land made in prior years to an associate company on an installment basis. As part of the transaction, the related party entered into a management

¹ PSE disclosure dated February 29, 2016 of ALI

² 2016 Preliminary Information Statement of RLC.

³ 2016 Preliminary Information Statement of SMPHI.

agreement with the Company, whereby the Company provides overall administration services in relation to the property.

The Company avails of marketing services of Eastwood Property and Holdings, Inc. (EPHI), a wholly-owned subsidiary of Empire East Land Holdings, Inc. (EELHI), Megaworld Newport Property Holdings, Inc. and Megaworld Land, Inc. (MLI), which acts as a manager and leasing agent for the commercial properties of the Company. (See Note 27 to the Audited Financial Statements, Related Party Transactions). As consideration for said marketing services, the Company pays commission based on contracted terms. Commission expenses charged by EPHI and MLI are based on prevailing market rates.

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

Intellectual Property

In the Philippines, certificates of registration of trademarks issued by the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

The Company owns the registered trademark over its name and logo was applied for renewal in 2014 and the Company is waiting for the release of the approval. However, although the brand is important, the Company does not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement. The Company has also applied to register trademarks over the names of its development projects and some approvals are pending.

Regulatory and Environmental Matters

PD 957, RA 4726 and Batas Pambasa Blg. 220 ("BP 220") are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. PD 957, RA 4726 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with the HLURB and the pertinent LGU of the area in which the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the required development permit. The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project and (ii) issuance of the barangay clearance, the HLURB locational clearance, Department of Environment and Natural Resources ("DENR") permits and Department of Agrarian Reform ("DAR") conversion or exemption orders, as discussed below. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyers. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. On June 29, 2009, Republic Act No. 9646 or the Real Estate Service Act of the Philippines ("RA 9646") was signed into law. RA 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

The Company routinely applies for regulatory approvals for its projects and some approvals are pending.

No existing legislation or governmental regulation, and the Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. The ECC is a government certification indicating that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the Environment Impact Statement ("EIS") System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an Initial Environmental Examination was required, that it shall comply with the mitigation measures provided therein.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for purposes of complying with environmental laws that consist primarily of payments for government regulatory fees. Such fees are standard in the industry and are minimal.

Research and Development

The Company incurs minimal amounts for research and development activities which do not amount to a significant percentage of revenues.

Employees

As of 31 December 2015, the Company had 1,600 employees. The Company intends to hire additional employees if the present workforce becomes inadequate to handle the Company's operations.

The table below shows the breakdown of employees as of 31 December 2015:

Type	Number
Senior Management	31
Middle Management	274
Staff	1,295
Total	1,600

The Company has no collective bargaining agreements with employees and there are no organized labor organizations in the Company. The Company maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees.

The Company upholds professional and personal advancement of its employees through Megaworld Learning Academy. MLA offers a slew of leadership and training workshops that are facilitated by the Company's "Learning Ambassadors", who are all experts in their own fields, or third party consultants. Various programs have been specially designed to enable its employees to upgrade their skills and perform at optimum levels. It endeavours the progress of the Company's workforce by offering training and workshops covering career, management and leadership development.

Risks Associated with the Company's Business

Historically, the Company has derived substantially all of its revenues and operating profits from sales of its real estate products in the Philippines, and its business is highly dependent on the state of the Philippine economy. Demand for new residential projects in the Philippines, in particular, has also fluctuated in the past as a result of prevailing economic conditions in both the Philippines and in other countries, such as the United States (including overall growth levels and interest rates), the strength of overseas markets (as a substantial portion of demand comes from OFWs and expatriate Filipinos), the political and security situation in the Philippines and other related factors. For example, the global financial crisis in 2008 and 2009 resulted in a generally negative effect on real estate property prices globally, including the Philippines. The Company expects this general cyclical trend to continue, which means that the Company's results of operations may fluctuate from period to period in accordance with fluctuations in the Philippine economy, the Philippine property market and the global property market in general. There can be no assurance that such variances will not have a material adverse effect on the business, financial condition or results of operations of the Company. There is no assurance that there will be no recurrence of an economic slowdown in the Philippines or abroad.

The Company may be unable to acquire land for future development.

The Company's business is dependent, in large part, on the availability of large tracts of land suitable for development by the Company. As the Company and its competitors attempt to locate sites for development, it may become more difficult to locate parcels of suitable size in locations and at prices acceptable to the Company.

The Company is exposed to risks associated with real estate development.

The Company is subject to risks inherent in property development. Such risks include, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labor, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk of purchaser and/or tenant defaults.

The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.

The Company is subject to risks incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

Services rendered by independent contractors may not always match the Company's requirements for quality or be available within its budget.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. Although the Company invites contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded the Company supervises the construction progress, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain development projects.

The interests of joint development partners for the Company's development projects may differ from the Company's and they may take actions that adversely affect the Company.

The Company obtains a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Company's.

Risks Management and Business Strategy

To manage the risks associated with the business of the Company, the Company has adopted a business strategy that is based on conservative financial and operational policies and controls, revenue and property diversification, availability of quality land banks and strategic partners, as well as product innovation.

Maximize earnings through integrated community township developments. The Company intends to maximize earnings by developing alternative, integrated residential, business and retail property communities. This allows the Company to capitalize on the live-work-play-learn concept, which has become popular in the Philippines. The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market and in entering into new joint venture developments. In 2007, the Company acquired properties in Iloilo and Cebu to expand its BPO office developments and townships in the Visayas. In 2009 and 2010, the Company increased its property portfolio through the acquisition of rights to develop the Uptown Bonifacio and McKinley West properties. In 2014, all the real estate interests of Alliance Global, Inc. was consolidated into the Company. The consolidation aggregated the Company's township properties by virtue of Global Estate Resorts, Inc.'s developments in Boracay Newcoast, Southwoods City, Twin Lakes, and Alabang West. During the same year, The Company also launched Arcovia City, Suntrust Ecotown, and Davao Park District. In 2015, the Company launched The Upper East, Northhill Gateway, a township in Pampanga, Westside City, and Sta. Barbara Heights through Global Estate Resorts, Inc. The Company continuously seeks opportunities to develop land in prime locations to further enhance its real estate portfolio.

Capitalize on brand and reputation. The Company believes that its strong brand name and reputation are keys to its continued success. Since pre-selling is an industry practice in the Philippines, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. The Company intends to continue using its brand name and reputation to attract purchasers, tenants and joint development partners. The Company continues to enhance its reputation by employing and training a dedicated marketing staff and extensive sales network for its residential sales businesses who market the Megaworld brand. In addition, the Company is strategically involved in the aftersales market for the properties it develops by providing building management and other aftersales services such as interior design services.

Continue to evaluate projects for synergies. The Company intends to continue to evaluate potential projects, particularly with respect to opportunities among the Company itself and its various subsidiaries and affiliates, in order to maximize cost efficiencies, resources and other opportunities to derive synergies across the Megaworld group and the larger AGI group of companies.

Maintain a strong financial position. The Company intends to maintain its strong financial position by controlling costs and maintaining its net cash position. The Company is able to control development costs by generating a significant portion of its project financing from pre-sales of residential units. By securing post-dated checks and providing a variety of financing options to buyers, the Company limits its cash outlays prior to obtaining project funds. The Company also controls development costs by entering into joint development agreements with landowners, which is a cost-effective means of obtaining rights to develop land as initial costs are fixed and future payments are a fixed percentage of revenue from sales and leasing activity.

Sustain a diversified development portfolio. An important part of the Company's long-term business strategy is to continue to maintain a diversified earnings base. Because the Company's community townships include a mix of BPO offices, retail, middle-income residential, educational/training facilities, leisure and entertainment properties within close proximity to each other, the Company is able to capitalize on the complementary nature of such properties. In addition, the community township developments enable the Company to generate profits from selling residential projects as well as invest in office and retail assets retained by the Company to generate recurring income and long-term capital gains. The Company intends to continue to pursue revenue and property diversification as it develops community townships with the live-work-play-learn concept in various stages throughout Metro Manila. The Company also intends to continue pursuing innovative product lines that may complement its existing developments, while maintaining a well-diversified earnings base.

Capitalize on growing opportunities in tourism development. The Company has further developed and diversified its real estate business to include integrated tourism development projects through its acquisition of a minority ownership interest in Travellers. Due to growth in the number of tourist visits to the Philippines and the Company's real estate development expertise, the Company believes it is well-positioned to capitalize on opportunities in this growing sector. For example, the Company is exploring the possibility of developing hotels in The Mactan Newtown and Iloilo Business Park in the Visayas. The Company is also actively exploring and evaluating possible joint venture opportunities with an affiliate which focuses on tourism-related property developments.

Pre-Sales and Customer Financing

The Company conducts pre-sales of its property units prior to project completion and often, prior to construction. The Company's pre-selling process provides buyers with a variety of payment schemes, with down-payment plans ranging from 50% to no money down. A typical payment scheme includes progressive payments over the period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. The Company collects post-dated checks to cover the entire purchase price based on an amortization schedule. Transfer of title to the property occurs only once all payments have been received. The payment structures are designed to appeal to middle-class buyers.

The Company provides a significant amount of in-house financing to qualified buyers. The Company has established processes and procedures designed to screen buyers applying for in-house financing to ensure that they are employed and/or are financially capable of paying their monthly amortizations.

PROPERTIES

Description of Principal Properties

The principal properties of the Company as of December 31, 2015 consist of projects under development, condominium units in completed projects, and land for future development, rental properties and hotels, including the following:

Type	Location	Limitations on
A. Condominium Units and Subdivision Lots Under Development		
Noble Place	Binondo, Manila	Joint Venture
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
One Eastwood Avenue 1 & 2	Eastwood, Quezon City	Owned
Salcedo SkySuites	Gil Puyat Ave., Makati City	Owned
Iloilo Business Park	Iloilo Business Park, Iloilo City	Owned
Lafayette Park Square	Iloilo Business Park, Iloilo City	Owned
One Madison Place 1-3	Iloilo Business Park, Iloilo City	Owned
The Palladium	Iloilo Business Park, Iloilo City	Owned
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
One Manchester Place	Mactan Newtown, Cebu	Owned
One Pacific Residence	Mactan Newtown, Cebu	Owned
Savoy Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
Greenbelt Hamilton 1 & 2	Legaspi Street, Makati City	Owned
Paseo Heights	Makati City	Owned
San Antonio Residence	Gil Puyat Ave., Makati City	Owned
Manhattan Heights Tower B	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower C	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower D	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Plaza	Manhattan Garden City, Quezon City	Joint Venture
The Florence	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Emanuele	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Fiorenzo	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Viceroy	McKinley Hill, Fort Bonifacio, Taguig City	Owned
St. Moritz Private Estate Cluster One & Two	McKinley West, Fort Bonifacio, Taguig City	Joint Venture
101 Newport Boulevard	Newport, Pasay City	Joint Venture
81 Newport Boulevard	Newport, Pasay City	Joint Venture
Savoy Hotel	Newport, Pasay City	Joint Venture
Forbes Hill	Northhill Gateway, Bacolod	Joint Venture
GolfHill Gardens	Quezon City	Owned
One Uptown Residence	Uptown Bonifacio, Fort Bonifacio, Taguig	Joint Venture

	City	
Uptown Parksuites Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture
Uptown Ritz Residences	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture
Three Central	Valero St. Makati City	Owned

B. Condominium Units in Completed Projects

Greenbelt Radisson	Aguirre St. Legaspi Village, Makati City	Owned
Cityplace Binondo A & B	Binondo, Manila	Owned
Eastwood Le Grand 1-3	Eastwood, Quezon City	Owned
Eastwood Parkview 1 & 2	Eastwood, Quezon City	Owned
Grand Eastwood Palazzo	Eastwood, Quezon City	Owned
One Central Park	Eastwood, Quezon City	Owned
One Orchard Road	Eastwood, Quezon City	Owned
The Eastwood Excelsior	Eastwood, Quezon City	Owned
The Eastwood Lafayette 1-3	Eastwood, Quezon City	Owned
8 Forbestown Road	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Forbeswood Heights	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Forbeswood Parklane	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
The Bellagio 1-3	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
One Beverly Place	Greenhills, San Juan	Joint Venture
Wack Wack Heights	Lee St., Mandaluyong City	Owned
Greenbelt Madisons	Legaspi Village, Makati City	Owned
8 Newtown Boulevard	Mactan Newtown, Cebu City	Owned
One Lafayette Square	Makati City	Owned
Two Lafayette Square	Makati City	Owned
Two Central	Makati City	Owned
Manhattan Heights - Tower A	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Parkview 1-3	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Parkview Garden	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Parkway	Manhattan Garden City, Quezon City	Joint Venture
115 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture

McKinley Garden Villas	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
The Woodridge 1 & 2	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Tuscany Private Estate	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Morgan Suites Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Stamford Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Alessandro	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Bellini	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Carusso	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Domenico	McKinley Hill, Fort Bonifacio, Taguig City	Owned
McKinley West Subdivision	McKinley West, Taguig City	Joint Venture
150 Newport Boulevard	Newport, Pasay City	Joint Venture
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Palm Tree Villas 1 & 2	Newport, Pasay City	Joint Venture
The Parkside Villas	Newport, Pasay City	Joint Venture
The Residential Resort at Newport	Newport, Pasay City	Joint Venture
Greenbelt Excelsior	Palanca St. Legaspi Village, Makati City	Joint Venture
Greenbelt Parkplace	Palanca St. Legaspi Village, Makati City	Owned
Marina Square Suites	Pedro Gil, Manila	Owned
Greenhills Heights	Pinaglabanan San Juan	Joint Venture
Greenbelt Chancellor	Rada St. Legaspi Village, Makati City	Owned
One Central	Sen. Gil Puyat Ave., Makati City	Owned
El Jardin Del Presidente 1 & 2	Sgt. Esguerra Ave., Quezon City	Owned
Paseo Parkview Suites 1&2	Valero St. Salcedo Village, Makati City	Owned
8 Wack Wack Road	Wack Wack Road, Mandaluyong City	Owned

C. Rental Properties

City Place Retail Mall	Binondo, Manila	Owned
Lucky Chinatown Mall	Binondo, Manila	Owned
Hotel Lucky Chinatown (Chinatown Belmont)	Binondo, Manila	Owned
1800 Eastwood Avenue	Eastwood, Quezon City	Owned
1880 Eastwood Avenue	Eastwood, Quezon City	Owned
Cyber Mall	Eastwood, Quezon City	Owned
Cyber One Units	Eastwood, Quezon City	Owned

Eastwood Citywalk	Eastwood, Quezon City	Owned
Eastwood Lafayette 3 Parking	Eastwood, Quezon City	Owned
Eastwood Mall	Eastwood, Quezon City	Owned
Eastwood Richmond Hotel	Eastwood, Quezon City	Owned
E-Commerce Plaza	Eastwood, Quezon City	Owned
Global One	Eastwood, Quezon City	Owned
IBM Plaza	Eastwood, Quezon City	Owned
ICITE	Eastwood, Quezon City	Owned
Techno Plaza 1	Eastwood, Quezon City	Owned
Techno Plaza 2 Units	Eastwood, Quezon City	Joint Venture
Burgos Circle	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Parklane Strip	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
The World Center	Gil Puyat Ave., makati City	Owned
One Beverly Place Retail	Greenhills, San Juan	Owned
Iloilo Richmond Hotel	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
Greenbelt Parkplace Retail	Legaspi Village, Makati City	Owned
Greenbelt Radissons Retail	Legaspi Village, Makati City	Owned
California Garden Square Retail	Libertad cor Calbayog, Mandaluyong City	Owned
Mactan Alfresco	Mactan Newtown, Cebu	Owned
One World Center	Mactan Newtown, Cebu	Owned
Two World Center	Mactan Newtown, Cebu	Owned
8 Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Commerce and Industry Plaza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Emperador Steel Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
McKinley Hill (Phase 3) Lots	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
One Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Science Hub	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
The Venice Piazza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Tuscany Retail	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Woodridge Residences	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
8 Park Avenue	McKinley Hill, Fort Bonifacio, Taguig City	Owned
8 Upper McKinley Road	McKinley Hill, Fort Bonifacio, Taguig City	Owned
McKinley Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Owned

One World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Canal Mall (Phase 2)	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Three World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Two World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Venice Corporate Center	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Richmonde Hotel	Ortigas, Mandaluyong City	Owned
Paseo Center	Paseo Center, Makati City	Owned
Corinthian Hills Retail	Temple Drive, Quezon City	Owned
Uptown Bonifacio Tower 1 & 2	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Mall (inc. parking and bridgeline)	Uptown Bonifacio, Taguig City	Joint Venture

Notes:

(1) Lease terms and rental rates vary depending on the property and the lessee.

(2) Richmonde Hotels are operated by a subsidiary of the Company.

(3) The land comprising McKinley Hill (Phase 3) consisting of approximately 16 hectares is being leased from the City Government of Taguig

The Company's principal office is located on the 28th floor of The World Centre at Sen. Gil Puyat Avenue, Makati City.

While the Company has sufficient land for future development, it continuously seeks opportunities to acquire and develop land in prime locations through purchase, joint venture arrangements or otherwise.

LEGAL PROCEEDINGS

No Material Pending Legal Proceedings

Neither the Company nor any of its subsidiaries or any of their properties is involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 2015 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price Information

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol of MEG. The Company's common stock was first listed on the PSE on June 15, 1994.

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
2014	High	4.27	4.88	5.30	5.24
	Low	3.27	4.19	4.13	4.54
2015	High	5.73	5.94	5.05	4.94
	Low	4.70	4.46	3.76	4.03
2016	High	4.25			
	Low	4.10			
3/31/16	Close	4.15			

Holders

As of 29 February 2016, the Company had 2,582 shareholders of record worldwide. The following table sets forth the twenty largest shareholders of the Company as of 29 February 2016.

Rank	Name of Stockholder	Number of Common Shares	Number of Voting Preferred Shares	Percentage of Ownership
1.	Alliance Global Group, Inc.	14,090,219,058		36.8473%
			6,000,000,000	15.5379%
2.	PCD Nominee Corporation (Non-Filipino)	5,790,772,539		15.1435%
3.	New Town Land Partners, Inc.	5,668,530,324		14.8238%
4.	PCD Nominee Corporation (Filipino)	4,895,004,968		12.8009%
5.	First Centro, Inc.	873,012,500		2.2830%
6.	Richmonde Hotel Group International Limited	420,000,000		1.0983%
7.	Megaworld Cebu Properties, Inc.	143,000,000		0.3740%
8.	Andrew L. Tan	95,000,000		0.2484%
9.	The Andresons Group, Inc.	89,760,000		0.2347%
10.	MBTC-TBGAS Trustee for Various Account	12,898,424		0.0337%
11.	Simon Lee Sui Hee	8,845,200		0.0231%
12.	OCBC Securities Phils., Inc. (FAO: Santiago J. Tanchan, Jr.)	7,371,000		0.0193%
13.	Luisa Co Li	5,525,697		0.0145%
14.	Evageline Abdullah	5,400,000		0.0141%
15.	Jasper Karl Tanchan Ong	5,370,300		0.0140%
16.	Winston Co	5,180,760		0.0135%
17.	Luis Ang and/or Teresa W. Ang	4,000,000		0.0105%
18.	Luis Ang &/or Lisa Ang	3,785,532		0.0099%

19.	Lucio W. Yan	3,780,000		0.0099%
20.	Alberto Mendoza &/or Jeanie C. Mendoza	2,587,454		0.0068%

Dividend Policy

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, which 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 of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose. Cash dividends amounting to Php1.94 billion, Php1.25 billion and Php1.03 billion were declared on the Company's common shares in 2015, 2014 and 2013, respectively. The dividends were paid in July 2015, July 2014 and August 2013, respectively. Cash dividends were declared on the Company's Series "A" Preferred Shares in 2015, 2014 and 2013 in the amount of Php600,000 for each year. The dividends were paid in July 2015, July 2014 and August 2013.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of 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.

The Company declares cash dividends to shareholders of record usually in the first half of each year. These dividends are paid from unrestricted retained earnings. The Company intends to maintain an annual cash dividend payment ratio of 20% of its net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board of Directors may, at any time, modify its dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent Sales of Unregistered or Exempt Securities

In 2011, the Company issued US\$200,000,000 worth of corporate notes due in 2018 with a coupon of 6.75% and a yield of 6.875%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

In 2013, the Company issued US\$250,000,000 worth of corporate notes due in 2023 with a coupon of 4.25%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2015 versus December 31, 2014

Megaworld, the country's largest developer of integrated urban townships and the biggest lessor of office spaces, has breached the Php10-billion mark in net core income for 2015. The Group's core profit reached Php10.40-billion (net of Php181-million non-recurring gain), up by 10.58% from last year's Php9.40-billion (net of Php12.16-billion non-recurring gain).

Consolidated core revenues composed of real estate sales, rental income, hotel operations and other recurring revenues posted an amount of Php44.81 billion this year, up by Php3.84 billion or 9.37% higher from 2014 figures amounting to Php40.97 billion.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 60.59% of total revenues. Real estate sales posted a 10.79% increase, with an aggregate amount of Php27.26 billion in 2015 versus Php24.61 billion last year. The Group's registered sales mostly came from the following projects: Three Central, The Venice Luxury Residences – Fiorenzo, Greenbelt Hamilton Tower 2, St. Moritz Private Estate, McKinley Hill Village, One Eastwood Avenue Tower 2, Uptown Parksuites Towers 1 & 2, One Uptown Residences, Paseo Heights, Viceroy East Tower, The Florence, Salcedo Skysuites, Tuscany Private Estate, Eight Forbestown Road, Lafayette Park Square, One Manchester Place and 81 Newport Boulevard.

Leasing. Rental income contributed 19.40% to the consolidated revenues and amounted to Php8.73 billion compared to Php7.07 billion reflected last year, a 23.46% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

Hotel Operations. The Group's revenues attributable to hotel operations posted an amount of Php796.32 million during the year with an increase of 10.15% from Php722.97 million in 2014.

Total costs and expenses increased by 9.25% from Php31.51 billion in 2014 to Php34.42 billion this year primarily due to increase in real estate sales, operating and administrative expenses. Interest and other charges – net increased by 67.82%, amounting to Php2.73 billion in 2015 from Php1.62 billion last year due to foreign exchange re-measurement of dollar bonds. Tax expense in 2015 amounting to Php3.28 billion resulted to a 5.27% increase from 2014 reported amount of Php3.12 billion due to higher taxable income

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as at December 31, 2015 amounting to Php251.68 billion posted an increase of 13.86% compared to Php221.04 billion as at December 31, 2014.

The Group shows steady liquid position as at December 31, 2015 by having its current assets at Php131.18 billion as against its current obligations at Php36.48 billion. Current assets posted an increase of 7.44% from December 31, 2014 balance of Php122.09 billion. Current obligations reflected a decrease of 6.17% from Php38.88 billion balance last year.

Cash and cash equivalents decreased by 9.47% from Php25.14 billion in 2014 to Php22.76 billion in 2015 due to capital expenditure and operating activities for business expansion. An increase of 14.11% from its current and non-current trade and other receivables – Php60.06 billion as at December 31, 2015 compared to Php52.63 billion as at December 31, 2014, was due to additional sales for the period. Residential, condominium units, golf and resort shares for sale further increased by 8.01% from Php56.91 billion last year to Php61.47 billion in 2015 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to Php14.86 billion, 19.92% higher than Php12.39 billion last year. The Group's investments in available-for-sale securities decreased by 23.54%, from Php6.15 billion in 2014 to Php4.70 billion in 2015 due to changes in the fair market value of shares. Investment properties increased by 29.39% amounting to Php46.27 billion in December 31, 2015 from Php35.76 billion in December 31, 2014 due to completion of properties for lease.

Trade and other payables amounted to Php12.07 billion and Php10.62 billion as at December 31, 2015 and December 31, 2014, respectively. The increase of 13.65% was due to higher payables to suppliers and contractors. Total current and non-current customers' deposits as at December 31, 2015 amounted to Php6.94 billion compared to Php7.24 billion as at December 31, 2014 with 4.16% decrease, due to sales recognition of pre-sold various projects. The combined effect of current and non-current deferred income on real estate sales increased by 6.12% which amounted to Php10.46 billion as at December 31, 2015 compared to Php9.86 billion as at December 31, 2014.

The interest-bearing loans and borrowings current and non-current amounted to Php31.67 billion resulted in a 261.86% increase from previous year-end's Php8.75 billion mainly due to availment of new loans. Total other liabilities amounted to Php5.56 billion from Php4.09 billion as at December 31, 2015 and December 31, 2014, respectively translating to a 35.97% increase.

Total Equity (including non-controlling interests) increased by 4.36% from Php128.80 billion as at December 31, 2014 to Php134.41 billion as at December 31, 2015 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2015	December 31, 2014
Current Ratio *1	3.60:1.00	3.14:1.00
Quick Ratio *2	0.62:1.00	0.65:1.00
Debt to Equity Ratio *3	0.39:1.00	0.26:1.00
	December 31, 2015	December 31, 2014
Return on Assets *4	4.47%	10.92%
Return on Equity *5	8.98%	20.93%

*1 – Current Assets / Current Liabilities

*2 – Cash and Cash Equivalents / Current Liabilities

*3 – Interest Bearing Loans and Borrowings and Bonds Payable / Equity

*4 – Net Income / Average Total Assets

*5 – Net Income / Average Equity (Computed using figures attributable only to parent company shareholders)

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2015 Financial Statements (Increase/decrease of 5% or more versus December 31, 2014)

Statement of Financial Position

9.47% decrease in cash and cash equivalents
Due to capital expenditure and operating activities for business expansion

14.11% increase in trade and other receivables – current and non-current
Primarily due to additional sales for the period

8.01% increase in residential, condominium units, golf and resort shares for sale
Due to additional construction costs attributable to on-going projects

19.92% increase in property development costs
Costs incurred during the development stage of the projects

18.09% increase in prepayments and other assets – current and non-current
Due to increase in prepaid expenses

34.38% increase in advances to landowners and joint ventures
Due to additional advances made to landowners

37.11% increase in land for future development
Due to additional land acquisitions and contribution of new subsidiary

23.54% decrease in investments in available-for-sale securities
Due to changes in the fair market value of shares

11.33% increase in investments in and advances to associates and other related parties
Mainly due to new investment in associate

29.39% increase in investment properties - net
Due to completion of properties for lease

63.38% increase in property and equipment - net
Mainly contributed by a new hotel building and improvements

13.15% decrease in deferred tax assets – net
Due to lower deferred tax assets on taxable temporary differences

261.86% increase in interest-bearing loans and borrowings – current and non-current
Due to avilment of new loans

15.55% decrease in bonds payable – current and non-current
Primarily due to maturity of bonds

13.65% increase in trade and other payables
Due to higher payables to suppliers and contractors

5.36% increase in reserve for property development – current and non-current
Represents estimated cost to complete the development of various projects

6.12% increase in deferred income on real estate sales – current and non-current
Represents increase in unearned revenue

10.71% decrease in income tax payable
Due to payment of prior year income tax due

65.11% increase in advances from associates and other related parties
Due to increase in advances arising from related party transactions

35.97% increase in other liabilities – current and non-current
Mainly due to additional security deposits and advance rent

18.41% increase in deferred tax liabilities
Pertains to tax effects of taxable and deductible temporary differences

14.14% decrease in retirement benefit obligation
Mainly due to lower recognized liabilities on employee benefits

(Increase/decrease of 5% or more versus December 31, 2014)

Statements of Income

10.79% increase in real estate sales
Due to higher sales for the period

17.27% increase in realized gross profit on prior years' sales

Represents portion of gross profit from real estate sales made in prior years realized for the period

23.46% increase in rental income

Due to escalation of rental rates and increase in demand for office space from BPO companies

10.15% increase in hotel operations

Mainly due to opening of new hotels

57.83% decrease in equity share in net earnings of associates

Due to the reclassification of investment in associates as investment in available-for-sale in 2014

83.20% decrease in interest and other income – net

Primarily due to non-recurring gains from the acquisition and sale of subsidiary and associate in 2014

7.46% increase in cost of real estate sales

Due to increase in real estate sales

27.02% increase in cost of hotel operations

Represents direct costs attributable to hotel operations

6.68% increase in operating expenses

Due to increase in other administrative and corporate overhead expenses

67.82% increase in interest and other charges – net

Primarily due to foreign exchange re-measurement of dollar bonds

5.27% increase in tax expense

Due to higher taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

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

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2015.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at 2015. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the

accompanying 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.

There were no other material issuances, repurchases or repayments of debt and equity securities.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2014 versus December 31, 2013

The Group posted an increase of 138.57% in consolidated net profit amounting to Php21.55 billion (inclusive of Php12.16 billion non-recurring gains) for the year 2014. Excluding the one-time gains, net income went up by 13.63%, from Php8.27 billion last year to Php9.40 billion this year.

Consolidated revenues composed of real estate sales, rental income, hotel operations and other revenues posted an increase of 46.60% from Php36.24 billion to Php53.13 billion. Core revenues amounted to Php40.97 billion, resulting from strong property sales and sustained growth in leasing and hotel income, 15.49% higher than the Php35.48 billion revenues of the same period.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 46.31% of total revenues. Real estate sales posted a 15.79% increase, with an aggregate amount of Php24.61 billion in 2014 versus Php21.25 billion last year. The Group's registered sales mostly came from the following projects: Three Central, Savoy Hotel – Newport City, The Venice Luxury Residences, Greenbelt Hamilton, Uptown Ritz Residences, McKinley West Village, One Eastwood Avenue Towers 1 & 2, Uptown Parksuites, One Uptown Residences, Paseo Heights, Viceroy Tower 3, The Florence, Iloilo Boutique Hotel, One Central, One Pacific Residence, Lafayette Park Square, Golfhills Garden Square, One Madison Place Towers 2 & 3, Noble Place and Savoy Hotel – Mactan Newtown.

Leasing. Rental income contributed 13.31% to the consolidated revenues and amounted to Php7.07 billion compared to Php6.04 billion reflected last year, a 17.11% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

Hotel Operations. With the consolidation of a new subsidiary, the Group's revenues attributable to hotel operations grew by 60.29% posting an amount of Php.72 billion in 2014 from Php.45 billion in 2013.

In general, the increase in costs and expenses by 15.78% from Php27.21 billion in 2013 to Php31.51 billion in 2014 was mainly due to the increase in recognized real estate sales and increase in other administrative and corporate overhead expenses. Income tax expense in 2014 amounted to Php3.12 billion resulting to a 21.35% increase from 2013 reported amount of Php2.57 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as of December 31, 2014 amounted to Php221.04 billion posted an increase of 27.12% compared to Php173.88 billion as of December 31, 2013.

The Group shows steady liquid position as of December 31, 2014 by having its current assets at Php122.09 billion as against its current obligations at Php38.88 billion. Current assets posted an increase of 24.00% from December 31, 2013 balance of Php98.46 billion. Current obligations reflected an increase of 50.13% from Php25.90 billion balance last year.

Cash and cash equivalents decreased by 20.81% from Php31.75 billion in 2013 to Php25.14 billion in 2014 due to capital expenditure and operating activities for business expansion. An increase of 22.40% from its current and non-current trade and other receivables – Php52.63 billion as of December 31, 2014 compared to Php43.00 billion as of December 31, 2013, was due to additional sales for the period and contribution of a new subsidiary. Residential and condominium units for sale further increased by 62.09% from Php35.11 billion last year to Php56.91 billion in 2014 mainly due to the consolidation of a new subsidiary. Property development costs increased to Php12.39 billion, 27.64% higher than Php9.71 billion last year. The Group's investments in available-for-sale securities increased by 56.44%, from Php3.93 billion in 2013 to Php6.15 billion in 2014 due to reclassification of investment in associate as available-for-sale securities resulting from decrease in ownership. Investment Property increased by 43.35% amounting to Php35.76 billion in December 31, 2014 from Php24.95 billion in December 31, 2013 due to completion of properties for lease and consolidation of newly acquired subsidiaries.

Trade and other payables amounted to Php10.62 billion and Php7.20 billion as of December 31, 2014 and December 31, 2013, respectively. The increase of 47.54% was due to the consolidation of new subsidiaries. Total current and non-current customers' deposits as of December 31, 2014 amounted to Php7.24 billion compared to Php5.12 billion as of December 31, 2013 with 41.63% increase, driven by aggressive marketing, pre-selling and contribution of newly-acquired subsidiaries. The combined effect of current and non-current deferred income on real estate sales increased by 32.01% which amounted to Php9.86 billion as of December 31, 2014 compared to Php7.47 billion as of December 31, 2013.

The interest-bearing loans and borrowings current and non-current amounted to Php8.75 billion resulted in a 130.34% increase from previous year-end's Php3.80 billion mainly due to new loan availed. Total other liabilities amounted to Php4.09 billion from Php3.59 billion as of December 31, 2014 and December 31, 2013, respectively translating to a 14.05% increase.

Total Equity (including non-controlling interest) increased by 26.33% from Php101.95 billion as of December 31, 2013 to Php128.80 billion as of December 31, 2014 due to the Group's continuous profitability including the non-recurring gains from the acquisition and sale of subsidiary and associate.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2014	December 31, 2013
Current Ratio ^{*1}	3.14:1.00	3.80:1.00
Quick Ratio ^{*2}	0.65:1.00	1.23:1.00
Debt to Equity Ratio ^{*3}	0.26:1.00	0.28:1.00
	December 31, 2014	December 31, 2013
Return on Assets ^{*4}	10.92%	5.71%
Return on Equity ^{*5}	20.93%	10.99%

^{*1} – Current Assets / Current Liabilities

^{*2} – Cash and Cash Equivalents / Current Liabilities

^{*3} – Interest Bearing Loans and Borrowings and Bonds Payable / Equity

^{*4} – Net Income / Average Total Assets

^{*5} – Net Income / Average Equity (Computed using figures attributable only to parent company shareholders)

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

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

Statement of Financial Position

20.81% decrease in cash and cash equivalents

Due to capital expenditure and operating activities for business expansion

22.40% increase in trade and other receivables – current and non-current

Primarily due to additional sales booking for the period and contribution of new subsidiaries

12.60% decrease in financial assets at fair value through profit or loss

Due to decrease in fair value of marketable securities

62.09% increase in residential and condominium units for sale

Mainly due to consolidation of a new subsidiary

27.64% increase in property development costs

Due to consolidation of a new subsidiary

100.62% increase in prepayments and other assets – current and non-current

Mainly due to contribution of new subsidiaries and recognition of goodwill

29.08% increase in advances to landowners and joint ventures

Due to consolidation of a new subsidiary

161.67% increase in land for future development

Due to additional land acquisitions and contribution of new subsidiary

56.44% increase in investments in available-for-sale securities

Due to reclassification of investment in associate as available-for-sale securities resulting from decrease in ownership

52.38% decrease in investments in and advances to associates and other related parties

Due to the reclassification of investments from associates to subsidiaries

43.35% increase in investment property - net

Due to completion of properties for lease and consolidation of newly acquired subsidiaries

166.13% increase in property and equipment - net

Due to consolidation of new subsidiaries

77.16% increase in deferred tax assets - net

Higher deferred tax assets on taxable temporary differences

130.34% increase in interest-bearing loans and borrowings – current and non-current

Due to new loan availed

47.54% increase in trade and other payables

Due to consolidation of new subsidiaries

41.63% increase in customers' deposit – current and non-current

Due to aggressive marketing and pre-selling of various projects and contribution from new subsidiary

25.28% increase in reserve for property development – current and non-current

Represents estimated cost to complete the development of various projects

32.01% increase in deferred income on real estate sales – current and non-current

Mainly due to consolidation of new subsidiary

119.99% increase in income tax payable
Mainly due to higher taxable income

100.00% increase in redeemable preferred shares
Due to consolidation of a new subsidiary

20.88% increase in deferred tax liabilities
Pertains to tax effects of taxable and deductible temporary differences

649.58% increase in advances from associates and other related parties
Due to consolidation of new subsidiaries

43.98% increase in retirement benefit obligation
Additional accrual of retirement plan of employees

14.05% increase in other liabilities
Due to consolidation of new subsidiaries

(Increase/decrease of 5% or more versus December 31, 2013)

Statements of Income

15.79% increase in real estate sales
Higher sales recognized for the period driven by new projects launched this year

8.72% increase in interest income on real estate sales
Recognition of interest income from prior years' sales

5.68% increase in realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized for the period

17.11% increase in rental income
Due to escalation of rental rates and increase in demand for office space from BPO companies

60.29% increase in hotel operations
Due to consolidation of a new subsidiary
5.46% increase in equity share in net earnings of associates
Caused by increase in the net income of various associates

330.93% increase in interest and other income-net
Mainly due to non-recurring gains from the acquisition and sale of subsidiary and associate

13.59% increase in cost of real estate sales
Due to increase in real estate sales

7.06% increase in deferred gross profit
Pertains to uncompleted portion of various sales generating projects

57.91% increase in cost of hotel operations
Mainly due to consolidation of newly-acquired subsidiary

32.26% increase in operating expenses
Due to increase in other administrative and corporate overhead expenses and contribution from new subsidiaries

12.65% decrease in interest and other charges – net
Due to principal payments of borrowings

21.35% increase in income tax expense

Due to higher taxable income and tax effects of deductible temporary differences and contributions from newly acquired subsidiaries

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

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

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2014.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as of 2014. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying 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.

There were no other material issuances, repurchases or repayments of debt and equity securities.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

External Audit Fees and Services

The external auditors of the Company and its subsidiaries billed the amounts of Php14,149,500 in 2015, PhP13,082,017 in 2014 and Php9,147,000 in 2013 in fees for professional services rendered for the audit of the Company and its subsidiaries' annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2015, 2014 and 2013. Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for the years 2015, 2014 and 2013.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors 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.

FINANCIAL STATEMENTS

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

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In compliance with SEC Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, Mr. Nelson J. Dinio of Punongbayan and Araullo was designated as handling partner for the audit of the financial statements of the Company starting the year ending 31 December 2011. Punongbayan & Araullo was also the auditor of the Company for 2015, 2014 and 2013.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which three are independent directors. All of the directors were elected at the Company's annual stockholders meeting on June 19, 2015 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of the Company's Board as of 29 February 2016.

Name	Age	Citizenship	Position
Andrew L. Tan	66	Filipino	Director, Chairman and President
Katherine L. Tan	64	Filipino	Director
Kingson U. Sian	54	Filipino	Director and Executive Director
Enrique Santos L. Sy	66	Filipino	Director
Miguel B. Varela	76	Filipino	Independent Director
Gerardo C. Garcia	74	Filipino	Independent Director
Roberto S. Guevara	64	Filipino	Independent Director

The table below sets forth Megaworld's executive officers in addition to its executive directors listed above as of 29 February 2016.

Name	Age	Citizenship	Position
Lourdes T. Gutierrez-Alfonso	52	Filipino	Chief Operating Officer
Francisco C. Canuto	58	Filipino	Senior Vice President, Treasurer Compliance Officer and Corporate Information Officer
Giovanni C. Ng	42	Filipino	Senior Vice President and Finance Director
Philipps C. Cando	57	Filipino	Senior Vice President for Operations
Maria Victoria M. Acosta	54	Filipino	Senior Vice President for International Marketing
Jericho P. Go	44	Filipino	Senior Vice President for Business Development and Leasing
Noli D. Hernandez	46	Filipino	Senior Vice President for Sales and Marketing
Garry V. de Guzman	48	Filipino	Senior Vice President for Corporate Advisory and Compliance Division

Kevin Andrew L. Tan	36	Filipino	First Vice President for Commercial Division
Rafael Antonio S. Perez	48	Filipino	Senior Assistant Vice President for Human Resources
Kimberly Hazel A. Sta. Maria	35	Filipino	Assistant Vice President for Corporate Communications and Advertising
Carmen C. Fernando	58	Filipino	Managing Director for Hotels
Anna Michelle T. Llovido	37	Filipino	Corporate Secretary
Rolando D. Siatela	55	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board/President

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board of Empire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties Inc., Townsquare Development, Inc. and Richmond Hotel Group International Limited. He is also the Chairman of Emperador Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. Mr. Tan is Chairman of Megaworld Foundation, the Company'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. He is a director of Travellers International Hotel Group, Inc., a publicly listed company, which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation. Mr. Tan is a Director and President and CEO of Twin Lakes Corporation.

Katherine L. Tan
Director

Ms. Tan, has served as Director of the Company since 1989. She is concurrently a Director and Treasurer of publicly-listed Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. She is Director and President of Raffles & Company, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian
Director and Executive Director

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director and President of publicly-listed Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. and a Director of Emperador Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc. He is the Senior Vice President and Chief Executive Officer of Megaworld Land, Inc. He is also the President of Eastwood Cyber One Corporation and Manila Bayshore Property Holdings, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy
Director

Mr. Sy has served as Director of the Company since July 2009. He was Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of publicly-listed Empire East Land Holdings, Inc. He is a Director of Eastin Holdings, Inc. and First Oceanic Property Management Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and 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.

Miguel B. Varela
Independent Director/Vice Chairman

Mr. Varela holds significant positions in various public and private institutions and has been a member of the Company's Board of Directors since June 2006. He is also an independent director of publicly-listed Emperor Inc. and Global-Estate Resorts, Inc. He has been past President, past Chairman and presently Chairman, to National Issues of the Philippine Chamber of Commerce and Industry (PCCI), Chairman, Torche Global Marketing, Inc., Chairman, MVV Synergy, Incorporated and presently Director of Global Ferronickel Holdings, Inc., Director of Ausphil Tollways Corporation, Director, NPC Alliance Corporation, Vice Chairman, Richmonde Hotel, Chairman of the Employers Confederation of the Philippines (ECOP), Board of Trustee of Philippines Trade Foundation, Inc., President of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI), Vice President of the International Labor Organization, Inc., and Vice Chairman and Trustee, Foundation for Crime Prevention. He is an accredited international arbitrator of the Paris-based International Court of Arbitration. A member of the Philippine Bar he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He attended a Top Management and Productivity Program from the Asian Institute of Management (AIM) as well as special courses sponsored by ILO, Geneva, Switzerland, Asian Productivity Organization (APO), and the Nikkeren, Japan, covering areas of Managerial Management and Organizational Development, Productivity, Legal Management, Labor and Industrial Relations, Development of SME's among others. He is a member of the Philippine Bar Association, a Commissioner of the Consultative Commission on Constitutional Reform and a Lifetime Member of the Philippine Constitution Association (PHILCONSA). He is the recipient of various awards and citations such as San Beda College's Outstanding Alumni Award for Business Leadership, and San Beda Hall of Fame Awardee, Presidential Medal of Merit for Outstanding Service to the Republic of the Philippines, Tamaraw Leadership Award, Katipunan Leadership Award and Leadership Award from ECOP, PCCI and ASEAN Productivity Organization and Confederation of Asia-Pacific Chamber of Commerce and Industry (CACCI) Medallion for Distinguished Service Award. . He was also conferred by the Central Luzon State University with the degree of Doctor of Humanities (*honoris causa*), and by the Eulogio "Amang" Rodriguez University of Science and Technology with a Doctorate in Business Technology (*honoris causa*).

Gerardo C. Garcia
Independent Director

Mr. Garcia has served in the Company's Board of Directors since 1994. He concurrently serves as independent director in the boards of publicly-listed Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. He also serves as an independent director of Megaworld Land, Inc. and Suntrust Properties, Inc. From October 1994 to December 1997, Mr. Garcia served as President of Empire East Land Holdings, Inc. Prior to joining Empire East Land Holdings, Inc. Mr. Garcia served as Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Master's Degree in Business Administration from the University of the Philippines.

Roberto S. Guevara
Independent Director

Mr. Guevara has been a member of the Company's Board of Directors since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as Honeycomb Builders, G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation and Radiowealth Finance Corporation, and as independent director of First Centro, Inc. He is also the President of Seed Capital Corporation and RFC (HK) Limited. Mr. Guevara graduated from San Beda College in 1974, and received graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Lourdes T. Gutierrez-Alfonso
Chief Operating Officer

Ms. Gutierrez joined the Company in 1990. She is the Company's Chief Operating Officer and is a member of the Company's Management Executive Committee. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in the Company. Ms. Gutierrez is Chairman and President of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. and Suntrust Properties, Inc., Twin Lakes Corporation, Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Oceantown Properties, Inc. and Prestige Hotels & Resorts, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

Francisco C. Canuto
Senior Vice President and Treasurer

Mr. Canuto joined the Company in 1995. He is a Certified Public Accountant and currently holds the rank of Senior Vice President and Treasurer of the Company and is Senior Assistant to the Chairman. He is a member of the Company's Management Executive Committee. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Director of Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc. and Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Oceantown Properties, Inc., Megaworld-Global Estate, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, Asia's Finest Hotels & Resort, Inc., and Prestige Hotels & Resorts, Inc. He serves as a Director and President of Arcovia Properties, Inc., Megaworld Cayman Islands, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. and Gilmore Property Marketing Associates, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

Giovanni C. Ng
Senior Vice President and Finance Director

Mr. Ng, is a Senior Vice President and Finance Director of the Company. 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., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of 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.

Philipps C. Cando
Senior Vice President for Operations

Mr. Cando is a licensed civil engineer who has over 28 years of experience in project development and construction management. Mr. Cando joined the Company in 1994 as a construction manager and eventually rose to become head of the Company's project management team. Prior to joining Megaworld, Mr. Cando was employed for over 12 years in construction design and consultancy firms, Arenas-Tugade Associates and Massive Design Group. During his more than 15 years with the Company, Mr. Cando was responsible for the construction management of over thirty-three (33) project developments of the Company including residential and office condominium projects, hotel, mall and retail complexes as well as large scale mixed-use developments such as McKinley Hill and Eastwood City. He now heads the Company's Operations Division and responsible for the construction development of large scale developments to include, Newport City, Forbes Town Center at Global City, Manhattan Garden City at Araneta Center, Cityplace at Binondo and Bonifacio Uptown. Mr. Cando serves as Director and President of Oceantown Properties, Inc. and Boracay Newcoast Hotel Group, Inc.

Maria Victoria M. Acosta
Senior Vice President for International Marketing

Ms. Acosta is Senior Vice President for International Marketing. She joined the Company in September 1999. Prior to her appointment, she had twenty years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. Earlier, she also served as Senior Vice President and General Manager of Raffles & Co., Inc. She is concurrently Director and Corporate Secretary of Eastwood Property Holdings, Inc. and Corporate Secretary of Gilmore Property Marketing Associates, Inc.

Jericho P. Go
Senior Vice President for Business Development and Leasing

Mr. Go is the Company's Senior Vice President for Business Development & Leasing since May 2014. Prior to this, he was the First Vice President for Business Development & Leasing. He interfaces with brokers and various stake holders in the real estate industry to assess market trends and the viability of various types of projects. He keeps an eye on possible opportunities for strategic alliances and business partnerships. He also served as Megaworld's Executive Assistant to the Chairman from February 1997 to October 1999. His task is to study, evaluate, and explore areas identified by the Chairman as having strategic value to the company. Mr. Go obtained his Bachelor's degree in Arts major in Development Studies in 1993 from the University of the Philippines. He graduated Magna Cum Laude. He is concurrently Director of Twin Lakes Corporation.

Noli D. Hernandez
Senior Vice President for Sales and Marketing

Mr. Hernandez joined the Company in February 1994 as a property consultant. He is currently a Senior Vice President for Sales and Marketing. Mr. Hernandez rose from the ranks in the Company, starting out as a property consultant then becoming Sales Manager, Assistant Vice President, Senior Assistant Vice President and Vice President for Marketing. Mr. Hernandez graduated from the University of the Philippines with a degree of Bachelor of Science in Political Science. He serves as Director and President of Megaworld Cebu Properties, Inc.

Garry V. de Guzman
Senior Vice President for Corporate Advisory and Compliance Division

Mr. De Guzman heads of Corporate Advisory and Compliance Division and is a member of the Company's Management Executive Committee. He joined the Company in April 1997 as a Senior Manager of its Legal and Corporate Management Division in April 1997. Mr. De Guzman has been in continuous litigation practice for more than thirteen (13) years and is in charge of the Company's litigation, licensing, registration and titling activities. Before joining Megaworld, he was an Associate at the ACCRA Law Offices and Tax Assistant in Punongbayan and Araullo, CPAs. He obtained his Bachelor of Laws in 1994 from San Beda

College where he graduated Class Salutatorian and was admitted to the Integrated Bar of the Philippines in 1995. In 1989, he obtained his bachelor's degree in Commerce major in Accounting from the same institution graduating Magna Cum Laude and Class Valedictorian. Mr. De Guzman serves as Director and Treasurer of publicly-listed Global-Estate Resorts, Inc. and Director of Megaworld Resort Estates, Inc. and Twin Lakes Corporation. He is also Director and Corporate Secretary of Megaworld Global-Estate, Inc. Mr. De Guzman is a member of the Commercial Law Affiliates, AsiaLaw, Philippine Institute of Certified Accountants and is Past President of the Rotary Club, Parañaque City Chapter.

Kevin Andrew L. Tan
First Vice President for Commercial Division

Mr. Tan heads the Commercial Division of the Company which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. He is concurrently a Director of publicly listed companies, Empire East Land Holdings, Inc., Alliance Global Group, Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Empire East Communities, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Treasurer of Megaworld Foundation, Inc. He has over 11 years of experience in retail leasing, marketing and operations. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Rafael Antonio S. Perez
Senior Assistant Vice President for Human Resources

Mr. Perez joined the Company in June 2008. He is the Senior Assistant Vice President for Human Resources. He is concurrently the Managing Director of Global One Integrated Business Services, Inc. and Luxury Global Malls, Inc. Mr. Perez graduated Cum Laude from the Philippine Normal University with the degree of Bachelor of Arts in Psychology.

Kimberly Hazel A. Sta. Maria
Assistant Vice President for Corporate Communications and Advertising

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a *cum laude* graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

Carmen C. Fernando
Managing Director for Hotels

Ms. Fernando is Managing Director for Hotels and has held the position since July 1999. She joined the Company in 1997 as Director of Finance for Megaworld Land, Inc. and is responsible for pre-operating activities for Richmond Hotel Ortigas. In January 1999 she became the Financial Controller for Prestige Hotels & Resort, Inc. Prior to joining the Company she was employed with Mandarin Oriental Manila as Financial Controller and with Sycip, Goess, Velayo & Co. as a Staff Auditor III. Ms. Fernando obtained her bachelor's degree in Commerce major in Accounting from the University of Santo Tomas and she obtained her master's degree in Business Administration from the University of the Philippines. Ms. Fernando is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido is the Corporate Secretary of the Company and has held this position last August 2014. She concurrently serves as Legal Manager of Emperador Distillers, Inc., a position she has held since July 2012. Ms. Llovido is an experienced in-house counsel with core practice in labor and intellectual property law. Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

Rolando D. Siatela
Assistant Corporate Secretary

Mr. Siatela serves as Assistant Corporate Secretary of the Company. He is also an Assistant Vice President of the Company. He concurrently serves in publicly-listed Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer, and in Alliance Global Group, Inc., Emperador Inc., Suntrust Properties, Inc. and Global-Estate Resorts, Inc. as Assistant Corporate Secretary. He is a member of the board of Asia Finest Cuisine, Inc. Prior to joining Megaworld Corporation, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc.

Significant Employees

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Chairman and President Andrew L. Tan is married to Director Katherine L. Tan, who is also Director and Treasurer of Emperador Inc. and Alliance Global Group, Inc. Their son, Kevin Andrew L. Tan, is presently a First Vice President for Commercial Division of Megaworld and is also a director and Corporate Secretary of Alliance Global Brands, Inc. and a director of Empire East Land Holdings, Inc., Emperador Distillers, Inc., Global-Estate Resorts, Inc. and Alliance Global Group, Inc., while another son, Kendrick Andrew L. Tan, is a Director of Emperador Inc. and Corporate Secretary of Emperador Distillers, Inc.

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.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table identifies the Company's Chief Executive Officer and the four most highly compensated executive officers and summarize their aggregate compensation in 2014, 2015 and the estimated aggregate compensation for 2016:

Name and Principal Position	Year	Salary	Other Variable Pay	Total Annual Compensation
Andrew L Tan, President				
Lourdes T. Gutierrez, Chief Operating Officer				
Philipps C. Cando, SVP for Operations				
Kingson U. Sian, SVP Executive Director				
Francisco C. Canuto, SVP, Treasurer				
President and 4 Most Highly Compensated Officers	2014	50,486,200	26,223,456	76,709,656
	2015	66,515,245	28,694,493	95,209,739
	2016	79,818,294	32,998,667	112,816,962
All Other Officers and Directors as a Group	2014	72,605,080	27,228,449	99,833,529
	2015	86,443,030	37,828,488	124,271,520
	2016	95,087,333	42,892,208	137,979,542

Compensation of Directors

The members of the Board receive a standard per diem for attendance in Board meetings. In 2015 and 2014, the Company paid a total of Php700,000 for each year, for directors' per diem. For 2016, the Company has allocated Php800,000 for directors' per diem. Other than payment of the per diem, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2015 and the ensuing year, for any service provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. 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 directors of the Company who are holders of warrants issued pursuant to a 1:4 stock rights offering in 2009. There are executive officers of the Company who were granted options to subscribe to common shares of the Company pursuant to the Company's Employee Stock Option Plan approved by the Board and stockholders of the Company in 2012.

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares as of February 29, 2016

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Alliance Global Group, Inc. (AGI) ¹ 7/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Alliance Global Group, Inc. ²	Filipino	14,090,219,058	36.8473%
Preferred				6,000,000,000	15.6906%
Total				20,090,219,058	52.5379%
Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers.	Non-Filipino	5,790,772,539 ³	15.1435%
Common	New Town Land Partners, Inc. (NTLPI) ⁴ , 6/F The World Centre, Sen. Gil Puyat, Ave., Makati	New Town Land Partners, Inc.	Filipino	5,668,530,324	14.8238%

¹The Chairman of the Board of AGI, Mr. Andrew L. Tan, is also Chairman of the Board and President of the Company.

² The Board of Directors of AGI has voting and investment power over AGI's shares of stock in the Company.

AGI normally authorizes its Chairman, or in his absence, the Chairman of the Meeting, to vote AGI's shares of stock in the Company.

³ This includes HSBC's 2,785,638,537 shares.

⁴ The Board of Directors of NTLPI has voting and investment power over NTLPI's shares of stock in the Company, NTLPI has authorized the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

Common	PCD Nominee Corporation (Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers. ¹	Filipino	4,895,004,968	12.8009%
Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	The Hongkong and Shanghai Banking Corp. Ltd. – Clients (HSBC) ²	Non-Filipino	2,785,638,537	7.2847%

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 February 29, 2016

Title of Class Name of Beneficial Owner		Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors/Nominees				
Common	Andrew L. Tan	95,000,000 (direct)	Filipino	.24843%
		1,891,632 ³ (indirect)	Filipino	.00495%
		20,090,219,058 ⁴ (indirect)	Filipino	52.5379%
		5,668,530,324 ⁵ (indirect)	Filipino	14.8238%
Common	Gerardo C. Garcia	136,136 (direct)	Filipino	.00036%
Common	Kingson U. Sian	612,501 (direct)	Filipino	.00160%
Common	Katherine L. Tan	1,891,632 (direct)	Filipino	.00495%
		95,000,000 ⁶ (indirect)	Filipino	.24843%
Common	Miguel B. Varela	4,422 (direct)	Filipino	.00001%
Common	Roberto S. Guevara	1 (direct)	Filipino	.00000%
Common	Enrique Santos L. Sy	80,553 (direct)	Filipino	.00021%
CEO and Four Most Highly Compensated Officers				
Common	Andrew L. Tan	Same as above		
Common	Kingson U. Sian	Same as above		
Common	Lourdes T. Gutierrez-Alfonso	974,244 (direct)	Filipino	.00255%
Common	Francisco C. Canuto	369,054 (direct)	Filipino	.00097%
Common	Philipps C. Cando	0	Filipino	n/a
Other Executive Officers				
Common	Maria Victoria M. Acosta	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Jericho P. Go	18,000 (direct)	Filipino	.00005%
Common	Noli D. Hernandez	0	Filipino	n/a

¹ Among the PCD participants, HSBC owns 2,785,638,537 shares, representing 7.2847% of the Company's outstanding capital stock.

² HSBC is a participant of the PCD. The beneficial owners of the shares held by HSBC are not known to the Company.

³ The shares are beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.

⁴ The shares are held by Alliance Global Group, Inc. which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Board, or in his absence the Chairman of the Meeting, to vote AGI's common shares in the Company.

⁵ The shares are held by NTLPI which normally authorizes the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

⁶ The shares are beneficially owned by Andrew L. Tan, spouse of Katherine L. Tan.

Common	Garry V. de Guzman	0	Filipino	n/a
Common	Kevin Andrew L. Tan	367,205(direct)	Filipino	.00096%
Common	Rafael Antonio S. Perez	0	Filipino	n/a
Common	Kimberly Hazel A. Sta. Maria	0	Filipino	n/a
Common	Carmen C. Fernando	0	Filipino	n/a
Common	Anna Michelle T. Llovido	0	Filipino	n/a
Common	Rolando D. Siatela	0	Filipino	n/a
Common	All directors and executive officers as a group	99,453,748 (direct)		0.26008%

Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the Company since it was incorporated in 1989.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please refer to the discussion under Transactions with and/or dependence on related parties on pages 11 and 12.

The Group's policy on related party transactions is disclosed in Note 2.22, Page 29 of the Audited Financial Statements.

In Note 1, Pages 1 to 5 of the Audited Financial Statements, the interest of the Company on its subsidiaries and associates as well as other explanatory notes are disclosed. Moreover, Notes 27 to 27.3, Pages 74 to 77, cite the conditions, purpose and types of transactions (i.e., collection from sales of land and rendering services to related parties, obtaining services from related parties, advances provided to associates and other related parties, advances from associates and other related parties and other accounts). Further, in accordance with PAS 24.18, the Group disclosed the amount of the transactions with its related parties, including the amount of outstanding balances of the reporting dates. With regard to determination of transaction prices, these are determined based on the agreement of the parties involved and are usually based on prevailing market sales.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 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

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2015, 2014 and 2013.
2	Annual Corporate Governance Report for 2015

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

Date	Disclosures
21 July 2015	Press Release: “Megaworld to spend P20B for 12 office towers in Fort Bonifacio”
27 July 2015	Press Release: “Megaworld to build new residential tower in Makati”
03 August 2015	Press Release: “Megaworld to build Iloilo City’s Future Financial Center”
10 August 2015	Notice of Investor Briefing Teleconference
12 August 2015	Press Release: “Megaworld’s H1 net income jumps 12.51% to P5.43B; rental income soars to historic high”
17 August 2015	Press Release: “Megaworld to open first Belmont Hotel in bustling Newport City”
18 August 2015	Press Release: “Megaworld to open two new malls in Uptown Bonifacio”
07 September 2015	Press Release: “Megaworld to build P30B township in Pampanga”
14 October 2015	Notice of Investor/Analyst Briefing
21 October 2015	Press Release: “Megaworld fast tracks construction of campus-type BPO towers in McKinley West”
27 October 2015	Press Release: “Property values in Alabang West up 19% in less than a year”
02 November 2015	Press Release: “Megaworld, Travellers build P65B Westwide City near Manila Bay”
12 November 2015	Press Release: “Megaworld’s 9-month income up 12.52% company to further expand rental portfolio”

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, on APR 21 2016.

MEGAWORLD CORPORATION

Company

By:


ANDREW L. TAN

President

(Principal Executive Officer) ✓


FRANCISCO C. CANUTO


Treasurer

(Principal Financial Officer) ✓


LOURDES T. GUTIERREZ-ALFONSO

Chief Operating Officer

(Principal Operating Officer) ✓


LOURDES O. RAMILO

(Principal Accounting Officer
and Comptroller) ✓

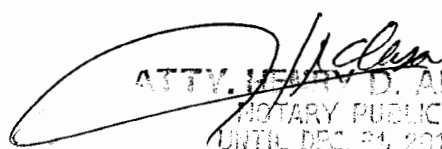

ANNA MICHELLE T. LLOVIDO

Corporate Secretary ✓

SUBSCRIBED AND SWORN to before me this APR 21 2016, affiants exhibiting to me their Community Tax Certificates, as follows:

<u>NAME</u>	<u>TIN NO.</u>
Andrew L. Tan	125-960-003
Francisco C. Canuto	102-956-483
Lourdes T. Gutierrez	106-893-930
Lourdes O. Ramilo	111-600-504
Anna Michelle T. Llovido	121-424-847

Doc. No. 128
Page No. 25
Book No. 841
Series of 2016: 841


ATTY. HENRY D. ADASA

NOTARY PUBLIC
UNTIL DEC. 31, 2016

S.C. REG. NO. 25579

1952 SAN MARCELINO ST. TATE MIA
TIN NO. 9354510/04/2015 Z.N.
CTR NO. 4015147/07/01/2015 MIA.
MCLE COMPLIANCE NO. IH-0028245



MEGAWORLD CORPORATION

28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines

Tels: (632) 867-8826 to 40

www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

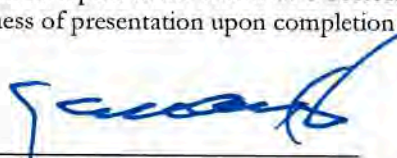
The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

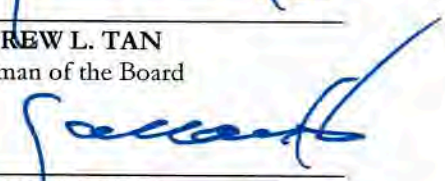
- a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
- b. Reconciliation of Retained Earnings Available for Dividend Declaration
- c. Schedule of PFRS Effective as of December 31, 2015
- d. Schedule of Financial Indicators for December 31, 2015 and 2014
- e. Map Showing the Relationship Between and Among the Company and its Related Entities

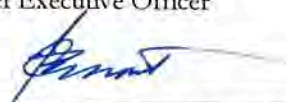
Management's responsibility on the consolidated financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing 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

ANDREW L. TAN
Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 18th Day of March 2016




CERTIFICATION
INTERNATIONAL
ISO 9001:2008
CIP/2652/99/11/168

MAR 21 2016

SUBSCRIBED AND SWORN to before me on this ____ day of _____ at MAKATI CITY,
Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	00217371	January 4, 2016	Quezon City
Francisco C. Canuto	05073540	January 6, 2016	Makati City

Doc. No. 96 ;
Page No. 21 ;
Book No. 152 ;
Series of 2016


ATTY. ROBERT M. LUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1009529, Sept. 24, 2015-RSM
PTR #5321594, Jan. 04, 2016-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
191 Urban Avenue, Makati City
makati city

Report of Independent Auditors

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Megaworld Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, 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, 2015, 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 Megaworld Corporation and Subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 5321727, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 18, 2016

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 22,763,063,173	P 25,142,949,887
Trade and other receivables - net	6	27,362,783,828	23,718,900,311
Residential, condominium units, golf and resort shares for sale	7	61,466,864,765	56,908,140,889
Property development costs	3	14,858,143,294	12,390,474,097
Prepayments and other current assets - net	8	<u>4,724,510,295</u>	<u>3,930,038,987</u>
Total Current Assets		<u>131,175,365,355</u>	<u>122,090,504,171</u>
NON-CURRENT ASSETS			
Trade and other receivables - net	6	32,694,770,838	28,911,089,037
Advances to landowners and joint ventures	10	6,481,862,730	4,823,705,981
Land for future development	3	18,115,516,349	13,212,623,684
Investments in available-for-sale securities	9	4,699,583,654	6,146,267,429
Investments in and advances to associates and other related parties	11	6,772,193,903	6,083,083,483
Investment properties - net	12	46,272,070,191	35,762,629,818
Property and equipment - net	13	3,050,852,191	1,867,373,139
Deferred tax assets - net	26	67,107,874	77,267,099
Other non-current assets -net	14	<u>2,355,440,617</u>	<u>2,065,297,752</u>
Total Non-current Assets		<u>120,509,398,347</u>	<u>98,949,337,422</u>
TOTAL ASSETS		<u>P 251,684,763,702</u>	<u>P 221,039,841,593</u>

	Notes	2015	2014
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 4,244,935,177	P 2,625,737,935
Trade and other payables	17	12,069,419,857	10,620,187,419
Customers' deposits	2	5,880,223,576	5,847,731,277
Reserve for property development	2	6,437,971,861	7,063,089,278
Deferred income on real estate sales	2	5,653,790,826	5,340,188,412
Income tax payable		130,563,095	146,218,656
Bonds payable	16	-	5,000,000,000
Other current liabilities	19	2,061,912,229	2,234,881,908
Total Current Liabilities		36,478,816,621	38,878,034,885
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	27,427,696,485	6,126,996,683
Bonds payable	16	20,929,920,130	19,784,913,748
Customers' deposits	2	1,062,317,494	1,396,448,740
Redeemable preferred shares	18	1,257,987,900	1,257,987,900
Reserve for property development	2	9,751,642,232	8,302,500,433
Deferred income on real estate sales	2	4,808,072,809	4,518,013,829
Deferred tax liabilities - net	26	9,637,196,264	8,138,764,944
Advances from associates and other related parties	27	1,491,160,829	903,152,243
Retirement benefit obligation	25	925,195,114	1,077,540,365
Other non-current liabilities	19	3,501,403,181	1,856,694,602
Total Non-current Liabilities		80,792,592,438	53,363,013,487
Total Liabilities		117,271,409,059	92,241,048,372
EQUITY			
Total equity attributable to the company's shareholders	28	116,688,480,613	110,802,948,163
Non-controlling interests		17,724,874,030	17,995,845,058
Total Equity		134,413,354,643	128,798,793,221
TOTAL LIABILITIES AND EQUITY		P 251,684,763,702	P 221,039,841,593

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
REVENUES AND INCOME				
Real estate sales	20	P 27,262,297,450	P 24,606,554,437	P 21,250,984,220
Interest income on real estate sales	6	1,677,596,838	1,671,138,097	1,537,113,091
Realized gross profit on prior years' sales	20	3,786,994,581	3,229,266,841	3,055,810,351
Rental income	12	8,729,655,235	7,070,911,439	6,037,779,873
Hotel operations	2	796,322,364	722,971,143	451,040,792
Equity in net earnings of associates	11	138,614,220	328,707,760	311,681,755
Interest and other income - net	23	2,604,179,681	15,501,208,246	3,597,154,420
		<u>44,995,660,369</u>	<u>53,130,757,963</u>	<u>36,241,564,502</u>
COSTS AND EXPENSES				
Real estate sales	21	15,434,942,352	14,363,869,187	12,644,982,372
Deferred gross profit	2	4,515,385,332	4,538,218,791	4,239,120,916
Hotel operations	2	467,982,367	368,443,782	233,322,382
Operating expenses	22	7,991,895,011	7,491,693,766	5,664,364,910
Interest and other charges - net	24	2,726,266,816	1,624,478,535	1,859,653,882
Tax expense	26	3,284,678,495	3,120,330,226	2,571,452,012
		<u>34,421,150,373</u>	<u>31,507,034,287</u>	<u>27,212,896,474</u>
PROFIT FOR THE YEAR				
BEFORE PRE-ACQUISITION INCOME		10,574,509,996	21,623,723,676	9,028,668,028
PRE-ACQUISITION LOSS (INCOME) OF SUBSIDIARIES				
	1	<u>291,847</u>	<u>(69,008,162)</u>	<u>6,315,710</u>
NET PROFIT FOR THE YEAR				
		<u>P 10,574,801,843</u>	<u>P 21,554,715,514</u>	<u>P 9,034,983,738</u>
Net profit attributable to:				
Company's shareholders		P 10,215,095,444	P 21,219,577,584	P 8,970,664,010
Non-controlling interests		<u>359,706,399</u>	<u>335,137,930</u>	<u>64,319,728</u>
		<u>P 10,574,801,843</u>	<u>P 21,554,715,514</u>	<u>P 9,034,983,738</u>
Earnings Per Share:				
Basic	29	<u>P 0.321</u>	<u>P 0.670</u>	<u>P 0.308</u>
Diluted		<u>P 0.319</u>	<u>P 0.667</u>	<u>P 0.305</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
NET PROFIT FOR THE YEAR		<u>P 10,574,801,843</u>	<u>P 21,554,715,514</u>	<u>P 9,034,983,738</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss -				
Actuarial gains (losses) on retirement benefit obligations	25	316,613,558	(165,532,030)	26,996,797
Tax income (expense)	25, 26	(<u>94,984,067</u>)	<u>49,659,609</u>	(<u>8,099,039</u>)
		221,629,491	(115,872,421)	18,897,758
Share in other comprehensive income of associates	11	<u>38,744,144</u>	<u>-</u>	<u>4,714,128</u>
		<u>260,373,635</u>	(<u>115,872,421</u>)	<u>23,611,886</u>
Items that will be reclassified subsequently to profit or loss:				
Fair valuation of available-for-sale securities:				
Fair value gains (losses) during the year	9	(2,741,305,680)	(416,644,686)	1,202,548,494
Fair value gains on disposal reclassified to profit or loss	23	(<u>3,728,897</u>)	(<u>796,867,188</u>)	(<u>115,258,400</u>)
		(<u>2,745,034,577</u>)	(<u>1,213,511,874</u>)	<u>1,087,290,094</u>
Exchange difference on translating foreign operations	2	69,869,987	(102,295,326)	50,906,173
Tax income (expense)	26	(<u>20,960,996</u>)	<u>30,688,598</u>	(<u>15,271,852</u>)
		<u>48,908,991</u>	(<u>71,606,728</u>)	<u>35,634,321</u>
		(<u>2,696,125,586</u>)	(<u>1,285,118,602</u>)	<u>1,122,924,415</u>
Total Other Comprehensive Income (Loss)		(<u>2,435,751,951</u>)	(<u>1,285,118,602</u>)	<u>1,127,638,543</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>P 8,139,049,892</u>	<u>P 20,153,724,491</u>	<u>P 10,181,520,039</u>
Total comprehensive income attributable to:				
Company's shareholders		<u>P 7,782,514,268</u>	<u>P 19,826,358,307</u>	<u>P 10,129,718,148</u>
Non-controlling interests		<u>356,535,624</u>	<u>327,366,184</u>	<u>51,801,891</u>
		<u>P 8,139,049,892</u>	<u>P 20,153,724,491</u>	<u>P 10,181,520,039</u>

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

Attributable to Company's Shareholders										
Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - At Cost	Translation Reserves	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity	
Balance at January 1, 2015	P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221	
Transactions with owners:										
Issuance of shares of stock	28 7,987,924	-	-	-	-	-	7,987,924	-	7,987,924	
Share-based employee compensation	25 -	-	-	-	-	31,190,286	31,190,286	-	31,190,286	
Cash dividends	28 -	-	-	-	-	(1,936,160,028)	(1,936,160,028)	-	(1,936,160,028)	
Cash dividends attributable to non-controlling interest	-	-	-	-	-	-	-	(80,000,000)	(80,000,000)	
Share-based employee compensation issued by a subsidiary	25 -	-	-	-	-	-	-	115,081,847	115,081,847	
Acquisition of a new subsidiary with non-controlling interest	1 -	-	-	-	-	-	-	254,687,970	254,687,970	
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	(917,276,469)	(917,276,469)	
	<u>7,987,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,904,969,742)</u>	<u>(1,896,981,818)</u>	<u>(627,506,652)</u>	<u>(2,524,488,470)</u>	
Total comprehensive income for the year:										
Net profit	-	-	-	-	-	10,215,095,444	10,215,095,444	359,706,399	10,574,801,843	
Actuarial gain retirement benefit obligation, net of tax	25, 26 -	-	-	-	210,281,710	-	210,281,710	11,347,781	221,629,491	
Fair value losses on available-for-sale securities	9, 23 -	-	-	-	(2,730,516,021)	(2,730,516,021)	(2,730,516,021)	(14,518,556)	(2,745,034,577)	
Share in other comprehensive income of associates	11 -	-	-	-	38,744,144	-	38,744,144	-	38,744,144	
Exchange difference on translating foreign operations, net of tax	2, 26 -	-	-	48,908,991	-	-	48,908,991	-	48,908,991	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,908,991</u>	<u>(2,481,490,167)</u>	<u>10,215,095,444</u>	<u>7,782,514,268</u>	<u>356,535,624</u>	<u>8,139,049,892</u>	
Balance at December 31, 2015	<u>P 32,430,865,872</u>	<u>P 16,657,990,413</u>	<u>(P 633,721,630)</u>	<u>(P 413,553,328)</u>	<u>(P 2,133,379,319)</u>	<u>P 70,780,278,605</u>	<u>P 116,688,480,613</u>	<u>P 17,724,874,030</u>	<u>P 134,413,354,643</u>	

Attributable to Company's Shareholders										
Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - At Cost	Translation Reserves	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity	
Balance at January 1, 2014	P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825	
Transactions with owners:										
Issuance of shares of stock	28 262,202,843	-	-	-	-	-	262,202,843	-	262,202,843	
Share-based employee compensation	25 -	-	-	-	-	40,096,554	40,096,554	-	40,096,554	
Cash dividends	28 -	-	-	-	-	(1,246,941,619)	(1,246,941,619)	-	(1,246,941,619)	
Derecognition of other comprehensive income of associates	-	-	-	-	(6,159,298)	-	(6,159,298)	-	(6,159,298)	
Cash dividends attributable to non-controlling interest	-	-	-	-	-	-	-	(178,468,817)	(178,468,817)	
Acquisition of new subsidiaries with non-controlling interest	1 -	-	-	-	-	-	-	5,199,701,059	5,199,701,059	
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	2,621,616,183	2,621,616,183	
	<u>262,202,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,159,298)</u>	<u>(1,206,845,065)</u>	<u>(950,801,520)</u>	<u>7,642,848,425</u>	<u>6,692,046,905</u>	
Total comprehensive income for the year:										
Net profit	-	-	-	-	-	21,219,577,584	21,219,577,584	335,137,930	21,554,715,514	
Actuarial loss on retirement benefit obligation, net of tax	25, 26 -	-	-	-	(108,100,675)	-	(108,100,675)	(7,771,746)	(115,872,421)	
Fair value losses on available-for-sale securities	9,23 -	-	-	-	(1,213,511,874)	-	(1,213,511,874)	-	(1,213,511,874)	
Exchange difference on translating foreign operations, net of tax	2, 26 -	-	-	(71,606,728)	-	-	(71,606,728)	-	(71,606,728)	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,606,728)</u>	<u>(1,321,612,549)</u>	<u>21,219,577,584</u>	<u>19,826,358,307</u>	<u>327,366,184</u>	<u>20,153,724,491</u>	
Balance at December 31, 2014	P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221	
Balance at January 1, 2013	P 28,938,862,985	P 8,432,990,413	(P 633,721,630)	(P 426,489,912)	P 552,462,878	P 34,486,457,893	P 71,350,562,627	P 9,875,363,979	P 81,225,926,606	
Transactions with owners:										
Issuance of shares of stocks	28 3,221,812,120	8,225,000,000	-	-	-	-	11,446,812,120	-	11,446,812,120	
Share-based employee compensation	25 -	-	-	-	-	30,382,120	30,382,120	-	30,382,120	
Cash dividends	28 -	-	-	-	-	(1,030,083,639)	(1,030,083,639)	-	(1,030,083,639)	
Acquisition of a new subsidiary with non-controlling interest	1 -	-	-	-	-	-	-	4,500,000	4,500,000	
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	93,964,579	93,964,579	
	<u>3,221,812,120</u>	<u>8,225,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(999,701,519)</u>	<u>10,447,110,601</u>	<u>98,464,579</u>	<u>10,545,575,180</u>	
Total comprehensive income for the year:										
Net profit	-	-	-	-	-	8,970,664,010	8,970,664,010	64,319,728	9,034,983,738	
Actuarial gains (losses) on retirement benefit obligation, net of tax	25, 26 -	-	-	-	31,415,595	-	31,415,595	(12,517,837)	18,897,758	
Fair value gain on available-for-sale securities	9, 23 -	-	-	-	1,087,290,094	-	1,087,290,094	-	1,087,290,094	
Share in other comprehensive income of associates	11 -	-	-	-	4,714,128	-	4,714,128	-	4,714,128	
Exchange difference on translating foreign operations, net of tax	2, 26 -	-	-	35,634,321	-	-	35,634,321	-	35,634,321	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,634,321</u>	<u>1,123,419,817</u>	<u>8,970,664,010</u>	<u>10,129,718,148</u>	<u>51,801,891</u>	<u>10,181,520,039</u>	
Balance at December 31, 2013	P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825	

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 13,859,480,338	P 24,675,045,740	P 11,606,435,750
Adjustments for:				
Interest expense	24	1,486,628,541	1,416,888,598	1,317,523,303
Depreciation and amortization	12, 13, 14	1,348,751,764	1,300,385,226	956,774,624
Interest income	23	(1,337,049,326)	(1,056,924,854)	(1,566,850,939)
Unrealized foreign currency losses - net	24	1,148,545,867	105,046,866	491,259,799
Gain on sale of investments in an associate	23	(181,347,731)	(9,384,719,202)	-
Employee share options	25	146,272,133	40,096,554	30,382,120
Equity in net earnings of associates	11	(138,614,220)	(328,707,760)	(311,681,755)
Dividend income	23, 27	(78,239,149)	(46,595,425)	(55,359,121)
Fair value gains on disposal of available-for-sale securities reclassified to profit or loss	23	(3,597,409)	(796,867,188)	(115,258,400)
Fair value gains on remeasurement of investments	23	-	(2,251,067,460)	-
Gain on deconsolidation of a subsidiary	23	-	(377,473,088)	-
Gain on acquisition of subsidiaries	23	-	(142,695,054)	(763,834,597)
Gain on sale of land	23	-	(98,461,571)	-
Loss on disposal of property and equipment		-	6,549,810	-
Gain on sale of available-for-sale securities	23	-	-	(32,993,081)
Operating profit before working capital changes		16,250,830,808	13,060,501,192	11,556,397,703
Increase in trade and other receivables		(7,431,104,803)	(1,090,405,548)	(3,494,261,992)
Increase in residential, condominium, golf and resort shares for sale		(4,827,860,992)	(12,263,125,597)	(4,848,741,291)
Increase in property development costs		(2,467,669,197)	(1,950,203,880)	(1,201,786,932)
Increase in prepayments and other current assets		(744,699,012)	(510,957,376)	(189,254,598)
Decrease (increase) in advances to landowners and joint ventures		(1,658,156,749)	(36,293,127)	45,729,027
Increase (decrease) in trade and other payables		1,780,422,124	1,216,809,513	(691,719,974)
Increase (decrease) in customers' deposits		(301,638,947)	659,947,347	(820,197,797)
Increase in reserve for property development		824,024,382	2,328,050,242	1,939,375,575
Increase in deferred income on real estate sales		603,661,394	1,490,855,451	1,030,441,263
Increase in other liabilities		1,529,675,359	571,084,034	95,447,544
Cash generated from operations		3,557,484,367	3,476,262,251	3,421,428,528
Cash paid for income taxes		(1,907,688,663)	(1,743,573,374)	(1,575,900,684)
Net Cash From Operating Activities		1,649,795,704	1,732,688,877	1,845,527,844
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(12,896,131,534)	(8,727,663,262)	(3,494,295,658)
Land for future development		(4,358,367,202)	(4,097,181,884)	(1,762,592,832)
Property and equipment	13	(208,882,344)	(191,245,753)	(206,947,857)
Additions to available-for-sale securities	9	(1,461,811,671)	(1,351,199,338)	-
Interest received		1,058,915,769	980,473,281	1,326,107,392
Acquisition of shares of stock of subsidiaries and associates		(877,776,746)	(13,107,646,794)	(8,309,882,171)
Advances from associates and other related parties:	27			
Obtained		693,250,959	288,167,471	18,194,551
Paid		(105,242,373)	(20,315,115)	(590,311,272)
Advances to associates and other related parties:	27			
Collected		507,860,575	86,788,697	345,303,830
Granted		(382,744,323)	(433,938,450)	(1,259,535,008)
Increase in other non-current assets		(565,531,212)	(1,348,512,492)	(207,331,955)
Proceeds from sale of investments in an associate	23	422,256,169	10,431,650,000	-
Proceeds from sale of available-for-sale securities		125,516,555	1,850,390,166	350,735,590
Dividends received		78,239,149	176,516,425	669,429,121
Proceeds from sale of investment property		-	446,428,572	-
Proceeds from sale of property and equipment		-	7,334,460	3,167,769
Net Cash Used in Investing Activities		(17,970,448,229)	(15,009,954,016)	(13,117,958,500)
Balance carried forward		(P 16,320,652,525)	(P 13,277,265,139)	(P 11,272,430,656)

	Notes	2015	2014	2013
<i>Balance brought forward</i>		(P 16,320,652,525)	(P 13,277,265,139)	(P 11,272,430,656)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long and short-term liabilities	15, 16	26,462,435,925	6,453,950,594	10,259,227,640
Repayments of bonds payable	16	(5,000,000,000)	-	-
Cash dividends declared and paid	28	(1,936,160,028)	(1,246,941,619)	(1,030,083,639)
Interest paid		(2,050,959,128)	(1,664,874,571)	(1,896,694,645)
Repayments of long and short-term liabilities		(3,542,538,882)	(1,634,629,882)	(2,698,258,616)
Proceeds from exercise of share warrants	28	7,987,924	262,202,843	721,812,120
Proceeds from additional issuance of shares	28	-	-	10,725,000,000
Net Cash From Financing Activities		13,940,765,811	2,169,707,365	16,081,002,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(2,379,886,714)	(11,107,557,774)	4,808,572,204
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES				
		-	4,682,627,857	117,016,208
PRE-ACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES				
		-	(184,025,841)	(398,206)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		25,142,949,887	31,751,905,645	26,826,715,439
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P 22,763,063,173	P 25,142,949,887	P 31,751,905,645

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Properties as the property goes through its various stages of development. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 10 and 12).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

All of the Company's common shares are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI or the Parent Company), also a publicly listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage business, real estate, quick service restaurant, tourism-oriented and gaming businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

1.1 Composition of the Group

As at December 31, the Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership		
		2015	2014	2013
Subsidiaries:				
Prestige Hotels and Resorts, Inc. (PHRI)		100%	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)		100%	100%	100%
Megaworld Cayman Islands, Inc. (MCII)		100%	100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		100%	100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%	100%
Megaworld Cebu Properties, Inc. (MCP)		100%	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		100%	100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%	100%
Piedmont Property Ventures, Inc. (PPVT)	(a)	100%	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	100%	100%	100%
Streamwood Property, Inc. (SP)	(a)	100%	100%	100%
Lucky Chinatown Cinemas, Inc. (LCCI)	(b)	100%	100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)	(b)	100%	100%	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership		
		2015	2014	2013
Subsidiaries:				
Arcovia Properties, Inc. (API, formerly Woodside Greentown Properties, Inc.)	(b)	100%	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)	(c)	100%	100%	-
Luxury Global Malls, Inc. (LGMI)	(c)	100%	100%	-
Davao Park District Holdings, Inc. (DPDHI)	(c)	100%	100%	-
Belmont Newport Luxury Hotels, Inc. (BNLHI)	(d)	100%	-	-
Global One Hotel Group, Inc. (GOHGI)	(d)	100%	-	-
McKinley Cinemas, Inc. (MCI)	(d)	100%	-	-
Uptown Cinemas, Inc. (UCI)	(d)	100%	-	-
Megaworld Bacolod Properties, Inc. (MBPI, formerly Bacolod-Murcia Milling Co., Inc.)	(e)	91.55%	-	-
Megaworld Central Properties, Inc. (MCPI)	(f)	76.55%	76.54%	76.50%
La Fuerza, Inc. (LFI)	(g)	66.67%	66.67%	-
Megaworld-Daewoo Corporation (MDC)		60%	60%	60%
Eastwood Cinema 2000, Inc. (EC2000)	(b)	55%	55%	55%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(h)	52.14%	52.13%	52.04%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(i)	50.92%	50.92%	54.50%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%	50%
Philippine International Properties, Inc. (PIPI)	(j)	50%	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%	100%
City Walk Building Administration, Inc. (CBAI) Forbestown Commercial Center Administration, Inc. (FCCAI)	(k)	100%	100%	-
Paseo Center Building Administration, Inc. (PCBAI)	(k)	100%	100%	-
Uptown Commercial Center Administration, Inc. (UCCAI)	(k)	100%	100%	-
Iloilo Center Mall Administration, Inc. (ICMAI)	(k)	100%	-	-
Newtown Commercial Center Administration, Inc. (NCCAI)	(k)	100%	-	-
Valley Peaks Property Management, Inc. (VPPMI)	(k)	100%	-	-
Suntrust Properties, Inc. (SPI)	(l)	100%	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)	(b)	100%	100%	100%
Governor’s Hills Science School, Inc. (GHSSI)	(m)	100%	100%	-
Sunrays Property Management, Inc. (SPMI)	(m)	100%	100%	-
Suntrust One Shanata, Inc. (SOSI, formerly Greengate Holdings Corporation)	(m)	100%	100%	-
Suntrust Two Shanata, Inc. (STSI, formerly Regalia Properties Corporation)	(m)	100%	100%	-
Global-Estate Resorts, Inc. and Subsidiaries (GERI)	(n)	82.26%	80.41%	-
Southwoods Mall, Inc. (SMI)	(o)	91.13%	40.21%	-
Fil-Estate Properties, Inc. (FEPI)	(p)	82.26%	80.41%	-
Aklan Holdings, Inc. (AHI)	(p)	82.26%	80.41%	-
Blu Sky Airways, Inc. (BSAI)	(p)	82.26%	80.41%	-
Fil-Estate Subic Development Corp. (FESDC)	(p)	82.26%	80.41%	-
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(p)	82.26%	80.41%	-
Golden Sun Airways, Inc. (GSAI)	(p)	82.26%	80.41%	-
La Compañía De Sta. Barbara, Inc. (LCSBI)	(p)	82.26%	80.41%	-
MCX Corporation (MCX)	(p)	82.26%	80.41%	-
Pioneer L-5 Realty Corp. (PLRC)	(p)	82.26%	80.41%	-
Prime Airways, Inc. (PAI)	(p)	82.26%	80.41%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership		
		2015	2014	2013
Subsidiaries:				
Sto. Domingo Place Development Corp. (SDPDC)	(p)	82.26%	80.41%	-
Fil-Power Concrete Blocks Corp. (FPCBC)	(p)	82.26%	80.41%	-
Fil-Estate Industrial Park, Inc. (FEIPI)	(p)	64.99%	63.52%	-
Sherwood Hills Development, Inc. (SHD)	(p)	45.24%	44.22%	-
Fil-Estate Golf and Development, Inc. (FEGDI)	(p)	82.26%	80.41%	-
Golforce, Inc. (Golforce)	(p)	82.26%	80.41%	-
Southwoods Ecocentrum Corp. (SWEC, formerly Fil-Estate Ecocentrum Corp.)	(p)	46.07%	45.03%	-
Philippine Aquatic Leisure Corp. (PALC)	(p)	46.07%	45.03%	-
Fil-Estate Urban Development Corp. (FEUDC)	(p)	82.26%	80.41%	-
Novo Sierra Holdings Corp. (NSHC)	(p)	82.26%	80.41%	-
Global Homes and Communities, Inc. (GHCI)	(p)	82.26%	80.41%	-
Megaworld Global-Estate, Inc. (MGEI)	(q)	89.36%	88.25%	-
Twin Lakes Corporation (TLC)	(r)	83.34%	67.18%	-
Oceanfront Properties, Inc. (OFPI)	(p)	41.13%	40.20%	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(s)	81.73%	81.72%	81.53%
Eastwood Property Holdings, Inc. (EPHI)	(t)	81.73%	81.72%	81.53%
Valle Verde Properties, Inc. (VVPI)	(t)	81.73%	81.72%	81.53%
Sherman Oak Holdings, Inc. (SOHI)	(t)	81.73%	81.72%	81.53%
Empire East Communities, Inc. (EECI)	(t)	81.73%	81.72%	81.53%
20 th Century Nylon Shirt, Inc. (CNSI)	(t)	81.73%	-	-
Laguna BelAir School, Inc. (LBASI)	(t)	59.67%	59.66%	59.51%
Sonoma Premier Land, Inc. (SPLI)	(t)	49.04%	49.03%	48.92%
Megaworld Resort Estates, Inc. (MREI)	(u)	51%	51%	51%
Townsquare Development, Inc. (TDI)	(u)	30.60%	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)	(v)	30.60%	30.60%	-
Associates:				
Bonifacio West Development Corporation (BWDC)	(x)	46.11%	46.11%	-
Palm Tree Holdings and Development Corporation (PTHDC)		40%	40%	40%
LFI	(g)	-	-	50%
Westside City Resorts World, Inc. (WCRWI, formerly Resorts World Bayshore City, Inc.)	(z)	-	-	10%
Travellers International Hotel Group, Inc. (TIHGI)	(aa)	-	-	9%
Suntrust Home Developers, Inc. and Subsidiaries (SHDI)		42.48%	42.48%	42.48%
First Oceanic Property Management, Inc. (FOPMI)	(y)	42.48%	42.48%	42.48%
Citylink Coach Services, Inc. (CCSI)	(y)	42.48%	42.48%	42.48%
GERI	(p)	-	-	24.70%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(w)	37.01%	48.25%	-
Fil-Estate Network, Inc. (FENI)	(bb)	16.45%	16.08%	-
Fil-Estate Sales, Inc. (FESI)	(bb)	16.45%	16.08%	-
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(bb)	16.45%	16.08%	-
Fil-Estate Realty Corp. (FERC)	(bb)	16.45%	16.08%	-
Nasugbu Properties, Inc. (NPI)	(bb)	11.52%	11.23%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership		
		2015	2014	2013
Associates:				
GERI				
MGEI	(q)	-	-	54.82%
TLC	(r)	-	-	31.35%
EELHI				
Pacific Coast Mega City, Inc. (PCMCI)	(cc)	16.35%	-	-

Explanatory Notes:

- (a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as at December 31, 2015.
- (b) In 2013, the Company acquired 100% ownership interest on these entities, except EC2000 (at 55%). API and SEDI are engaged in the same line of business as the Company while LCCI and EC2000 are engaged in cinema operations. LGHLI is a newly incorporated subsidiary in 2013 and engaged in hotel operations. SEDI became a subsidiary of the Company through SPI, its immediate parent company. The acquisition of API resulted in a gain on acquisition (negative goodwill) of P763.8 million in 2013 (see Note 23). Also, pre-acquisition loss of P6.3 million was recognized in the 2013 consolidated statement of income.
- (c) These subsidiaries are newly incorporated in 2014. GOIBSI and LGMI are engaged in business process outsourcing. DPDHI, which is engaged in the same line of business as the Company was acquired from a third party in 2014. The acquisition of DPDHI resulted in a gain on acquisition (negative goodwill) of P65.1 million (see Note 23). Also a pre-acquisition loss of P3.5 million was reported in the 2014 consolidated statement of income.
- (d) These subsidiaries are newly incorporated in 2015. BNLHI is engaged in condominium-hotel operations while GOHGI provides management services to the former. MCI and UCI are engaged in cinema operations.
- (e) In 2015, the Company acquired 91.55% ownership interest in MBPI, which is engaged in the same line of business as the Company. The acquisition was accounted for as an asset acquisition, hence, no goodwill or gain on acquisition was recognized. Pre-acquisition loss amounting to P0.3 million was recognized and presented in the 2015 consolidated statement of income. Non-controlling interest arising from consolidation amounted to P0.25 billion.
- (f) As at December 31, 2015, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.
- (g) On November 4, 2013, the Company acquired 50% ownership interest over LFI which is engaged in leasing of real estate properties. As at December 31, 2013, the Company has not established control over LFI; hence, the latter was only classified as an associate. On January 21, 2014, the Company acquired additional 16.67% interest resulting in the increase in ownership to 66.67% gaining the power to govern the financial and operating policies over LFI. Accordingly, gain on acquisition (negative goodwill) of P77.6 million was realized from the business combination and is presented as part of Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23). Non-controlling interest arising from consolidation amounted to P1.2 billion. The pre-acquisition income of P2.6 million arising from the transaction was also recognized in the 2014 consolidated statement of income.
- (h) In 2013, as a result of the Company's increase in ownership interest in EELHI, the Company's ownership interest in GPMAI also increased to 52.04%, since all members of the Board of Directors (BOD) of GPMAI are also members of the BOD of the Company; hence, GPMAI became a subsidiary. In 2015 and 2014, due to additional ownership acquired in EELHI, the Company's ownership in GPMAI has increased to 52.14% as at December 31, 2015, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.
- (i) In 2013, the Company's ownership in MBPHI was reduced to 54.50% resulting from the dilution of the Company's ownership in TIHGI. In 2014, as a result of the Company's sale of majority of its TIHGI shares to AGI, the Company's effective ownership interest simultaneously decreased to 50.92%. In 2015 and 2014, the Company and TIHGI equally subscribed to additional shares of MBPHI amounting to P0.5 billion and P0.8 billion each, respectively. The additional subscriptions on MBPHI do not affect the ownership interest of both TIHGI and the Company.
- (j) PIPI was incorporated in 2002 and acquired by the Company in 2006 but has not yet started commercial operations as at December 31, 2015.
- (k) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.

- (l) In 2013, the Company purchased the shares held by EELHI and SHDI representing 32.96% and 8.24% ownership interest in SPI, respectively, thereby increasing the Company's direct ownership in SPI to 100%.
- (m) In 2014, the Company through SPI, acquired these subsidiaries. GHSSI is an educational institution; SPMI is a facilities provider while SOSI and STSI are engaged in the same line of business as the Company.
- (n) In 2013, the Company acquired 24.70% ownership interest in GERI. GERI is considered as an associate of the Company as at December 31, 2013. In 2014, as a result of the various share acquisitions, the Company's ownership interest increased to 80.41%; hence, GERI became a subsidiary. Goodwill amounting to P947.1 million was recognized from the business combination (see Note 14) and a pre-acquisition income of P78.1 million was reflected in the 2014 consolidated statement of income. Non-controlling interest arising from the consolidation amounted to P4.0 billion. In 2015, the Company acquired additional shares of GERI through the PSE increasing its ownership interest to 82.26%.
- (o) SMI is a subsidiary of GERI acquired in 2014 which is engaged in real estate business. In 2015, the Company acquired 50% ownership in SMI. As at December 31, 2015, effective ownership interest over SMI totaled to 91.13%, consisting of 50% direct ownership and 41.13% indirect ownership through GERI.
- (p) These are subsidiaries of GERI. As a result of the additional investments in GERI in 2015 and 2014, the Company's indirect ownership interest over these subsidiaries and associates increased in proportion to the increase in effective interest over GERI.
- (q) MGEI started commercial operations in January 2014. In 2013, MGEI is classified as an associate through the Company's 40% direct ownership and 14.82% indirect ownership through GERI, an associate during the same year. In 2014, as a result of various share acquisitions and subsequent consolidation of GERI, the Company's indirect ownership interest increased to 48.25% and MGEI became a subsidiary. As at December 31, 2015, due to additional share acquisitions over GERI, the Company increased its effective ownership interest to 89.36%.
- (r) As at December 31, 2013, the Company's interest in TLC is 31.35% consisting of 19% direct ownership and 12.35% indirect ownership through GERI. In 2014, due to additional shares purchase from an existing stockholder of TLC and increased ownership in GERI, the Company's effective ownership over TLC increased to 67.18%. As at December 31, 2015, the Company, due to various share acquisitions over GERI and direct share acquisitions, increased its effective ownership interest to 83.34%.
- (s) In 2015, 2014 and 2013, the Company acquired outstanding shares of EELHI through the PSE resulting in the increase in ownership interest to 81.73%, 81.72% and 81.53%, respectively.
- (t) In 2015 and 2014, as a result of the various acquisitions of shares of EELHI, the Company's ownership interest increased to 81.73% and 81.72%, respectively; hence, indirect ownership over the subsidiaries of EELHI also increased proportionately. CNSI is a newly acquired subsidiary in 2015. The acquisition was accounted for as an asset acquisition, hence, no goodwill or gain on acquisition was recognized.
- (u) MREI was incorporated in 2007 while TDI was incorporated in 2006. MREI owns 60% of TDI resulting in the Company's indirect ownership interest of 30.60% in TDI.
- (v) In 2014, TDI acquired GPARC, which is engaged in real estate business. The excess of the acquisition cost over the fair value of net assets of GPARC was attributable to an identifiable leasehold right amounting to P139.3 million (see Note 14). Accordingly, a pre-acquisition loss of P8.2 million was recognized in the 2014 consolidated statement of income.
- (w) In 2014, FEPI, a subsidiary of GERI, disposed 40.00% of its ownership interest in BNHGI. As at December 31, 2014, due to the disposal of ownership interest, FEPI lost its control over BNHGI; thereby, BNHGI was reclassified as an associate of the Group. Gain on deconsolidation of P377.4 million was recognized from this transaction and is presented as part of Miscellaneous – net under Interest and Other Income in the 2013 consolidated statement of income (see Note 23).
- (x) BWDC is considered as an associate of the Company in 2015 and 2014, due to the presence of significant influence over its financial and operating policies since the Company has 5 out of 11 BOD representations.
- (y) Subsidiaries of SHDI. FOPMI is engaged in property management while CCSI is engaged in overland transport.
- (z) On September 23, 2014, TIHGI subscribed to 95% of WCRWI outstanding shares; hence, this resulted in the dilution of the Company's interest in WCRWI from 10% to 0.50%. Due to the loss of the Company's significant influence in WCRWI, the shares were reclassified to investment in available-for-sale (AFS) securities.
- (aa) On June 20, 2014, the Company sold majority of its shares held in TIHGI to AGI; thereby, reducing the Company's ownership from 9% to 1.84%. As a result, the remaining shares held in TIHGI were reclassified to AFS securities due to the loss of the Company's significant influence over TIHGI.
- (bb) Associates of GERI.
- (cc) PCMCI was incorporated in 2012. In 2015, EELHI acquired 20% ownership interest over PCMCI; consequently, the Company has indirect ownership of 16.35%.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have its principal place of business in the Philippines. MCII was incorporated and has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2015, are presently engaged in the real estate business, hotel, condominium-hotel operations, cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations and marketing services.

EELHI, GERI, and SHDI are publicly listed companies in the Philippines.

1.2 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are GERI and EELHI, which represent ownership interest of 17.74% and 18.27%, respectively, and with accumulated NCI of P4.9 billion and P9.1 billion, respectively, as at December 31, 2015. Total net profit allocated to the material NCI amounted to P231.6 million and P74.4 in 2015 and 2014, respectively. No dividends were paid by both entities to the NCI in 2015 and 2014.

The summarized financial information of GERI and EELHI, before intragroup eliminations, is shown below.

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Net Profit</u>	<u>Other Comprehensive Loss</u>
December 31, 2015						
GERI	<u>P 39,691,598,386</u>	<u>P 13,865,087,090</u>	<u>P 25,826,511,296</u>	<u>P 5,410,488,882</u>	<u>P 878,474,000</u>	<u>(P 5,929,070)</u>
EELHI	<u>P 37,270,099,336</u>	<u>P 12,586,231,863</u>	<u>P 24,683,867,473</u>	<u>P 5,058,604,660</u>	<u>P 550,374,188</u>	<u>(P 734,308,742)</u>
December 31, 2014						
GERI	<u>P 33,621,688,809</u>	<u>P 9,139,363,571</u>	<u>P 24,494,159,456</u>	<u>P 3,361,328,461</u>	<u>P 856,580,692</u>	<u>(P 7,632,374)</u>
EELHI	<u>P 35,296,731,408</u>	<u>P 10,454,791,717</u>	<u>P 24,841,939,691</u>	<u>P 4,575,697,311</u>	<u>P 484,520,380</u>	<u>(P 432,534,612)</u>

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2015 (including the comparative financial statements as at December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Company's BOD on March 18, 2016.

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 (IASB), and approved by the Philippine Board of Accountancy.

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 Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a third consolidated 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 consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated 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 Company's presentation and functional currency, 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 2015 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for consolidated financial statements beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendment and improvements.

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans 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. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.
- (ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- 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.
- 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.
- PFRS 2 (Amendment), *Share-based Payment – Definition of Vesting Condition*. The amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition."

- 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.
- 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.

Annual Improvements to PFRS (2011-2013 Cycle)

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, 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.
- 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.
- 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, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are issued by the FRSC. Management will adopt the relevant pronouncements in the succeeding pages 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 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.
- (ii) 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.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment) *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.
- (iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also 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.

- (v) PFRS 11 (Amendment), *Joint Arrangements* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.
- (vi) 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.

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.

- (vii) PFRS 10 (Amendments), *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 date deferred indefinitely). 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 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. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.
- (viii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Company's financial statements:
- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.
 - 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.
 - 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

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in Note 1, after the elimination of material 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. In addition, the shares of the Company held by the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full.

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

The Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and 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 reassesses 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 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 the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

(b) Investments in Associates

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. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements 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 an associate.

All subsequent changes to the ownership interest in the equity of the associates 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 in Net Earnings of Associates account in the consolidated statement of 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 associates or items recognized directly in the associates' 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 has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, 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 associates are accounted for as a reduction of the carrying value of the investment.

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

(c) Interests in Jointly Controlled Operations

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

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.

(d) 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 already recognized in equity.

When the Company 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 amount previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company 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.

The Company holds interests in various subsidiaries and associates as presented in Notes 1.1 and 11.

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII and RHGI which use the U.S. dollar as their functional currency, the accounting records of the Company and its subsidiaries 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 under Interest and Other Income – Net account in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollar, their functional currency, are translated to Philippine pesos, the Company's functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end reporting period;
- (ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized under Exchange Difference on Translating Foreign Operations in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Company's shareholders. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

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

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

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and AFS securities. 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 any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of categories of financial assets that are relevant to Group is as follows:

(i) 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 are presented as Cash and Cash Equivalents and Trade and Other Receivables (excluding Advances to contractors and suppliers), Guarantee and other deposits (presented as part of Other Non-current Assets), and Advances to associates and other related parties (presented as part of Investments in and Advances to Associates and Other Related Parties) in the consolidated statement 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.

(ii) AFS Securities

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 presented as Investments in Available-for-Sale Securities under non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS securities include quoted and unquoted equity securities and quoted dollar-denominated corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for unquoted equity securities which is measured at cost, less impairment, as its fair value cannot be currently be estimated reliably. 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 Revaluation Reserves 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 the 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.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as presented in the succeeding page.

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, 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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Cost – AFS Securities

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

(iii) Carried at Fair Value – AFS Securities

When a decline in the fair value of an AFS securities has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Reversal of impairment losses is 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.

(c) Items of Income and Expense Related to Financial Assets

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

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

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of 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.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs (see Note 2.20). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Residential, Condominium Units and Golf and Resort Shares for Sale account. The 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 sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of income with a corresponding credit to a liability account, Reserve for Property Development.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Residential, Condominium Units, Golf and Resort Shares 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.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

2.7 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 non-current assets.

2.8 Investment Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties, and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

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

The residual values, estimated useful lives and method of depreciation of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount are not depreciated.

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 expenses as incurred.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office and land improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Buildings	50 years
Condominium units	10-25 years
Office and land improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of these 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 and amortization of property 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, amortization 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.

2.10 Financial Liabilities

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables (except tax-related liabilities), Redeemable Preferred Shares and Advances from Associates and Other Related Parties.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest related charges are recognized as expense in profit or loss under the caption Interest and Other Charges – Net account in the consolidated statement of income.

Interest-bearing Loans and Borrowings, Bonds Payable and Redeemable Preferred Shares 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, except for capitalized borrowing cost, 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.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares. These shares are also issued for support of long-term funding.

Trade and Other Payables and Advances from Associates and Other Related Parties are initially recognized 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, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of income as interest expense on an amortized cost basis using the effective interest method.

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 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

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

2.11 Offsetting 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 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.

2.12 Business Combination

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 Company'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 Company's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

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, *Provisions, Contingent Liabilities and Contingent Assets*, 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.

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC 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 products and service lines requires different technologies and other 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 consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- interest cost from post-employment benefit obligation;
- revenue, costs and fair value gains from investment properties;
- interest income, equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses; and,
- finance costs.

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.

2.14 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 pretax 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, probable 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.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value added taxes (VAT) and trade discounts.

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

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

The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statements of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Company, GERI, EELHI, SPI, ECOC MBPHI, SEDI, LFI, API, and MGAI.

- (b) *Sale of undeveloped land and golf and resort shares for sale* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.
- (c) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services includes rental income, hotel operations, property management and income from cinema operations and others.
- (d) *Rental income* – Revenue is recognized on a straight-line basis over the lease term. Advance rentals received are recorded as deferred rental income. Unearned revenues pertain to advanced collections from real estate customers. For tax purposes, rental income is recognized based on the contractual terms of the lease.
- (e) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.
- (f) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (g) *Dividends* – Revenue is recorded when the shareholders' right to receive the payment is established.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.20) and estimated costs to complete the project, determined based on estimates made by the project engineers (see also Note 2.6).

Operating expenses and other costs (other than costs of real estate and golf and resort shares sold) are recognized in consolidated profit or loss upon utilization of goods or services or at the date they are incurred.

2.16 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 (net of any incentives received from the lessor) are recognized as expense in the 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. Operating lease income 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.

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill and Leasehold Rights (included as part of Other Non-current Assets), Investment Properties, Property and Equipment and other non-financial assets are subject to impairment testing. All other individual 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, assets are tested for impairment either individually or at the 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 amount, 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, defined benefit contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment 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 post-employment 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 post-employment defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory 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 using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & 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 net 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 Interest and Other Charges – Net or Interest and Other Income – Net account in the consolidated statement of income.

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

(b) Post-employment 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 or 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) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the 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 Share-based Employee Remuneration

The Group grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Share options issued by a subsidiary is accounted for by the Company as non-controlling interests at fair value at the date of grant. However, during the period the option is outstanding, the non-controlling interest related to the option holder should not be attributed any profit or loss of the subsidiary until the option is exercised. Meanwhile, the related share option expense is recognized in full in profit or loss.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production 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 the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs 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.

2.21 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in consolidated 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 reporting period. They are calculated using 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 consolidated profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the 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 carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

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 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 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 consolidated profit or loss, except to the extent that it relates to items recognized in consolidated other comprehensive income or directly in equity. In this case, the tax is also recognized in 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.

2.22 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their 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. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (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 funded post-employment plan.

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

2.23 Equity

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

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

Treasury shares 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. This also includes shares of the Company held by certain subsidiaries (see Note 2.3).

Revaluation reserves consist of:

- (a) Accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax.
- (b) Net fair value gains or losses recognized due to changes in fair values of AFS securities.
- (c) Cumulative share in other comprehensive income of associates attributable to the Group.

Translation reserves represent the translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency.

Retained earnings represent all current and prior period results of operations and share-based employee remuneration as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.24 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares (see Note 29).

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's 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 ESTIMATES AND JUDGMENTS

The preparation of 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 Management 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) Impairment of Investments in AFS Securities

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and in operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's investments in AFS securities, management concluded that the assets are not impaired as at December 31, 2015 and 2014. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction Among Investment properties, Owner-occupied Properties and Land 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 independently of the other assets held by an entity. Owner-occupied properties generates cash flows that are attributable not only to property but also to other assets used in the production or supply process while Land 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 use in the Group's main line of business or 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 use in the Group's main line of business or 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.

(c) Distinction Between Residential and Condominium Units for Sale and Investment Properties

Residential and condominium units comprises properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprises of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Company considers management's intention over these assets in making its judgment.

(d) Distinction Between AFS Securities and Golf and Resort Shares

Being a real estate developer, the Group determines how these shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell a developed property together with the club share.

(e) Distinction Between Asset Acquisition and Business Combinations

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

(f) Distinction Between Land Held for Sale and Land for Future Development

The Group determines whether a land will be classified as part of Residential and Condominium Units for Sale or Land Held for Future Development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle or whether it will be retained as part of the Group's strategic land banking activities for future development.

(g) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements. 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 assessment, the Group's lease agreements are classified as operating lease.

(h) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over investees even though it holds less than 50% of the ordinary shares and voting rights in those companies.

(i) Significant Influence on Investees even if the Group Holds less than 20% of Voting Rights

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but has no control or joint control of those policies (see Notes 1 and 11).

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 30.

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) Revenue Recognition Using the 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 using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. Should the proportion of the percentage of completed projects differ by 5% from management's estimates, the amount of revenue recognized in 2015 would have increased by P398.3 million or would have decreased by P420.4 million if the proportion performed decreased. There were no changes in the assumptions or basis for estimation during the year.

(b) Determination of Net Realizable Value of Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development

In determining the net realizable value of residential, condominium units, golf and resort shares for sale, property development costs and land 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 real estate for sale and property development costs 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 uncertainty and may cause significant adjustments to the Group's Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate units for sale are higher than their related costs.

The carrying values of the Group's Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs, and Land for Future Development amounted to P61.5 billion, P14.9 billion and P18.1 billion, respectively, as at December 31, 2015 and P56.9 billion, P12.4 billion and P13.2 billion, respectively, as at December 31, 2014.

(c) Fair Value of Share Options

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option were granted. The estimates and assumptions used are presented in Note 28.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of the share option recognized as part of Salaries and employee benefits shown under Operating Expenses in the 2015 and 2014 consolidated statements of income amounted to P146.3 million, P40.1 million and P30.4 million in 2015, 2014 and 2013, respectively. A corresponding credit to Retained Earnings amounting to P101.7 million, P70.5 million and P30.4 million representing the Company's cumulative amount of share options recognized as at December 31, 2015, 2014 and 2013, respectively, is presented in the equity portion of the consolidated statements of financial position (see Notes 25.2 and 28.6).

(d) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 12 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Portion of the investment properties is also determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant areas. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair values of those properties.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 33.4.

(e) Estimation of Useful Lives of Property and Equipment and Investment Properties

The Group estimates the useful lives of property and equipment and investment properties 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 properties 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. In addition, estimation of the useful lives of property and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying amounts of investment properties and property and equipment are disclosed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of these assets during those years. Actual results, however may vary due to changes in estimates brought by changes in factors mentioned above.

(f) Impairment of Trade and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, 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.

(g) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated profit and loss and equity.

The carrying amounts of cash and cash equivalents and investments in AFS Securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 5 and 9, respectively.

(h) Determination of 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. Management assessed that the balance of deferred tax assets recognized as at December 31, 2015 and 2014 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2015 and 2014 is disclosed in Note 26.

(i) Impairment of Non-financial Assets

In assessing impairment, management 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 uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated 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.

There were no impairment losses on the Group's non-financial assets required to be recognized in 2015, 2014 and 2013 based on management's assessment.

(j) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover 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 25.3.

(k) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the consolidated statement of income in the subsequent period.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of 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 of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations, marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.13. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2015, 2014 and 2013 and certain asset and liability information regarding segments at December 31, 2015, 2014 and 2013.

2015

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 32,726,888,869	P 8,729,655,235	P 796,322,364	P 1,007,543,475	P -	P 43,260,409,943
Intersegment sales	-	227,908,084	-	649,654,556	(877,562,640)	-
Total revenues	<u>P 32,726,888,869</u>	<u>P 8,957,563,319</u>	<u>P 796,322,364</u>	<u>P 1,657,198,031</u>	<u>(P 877,562,640)</u>	<u>P 43,260,409,943</u>
RESULTS						
Cost and operating expense	(24,722,587,613)	(2,314,999,416)	(632,775,137)	(1,610,514,873)	779,579,569	(28,501,297,470)
Segment results	<u>P 8,004,301,256</u>	<u>P 6,642,563,903</u>	<u>P 163,547,227</u>	<u>P 46,683,158</u>	<u>(P 97,983,071)</u>	<u>P 14,759,112,473</u>
Interest and other income - net						1,596,636,206
Interest and other charges - net						(2,635,174,408)
Equity in net earnings of associates						138,614,220
Tax expense						(3,284,678,495)
Preacquisition loss of a subsidiary						<u>291,847</u>
Net profit						<u>P 10,574,801,843</u>
ASSETS AND LIABILITIES						
Segment assets	P 187,279,330,964	P 50,003,842,390	P 2,433,682,285	P 5,195,714,160	P -	P 244,912,569,799
Investments in and advances to associates and other related parties - net	-	-	-	6,772,193,903	-	6,772,193,903
Total assets	<u>P 187,279,330,964</u>	<u>P 50,003,842,390</u>	<u>P 2,433,682,285</u>	<u>P 11,967,908,063</u>	<u>P -</u>	<u>P 251,684,763,702</u>
Segment liabilities	<u>P 98,703,363,884</u>	<u>P 15,149,080,026</u>	<u>P 424,651,426</u>	<u>P 2,994,313,723</u>	<u>P -</u>	<u>P 117,271,409,059</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures						<u>P 54,513,276,245</u>

2014

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 29,506,959,375	P 7,070,911,439	P 722,971,143	P 2,241,733,163	P -	P 39,542,575,120
Intersegment sales	-	203,861,206	-	784,885,706	(988,746,912)	-
Total revenues	<u>P 29,506,959,375</u>	<u>P 7,274,772,645</u>	<u>P 722,971,143</u>	<u>P 3,026,618,869</u>	<u>(P 988,746,912)</u>	<u>P 39,542,575,120</u>
RESULTS						
Cost and operating expense	(22,280,129,613)	(2,043,972,081)	(535,056,858)	(2,869,610,730)	896,500,685	(26,832,268,597)
Segment results	<u>P 7,226,829,762</u>	<u>P 5,230,800,564</u>	<u>P 187,914,285</u>	<u>P 157,008,139</u>	<u>(P 92,246,227)</u>	<u>P 12,710,306,523</u>
Interest and other income - net						13,259,475,083
Interest and other charges - net						(1,554,435,464)
Equity in net earnings of associates						328,707,760
Tax expense						(3,120,330,226)
Preacquisition income of subsidiaries - net						(69,008,162)
Net profit						<u>P 21,554,715,514</u>
ASSETS AND LIABILITIES						
Segment assets	P 165,979,243,776	P 42,366,078,019	P 1,100,579,967	P 5,510,856,348	P -	P 214,956,758,110
Investments in and advances to associates and other related parties - net	-	-	-	6,083,083,483	-	6,083,083,483
Total assets	<u>P 165,979,243,776</u>	<u>P 42,366,078,019</u>	<u>P 1,100,579,967</u>	<u>P 11,593,939,831</u>	<u>P -</u>	<u>P 221,039,841,593</u>
Segment liabilities	<u>P 81,319,354,609</u>	<u>P 7,359,037,541</u>	<u>P 302,003,465</u>	<u>P 3,260,652,757</u>	<u>P -</u>	<u>P 92,241,048,372</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures						<u>P 39,780,970,914</u>

2013

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 25,843,907,662	P 6,037,779,873	P 451,040,792	P 1,120,709,762	P -	P 33,453,438,089
Intersegment sales	-	158,223,538	-	475,685,657	(633,909,195)	-
Total revenues	<u>P 25,843,907,662</u>	<u>P 6,196,003,411</u>	<u>P 451,040,792</u>	<u>P 1,596,395,419</u>	<u>(P 633,909,195)</u>	<u>P 33,453,438,089</u>
RESULTS						
Cost and operating expense	(19,748,364,002)	(1,819,308,917)	(364,991,395)	(1,592,560,158)	575,255,277	(22,832,661,359)
Segment results	<u>P 6,095,543,660</u>	<u>P 4,376,694,494</u>	<u>P 86,049,397</u>	<u>P 3,835,261</u>	<u>(P 58,653,918)</u>	<u>P 10,620,776,730</u>
Gain on acquisition of a subsidiary						763,834,597
Interest and other income - net						1,712,610,060
Interest and other charges - net					(1,808,783,102)	
Equity in net earnings of associates						311,681,755
Tax expense					(2,571,452,012)	
Preacquisition loss of a subsidiary						<u>6,315,710</u>
Net profit						<u>P 9,034,983,738</u>
ASSETS AND LIABILITIES						
Segment assets	P 124,344,277,458	P 29,874,431,168	P 260,740,026	P 6,628,157,158	P -	P 161,107,605,810
Investments in and advances to associates and other related parties - net	-	-	-	12,774,499,537	-	12,774,499,537
Total assets	<u>P 124,344,277,458</u>	<u>P 29,874,431,168</u>	<u>P 260,740,026</u>	<u>P 19,402,656,695</u>	<u>P -</u>	<u>P 173,882,105,347</u>
Segment liabilities	<u>P 64,613,351,366</u>	<u>P 5,373,189,923</u>	<u>P 148,045,509</u>	<u>P 1,794,496,724</u>	<u>P -</u>	<u>P 71,929,083,522</u>
OTHER SEGMENT INFORMATION						
Project and capital expenditures						<u>P 32,051,912,203</u>

5. CASH AND CASH EQUIVALENTS

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

	<u>2015</u>	<u>2014</u>
Cash on hand and in banks	P 4,790,154,317	P 4,179,080,113
Short-term placements	<u>17,972,908,856</u>	<u>20,963,869,774</u>
	<u>P22,763,063,173</u>	<u>P 25,142,949,887</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 22 to 90 days and earn effective interest ranging from 1.25% to 2.50% in 2015, 1.10% to 4.00% in 2014 and 0.80% to 3.00% in 2013.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Current:			
Trade	27.1	P22,318,593,069	P 20,568,484,213
Allowance for impairment		<u>(517,091,448)</u>	<u>(517,091,448)</u>
		21,801,501,621	20,051,392,765
Advances to contractors and suppliers		4,909,049,653	3,023,954,443
Others		<u>652,232,554</u>	<u>643,553,103</u>
		<u>27,362,783,828</u>	<u>23,718,900,311</u>
Non-current:			
Trade	27.1	32,691,658,240	28,917,742,741
Allowance for impairment		<u>(12,224,936)</u>	<u>(12,224,936)</u>
		32,679,433,304	28,905,517,805
Others		<u>15,337,534</u>	<u>5,571,232</u>
		<u>32,694,770,838</u>	<u>28,911,089,037</u>
		<u>P60,057,554,666</u>	<u>P 52,629,989,348</u>

Trade receivables mainly pertains to real estate and rental transactions.

A reconciliation of the allowance for impairment at the beginning and end of 2015 and 2014 is shown below.

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	P 529,316,384	P 30,850,041
Allowance for impairment of receivables of newly-acquired subsidiary	-	550,522,607
Write-off of trade receivables previously provided with allowance	<u>-</u>	(<u>52,056,264</u>)
Balance at end of year	<u>P 529,316,384</u>	<u>P 529,316,384</u>

The installment period of sales contracts averages one to five years. Trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income recognized amounted to P1.7 billion in both 2015 and 2014 and P1.5 in 2013. These amounts are presented as Interest Income on Real Estate Sales account in the consolidated statements of income.

Certain receivables with carrying values of P1.5 billion and P136.5 million as at December 31, 2015 and 2014, respectively, were discounted, on a with recourse basis with certain local banks (see Note 15.2). In addition, the Group also has outstanding receivables assigned to the local banks as at December 31, 2015 and 2014 amounting to P997.4 million and P1,034.7 million, respectively (see Note 15.4).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers. Most receivables from trade customers are covered by postdated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The titles to the real estate properties remain with the Group until the receivables are fully collected. (see Note 31.3).

7. RESIDENTIAL, CONDOMINIUM UNITS, GOLF AND RESORT SHARES FOR SALE

The composition of this account as at December 31 is shown below.

	<u>2015</u>	<u>2014</u>
Residential and condominium units	P 59,067,903,490	P54,689,792,447
Golf and resort shares	<u>2,487,372,777</u>	<u>2,306,759,944</u>
	61,555,276,267	56,996,552,391
Allowance for impairment	(<u>88,411,502</u>)	(<u>88,411,502</u>)
	<u>P 61,466,864,765</u>	<u>P56,908,140,889</u>

Residential and condominium units for sale mainly pertain to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

The details of cost of real estate sales are shown in Note 21.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>2015</u>	<u>2014</u>
Input VAT	P 3,165,125,754	P 2,116,386,138
Prepaid rent and other prepayments	611,769,191	914,252,550
Creditable withholding taxes	443,201,769	422,687,259
Deposits	355,857,083	309,568,563
Others	<u>148,556,498</u>	<u>167,144,477</u>
	<u>P4,724,510,295</u>	<u>P 3,930,038,987</u>

Others include supplies, gift certificates inventories and food and beverage inventories.

9. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

Investments in AFS securities comprise the following as at December 31:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Equity securities	27.4	P 4,634,249,299	P 6,037,664,828
Debt securities		<u>65,334,355</u>	<u>108,602,601</u>
		<u>P 4,699,583,654</u>	<u>P 6,146,267,429</u>

The reconciliation of the carrying amounts of investment in AFS securities are as follows:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Balance at the beginning of year		P 6,146,267,429	P 3,928,755,091
Fair value losses – net		(2,745,034,577)	(416,644,686)
Additions		1,461,811,671	1,351,199,338
Disposals		(183,848,265)	(1,073,522,978)
Foreign currency gains (losses) – net		20,387,396	(7,418,826)
Reclassifications – net	11(e), 11(f)	-	2,353,897,368
AFS securities from newly-acquired subsidiary		<u>-</u>	<u>10,002,122</u>
Balance at end of year		<u>P4,699,583,654</u>	<u>P 6,146,267,429</u>

Equity securities significantly pertain to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE while debt securities consist of euro-denominated corporate bonds quoted in a foreign active market which will mature in 2017. Management has determined that fair value losses are not permanent, therefore, these investments are considered not impaired.

Prior to 2014, the Company held investments in AFS equity securities amounting to P189.2 million. These AFS equity securities have no quoted market price; hence, are carried at cost. In 2014, significant portion of these unquoted AFS equity securities amounting to P186.1 million, which pertains to BWDC shares, were reclassified to investments in associates resulting from the Group's ability to exercise significant influence over BWDC's financial and operating policies (see Notes 1 and 11).

Also, in 2014, as a result of the Company's dilution of equity ownership interest and loss of significant influence, the remaining shares held in TIHGI amounting to P2.7 billion were reclassified to AFS securities. Non-recurring gains amounting to P11.8 billion were recognized as a result of the loss of significant influence over TIHGI (see Notes 1, 11 and 23).

In 2015, the Group received cash dividend from TIHGI amounting to P20.6 million. The amount of dividend received is presented as part of Dividend income under Interest and Other Income – Net in the 2015 consolidated statement of income (see Note 23).

On the other hand, as a result of the change in capital structure of WCRWI, the Company's equity ownership interest in WCRWI was diluted in 2014 and consequently lost significant influence over WCRWI; hence, investments in shares of WCRWI was reclassified to AFS securities (see Notes 1 and 11).

The aggregate carrying value of AFS securities as at December 31, 2015 and 2014 amounted to P4.7 billion and P6.1 billion, respectively. The fair value gains or losses arising from these financial assets which comprised the movements in the carrying amounts and disposals of AFS, are reported as Revaluation Reserves account under the equity section of the consolidated statements of financial position.

The resulting gain from sale of investments is presented as Gain on sale of AFS securities under Interest and Other Income – Net in the consolidated statements of income (see Note 23).

The AFS securities are owned by the Company, EELHI, LFI, MCPI and RHGI. Hence, the movements in the AFS Securities arising from fair value gains or losses are allocated to the Company's shareholders.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT VENTURES

10.1 Advances to Landowners and Joint Ventures

The Group enters into numerous joint venture agreements for the joint development of various projects. These are treated as jointly controlled operations; there were no separate entities created under these joint venture agreements. 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 residential and condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts in the consolidated statements of financial position (see Note 2.6). The amounts of other related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group (see Note 2.3).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

As at December 31, 2015 and 2014, there has been no outstanding commitment for cash advances under the joint venture agreements.

The net commitment for construction expenditures amounts to:

	<u>2015</u>	<u>2014</u>
Total commitment for construction expenditures	P24,076,339,196	P 21,523,901,115
Total expenditures incurred	(16,403,084,016)	(15,356,899,341)
Net commitment	<u>P 7,673,255,180</u>	<u>P 6,167,001,774</u>

The Group's interests in jointly-controlled operations and projects range from 50% to 95% in both 2015 and 2014. The listing of the Group's jointly controlled projects are as follows:

Company:

- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northhill Gateway

EELHI:

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

SPI:

- Adriatico Gardens
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Gentry Heights
- Fountain Grove
- Palm City

GERI

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Pahara at Soutwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 related to the Group's interests in joint ventures are not presented or disclosed in the consolidated financial statements as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

As at December 31, 2015 and 2014, the Group either has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2015 and 2014 amounts to P336.6 million and P253.7 million, net of deferred interest expense amounting to P51.0 million and P70.1 million, respectively, and is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position (see Note 27.3).

As of December 31, 2015 the Group's management has assessed that the advances from joint ventures is fully recoverable. Accordingly, no impairment loss was recognized.

The amortization of deferred interest amounting to P19.8 million in both 2015 and 2014 is presented as part of Interest expense under the Interest and Other Charges account – Net in the consolidated statements of income (see Note 24).

11. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

11.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties which are carried at equity, are as follows:

	<u>2015</u>	<u>2014</u>
Acquisition costs:		
PCMC	P 877,776,746	P -
SHDI	875,445,000	875,445,000
NPI	734,396,528	734,396,528
BNHGI	534,510,859	775,419,297
BWDC	199,212,026	199,212,026
PTHDC	64,665,000	64,665,000
FERC	28,000,000	28,000,000
FENI	10,000,003	10,000,003
FESI	7,808,360	7,808,360
FERSAI	4,000,000	4,000,000
	<u>P 3,335,814,522</u>	<u>P 2,698,946,214</u>
<i>Balance carried forward</i>		

	<u>2015</u>	<u>2014</u>
<i>Balance brought forward</i>	<u>P 3,335,814,522</u>	<u>P 2,698,946,214</u>
Accumulated equity in net earnings (losses):		
Balance at beginning of year	(700,136,780)	222,795,761
Equity share in net earnings of associates for the year	138,614,220	328,707,760
Accumulated equity in net loss of newly-acquired associates	-	(44,081,651)
Reversals resulting from consolidation, disposal and dilution of ownership interest	<u>-</u>	<u>(1,207,558,650)</u>
Balance at end of year	<u>(561,522,560)</u>	<u>(700,136,780)</u>
	<u>P 2,774,291,962</u>	<u>P 1,998,809,434</u>
Accumulated equity in other comprehensive income:		
Balance at beginning of year	-	6,159,298
Share in other comprehensive income of associate	38,744,144	-
Derecognition of other comprehensive income of associate	<u>-</u>	<u>(6,159,298)</u>
Balance at end of year	<u>38,744,144</u>	<u>-</u>
	2,813,036,106	1,998,809,434
Advances to associates and other related parties (see Note 27.2)	<u>3,959,157,797</u>	<u>4,084,274,049</u>
	<u>P 6,772,193,903</u>	<u>P 6,083,083,483</u>

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of SHDI amounted to P0.8 billion and P1.1 billion as at December 31, 2015 and 2014, respectively. The fair values of all other investments in associates are not available as at December 31, 2015 and 2014. The related book values of the Group's holdings in all of the associates either exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary.

a. Investment in GERI

In 2013, the Company subscribed to 24.70% ownership interest in GERI making it an associate of the Company. In 2014, as a result of the various additional cash acquisitions of shares held by the Parent Company and minority stockholders, the Company acquired additional 55.71% ownership interest in GERI, increasing its total ownership interest to 80.41% thereby obtaining control. In 2015, the Company acquired outstanding shares of GERI from PSE amounting to P250.0 million increasing its total ownership interest to 82.26% as at December 31, 2015 (see Note 1).

b. Investment in LFI

In the latter part of 2013, the Company acquired 50.00% ownership interest in LFI through direct purchase from the shareholders of the latter at an acquisition price of P1.4 billion. As at December 31, 2013, LFI is only assessed as associate despite of the 50.00% ownership interest since the Company has not yet established control over LFI. On January 21, 2014, the Company acquired additional 16.67% ownership interest for P536.8 million in LFI increasing the Company's total ownership interest to 66.67%; thereby, obtaining control. LFI is presently engaged in leasing of real properties.

c. Investment in MGEI and TLC

In 2013, the Company has only established significant influence, but not control, over MGEI and TLC. Through indirect ownership interest from GERI, the Company has increased its ownership interest in MGEI and TLC; thus, these entities became subsidiaries of the Company in 2014. In 2015, the Company has also purchased additional shares of TLC from a third party stockholder, thereby, increasing the Company's direct ownership.

d. Investment in BWDC

In 2014, the Company reclassified its ownership interest in BWDC from investment in AFS securities to investment in an associate after gaining significant influence over the operating and financial policies through 5 out of 11 BOD representations (see Note 9).

e. Investment in TIHGI

In 2013, TIHGI declared cash dividends of P744.0 million. The amount of dividends received was considered a return of investment and was presented as deduction from the Accumulated equity in net earnings (losses). There is an outstanding receivable of P129.9 million as at December 31, 2013 (nil as at December 31, 2014) arising from TIHGI's dividend declaration. On November 5, 2013, TIHGI had its initial public offering. Despite the 9.00% ownership interest in 2013, the Company considered TIHGI as an associate as it was able to exert significant influence over TIHGI through the two out of the five directors of TIHGI who are also members of the Company's BOD as of December 31, 2013.

In 2014, the Company sold for cash significant portion of its ownership interest in TIHGI to the Parent Company for P10.4 billion, thereby, reducing the Company's ownership interest. TIHGI ceased to be an associate of the Company as a result of the Company's loss of significant influence over the financial and operating policies of TIHGI. The remaining shares held in TIHGI were therefore reclassified to Investments in AFS securities (see Note 9). Transactions involving the investment of the Company in TIHGI resulted in the recognition of non-recurring gain totaling to P11.8 billion, which is composed of gain on sale of investment in an associate of P9.4 billion and fair value gain on remeasurement of investment of P2.4 billion on the remaining shares, and are presented as part of Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23). Also, portion of the equity share in net earnings of TIHGI previously recognized in other comprehensive income amounting to P6.2 million was reclassified to profit or loss in the same year.

f. Investment in WCRWI

In 2013, the Company subscribed to 10% ownership interest in WCRWI which was incorporated during that year. Despite the 10% ownership interest, the Company considers WCRWI as an associate as it is able to exert significant influence over WCRWI through two out of five BOD representations. In 2014, as a result of the change in capital structure of WCRWI, the Company's ownership in WCRWI was diluted; hence, the Company lost its significant influence over WCRWI. The outstanding shares held by the Company over WCRWI were, therefore, reclassified as Investments in AFS securities (see Note 9).

g. Investment in BNHGI

In 2014, FEPI sold 40% of its ownership interest in BNHGI to a third party. The decrease in FEPI's ownership interest in BNHGI caused the deconsolidation of BNHGI from the Group as the remaining ownership interest only gives FEPI the ability to exert significant influence over BNHGI. In 2015, FEPI sold another 15% ownership interest, reducing the Group's effective ownership to 37.01% over BNHGI. Gain on sale of investment in associate amounting to P181.3 million was recognized under Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23).

h. Investment in PCMCI

In 2015, EELHI acquired 750,000,000 PCMCI shares amounting to P877.8 million representing 30% ownership interest. Through this acquisition, the Group acquired an ability to exert significant influence over PCMCI.

The balance of the Accumulated equity in net losses of P561.9 million and P700.1 million as at December 31, 2015 and 2014, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for dividend declaration.

11.2 Summarized Financial Information

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

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
2015:					
PCMCI	P	2,458,015,617	P 8,172,960	P -	(P 9,234,061)
SHDI		585,451,486	346,423,705	365,068,765	53,726,211
BNHGI		1,799,798,866	196,246,769	-	(2,019,930)
NPI		5,675,538,713	1,317,006,156	21,150	(18,348)
BWDC		3,327,984,093	2,637,530,014	384,744,535	259,062,480
PTHDC		1,136,403,775	1,006,803,799	5,900	(1,190,233)
FERC		277,874,990	209,508,750	-	-
FENI		98,510,739	931,113,013	-	-
FESI		64,232,266	18,248,112	1,818,862	(1,767,717)
FERSAI		<u>157,909,404</u>	<u>173,014,080</u>	<u>-</u>	<u>-</u>
		<u>P 15,581,719,949</u>	<u>P 6,844,067,358</u>	<u>P 751,659,212</u>	<u>P 298,558,402</u>

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
2014:					
SHDI	P	484,173,307	P 335,452,498	P 307,264,089	P 30,982,549
BNHGI		1,799,729,964	194,219,520	-	(212,272)
NPI		5,675,694,636	1,317,007,155	-	-
BWDC		3,701,915,777	3,108,438,200	316,442,867	160,290,585
PTHDC		1,136,371,429	1,005,581,220	4,776	(556,703)
FERC		277,874,990	209,508,750	1,493,263	(1,567,845)
FENI		98,510,739	931,113,013	-	-
FESI		126,676,399	31,355,964	20,219,153	(1,295,777)
FERSAI		<u>157,909,404</u>	<u>173,014,080</u>	<u>5,702,987</u>	<u>(2,938,597)</u>
		<u>P 13,458,856,645</u>	<u>P 7,305,690,400</u>	<u>P 651,127,135</u>	<u>P 184,701,940</u>

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2015 and 2014 are shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
December 31, 2015			
Cost	P 9,530,417,733	P 42,464,672,890	P 51,995,090,623
Accumulated depreciation	<u>-</u>	<u>(5,723,020,432)</u>	<u>(5,723,020,432)</u>
Net carrying amount	<u>P 9,530,417,733</u>	<u>P 36,741,652,458</u>	<u>P 46,272,070,191</u>
December 31, 2014			
Cost	P 9,017,340,569	P 31,290,523,670	P 40,307,864,239
Accumulated depreciation	<u>-</u>	<u>(4,545,234,421)</u>	<u>(4,545,234,421)</u>
Net carrying amount	<u>P 9,017,340,569</u>	<u>P 26,745,289,249</u>	<u>P 35,762,629,818</u>
January 1, 2014			
Cost	P 6,433,222,583	P 21,899,120,429	P 28,332,343,012
Accumulated depreciation	<u>-</u>	<u>(3,385,403,893)</u>	<u>(3,385,403,893)</u>
Net carrying amount	<u>P 6,433,222,583</u>	<u>P 18,513,716,536</u>	<u>P 24,946,939,119</u>

A reconciliation of the carrying amounts at the beginning and end of 2015, 2014 and 2013 of investment properties is shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2015, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
Additions	513,077,164	12,383,054,370	12,896,131,534
Transfer to property and equipment	-	(1,175,058,950)	(1,175,058,950)
Disposals	-	(33,846,200)	(33,846,200)
Depreciation charges for the year	<u>-</u>	<u>(1,177,786,011)</u>	<u>(1,177,786,011)</u>
Balance at December 31, 2015, net of accumulated depreciation	<u>P 9,530,417,733</u>	<u>P 36,741,652,458</u>	<u>P 46,272,070,191</u>
Balance at January 1, 2014, net of accumulated depreciation	P 6,433,222,583	P 18,513,716,536	P 24,946,939,119
Investment properties of newly-acquired subsidiaries	2,932,084,986	663,739,979	3,595,824,965
Disposals	(347,967,000)	-	(347,967,000)
Additions	-	8,727,663,262	8,727,663,262
Depreciation charges for the year	<u>-</u>	<u>(1,159,830,528)</u>	<u>(1,159,830,528)</u>
Balance at December 31, 2014, net of accumulated depreciation	<u>P 9,017,340,569</u>	<u>P 26,745,289,249</u>	<u>P 35,762,629,818</u>
Balance at January 1, 2013, net of accumulated depreciation	P 1,412,634,527	P 15,219,401,136	P 16,632,035,663
Investment properties of newly-acquired subsidiaries	5,020,588,056	-	5,020,588,056
Additions	-	3,494,295,658	3,494,295,658
Transfers from property development cost	-	594,722,232	594,722,232
Depreciation charges for the year	<u>-</u>	<u>(794,702,490)</u>	<u>(794,702,490)</u>
Balance at December 31, 2013, net of accumulated depreciation	<u>P 6,433,222,583</u>	<u>P 18,513,716,536</u>	<u>P 24,946,939,119</u>

Investment properties with carrying values of P40.4 million as at December 31, 2013 were used as collaterals by the Group for its various loans obtained from local banks (see Note 15.1). The collaterals on these investment properties were released as at December 31, 2014.

Rental income earned from these properties amounted to P8.7 billion, P7.1 billion and P6.0 billion in 2015, 2014 and 2013, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation incurred by the Group relating to these investment properties amounted to P459.2 million in 2015, P458.5 million in 2014 and P360.9 million in 2013. The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

Depreciation of investment properties is presented as part of Operating Expenses account (see Note 22).

The fair market values of these properties are P190.8 billion and P156.8 billion as at December 31, 2015 and 2014, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the useful lives of the investment properties using a discount rate of 8% in 2015 and 2014 (see Note 33.4).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 33.4.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2015 and 2014 are shown below.

	<u>Condominium Units</u>	<u>Office Furniture, Fixtures and Equipment</u>	<u>Office and Land Improvements</u>	<u>Transportation Equipment</u>	<u>Land</u>	<u>Total</u>
December 31, 2015						
Cost	P3,046,239,743	P 732,964,892	P 191,035,835	P 228,464,730	P 248,009,320	P 4,446,714,520
Accumulated depreciation and amortization	(647,851,020)	(464,215,769)	(150,520,322)	(133,275,218)	-	(1,395,862,329)
Net carrying amount	<u>P2,398,388,723</u>	<u>P 268,749,123</u>	<u>P 40,515,513</u>	<u>P 95,189,512</u>	<u>P 248,009,320</u>	<u>P 3,050,852,191</u>
December 31, 2014						
Cost	P1,845,594,330	P 632,467,113	P 180,642,048	P 192,522,121	P 248,009,320	P 3,099,234,932
Accumulated depreciation and amortization	(619,589,270)	(383,686,979)	(118,870,760)	(109,714,784)	-	(1,231,861,793)
Net carrying amount	<u>P1,226,005,060</u>	<u>P 248,780,134</u>	<u>P 61,771,288</u>	<u>P 82,807,337</u>	<u>P 248,009,320</u>	<u>P 1,867,373,139</u>
January 1, 2014						
Cost	P 862,412,652	P 528,919,165	P 174,411,940	P 146,142,080	P 81,095,000	P 1,792,980,837
Accumulated depreciation and amortization	(578,989,364)	(308,066,539)	(111,797,739)	(92,453,453)	-	(1,091,307,095)
Net carrying amount	<u>P 283,423,288</u>	<u>P 220,852,626</u>	<u>P 62,614,201</u>	<u>P 53,688,627</u>	<u>P 81,095,000</u>	<u>P 701,673,742</u>

A reconciliation of the carrying amounts at the beginning and end of 2015, 2014 and 2013, of property and equipment is shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139
Transfer from investment properties	1,175,058,950	-	-	-	-	1,175,058,950
Additions	27,522,735	110,578,304	18,789,212	51,992,093	-	208,882,344
Disposals	(1,936,272)	(10,080,525)	(8,395,425)	(16,049,484)	-	(36,461,706)
Depreciation and amortization charges for the year	(28,261,750)	(80,528,790)	(31,649,562)	(23,560,434)	-	(164,000,536)
Balance at December 31, 2015, net of accumulated depreciation and amortization	<u>P2,398,388,723</u>	<u>P 268,749,123</u>	<u>P 40,515,513</u>	<u>P 95,189,512</u>	<u>P 248,009,320</u>	<u>P 3,050,852,191</u>
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 283,423,288	P 220,852,626	P 62,614,201	P 53,688,627	P 81,095,000	P 701,673,742
Additions	88,867,593	62,378,378	6,230,108	33,769,674	-	191,245,753
Property and equipment of newly-acquired subsidiaries	894,314,085	49,919,639	-	17,744,568	166,914,320	1,128,892,612
Disposals	-	(8,750,069)	-	(5,134,201)	-	(13,884,270)
Depreciation and amortization charges for the year	(40,599,906)	(75,620,440)	(7,073,021)	(17,261,331)	-	(140,554,698)
Balance at December 31, 2014, net of accumulated depreciation and amortization	<u>P1,226,005,060</u>	<u>P 248,780,134</u>	<u>P 61,771,288</u>	<u>P 82,807,337</u>	<u>P 248,009,320</u>	<u>P1,867,373,139</u>
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 264,174,062	P 141,952,952	P 64,042,810	P 45,700,854	P 81,095,000	P 596,965,678
Additions	76,045,937	101,599,189	13,305,678	15,997,052	-	206,947,857
Property and equipment of newly-acquired subsidiaries	-	63,000,110	-	-	-	63,000,110
Disposals	-	-	-	(3,167,769)	-	(3,167,769)
Depreciation and amortization charges for the year	(56,796,711)	(85,699,625)	(14,734,287)	(4,841,510)	-	(162,072,134)
Balance at December 31, 2013, net of accumulated depreciation and amortization	<u>P 283,423,288</u>	<u>P 220,852,626</u>	<u>P 62,614,201</u>	<u>P 53,688,627</u>	<u>P 81,095,000</u>	<u>P 701,673,742</u>

Depreciation and amortization is presented as part of Operating Expenses account (see Note 22).

The Group's fully depreciated assets that are still being used in operations had original costs of P442.7 million and P411.3 million and the corresponding accumulated depreciation for the same amounts as at December 31, 2015 and 2014, respectively.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>2015</u>	<u>2014</u>
Goodwill	P 1,290,232,360	P1,290,232,360
Guarantee and other deposits	822,930,111	541,591,807
Leasehold rights - net	132,339,119	139,304,336
Miscellaneous	<u>109,939,027</u>	<u>94,169,249</u>
	<u>P 2,355,440,617</u>	<u>P2,065,297,752</u>

In 2014, as a result of various acquisitions of shares from the Parent Company and minority stockholders, the Company acquired additional 55.71% ownership interest in GERI, increasing its total ownership interest to 80.41%, thereby, obtaining control. The acquisition was made to reorganize AGI's subsidiaries to capitalize on real estate opportunities and enhance the Group's land banking position. The fair value of the net identifiable assets acquired and consideration paid amounted to P16.2 billion and P17.2 billion, respectively. Goodwill amounting to P947.1 million was recognized representing the excess of the acquisition costs over the fair values of the net identifiable assets at the date of acquisition (see Note 1). The remaining portion of goodwill came from acquisitions made by the Group in prior years.

On December 3, 2014, the Group, through TDI acquired 100% ownership interest in GPARC, thereby, obtaining control. The underlying substance of the transaction is the use of leasehold rights owned by GPARC. Hence, the excess of the acquisition costs of P104.3 million over the fair value of GPARC's net liability position of P35.0 million was attributable to the identifiable leasehold rights amounting to P139.3 million. The leasehold rights pertains to the right to use certain parcel of land for the remaining period of 20 years and renewable for another 25 years. In 2015, leasehold rights amortization amounted to P7.0 million (nil in 2014) is presented as part of Depreciation and amortization under Operating Expenses in the 2015 consolidated statement of income (see Note 22).

The goodwill and leasehold rights are subject to annual impairment testing and whenever there is an indication of impairment. No impairment losses were recognized in 2015 and 2014 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

Guarantee deposits mainly pertain to payments made for compliance with construction requirements in relation to the Group's real estate projects.

15. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as at December 31:

	<u>2015</u>	<u>2014</u>
Current:		
Company	P 2,871,346,152	P1,197,234,432
SPI	1,115,773,089	1,100,661,267
EELHI	119,927,915	58,691,642
GERI	72,916,667	200,000,000
RHGI	<u>64,971,354</u>	<u>69,150,594</u>
	<u>4,244,935,177</u>	<u>2,625,737,935</u>
Non-current:		
Company	22,211,538,461	5,082,884,613
GERI	1,927,083,333	-
SPI	1,400,000,000	966,282,157
EELHI	1,389,074,691	77,829,913
LFI	<u>500,000,000</u>	<u>-</u>
	<u>27,427,696,485</u>	<u>6,126,966,683</u>
	<u>P 31,672,631,662</u>	<u>P8,752,734,618</u>

15.1 Company

Philippine Peso, 7-year loan due 2015

In 2008, the Company signed a financing deal with local bank in which the Company may avail of a P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion). The Company had availed of P4.5 billion out of the P5.0 billion facility in 2008 while the remaining P500.0 million was availed of in 2009. The proceeds of the loan were used to fund the development of the Company's various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. Interest is payable every quarter based on the Philippine Dealing System Treasury Fixing rate (PDSTF-R) plus a certain spread.

The outstanding balance pertaining to this loan amounted to P0.7 billion as at December 31, 2014. In 2015, the loan was fully settled.

Philippine Peso, 7-year corporate notes due 2016

In February 2009, the Company issued unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan commenced in February 2010 and interest is paid semi-annually based on a fixed 9.0% annual interest rate. In 2013, the Company had early redeemed these outstanding corporate notes. As a result of the early redemption of these notes, the Company incurred and paid P41.1 million penalty charges which is presented as part of the Miscellaneous – net under Interest and Other Charges – Net account in 2013 consolidated statement of income (see Note 24).

Philippine Peso, 7-year loan due 2016

In May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDSTF-R plus a certain spread, subject to semi-annual reprising. The outstanding balance pertaining to this loan amounted to P467.5 million and P472.5 million as at December 31, 2015 and 2014, respectively.

The Company also obtained an additional loan with original amount of P387.0 million in 2005 and P403.0 million in 2006 from the same local bank subject to the same terms and conditions. The outstanding balance pertaining to these loans amounted to P93.3 million as at December 31, 2014. In December 2015, the loans were fully settled. Collateral for the loans consisted of a mortgage over certain investment properties of the Company with carrying value of P40.4 million. This collateral over investment properties was released as at December 31, 2014 (see Note 12).

Philippine Peso, 7-year loan due 2021

In 2014, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan commenced in August 2015 and interest is paid semi-annually based on a fixed 5.125% annual interest rate. The outstanding balance pertaining to this loan amounted to P4.6 billion and P5.0 billion as at December 31, 2015 and 2014, respectively.

Philippine Peso, 7-year loan due 2022

In March 2015, the Company signed a financing deal with a local bank in which the Company may avail of a P10.0 billion unsecured loan, divided equally into two tranches. The Company had availed both tranches in May and June. The proceeds of the loan were used to fund the development of the Company's various real estate projects and retire currently maturing obligations. The loan is payable for a term of seven years. The principal repayments on this loan will commence in June 2016 and interest is paid quarterly based on a fixed 5.4% annual interest rate. The outstanding balance pertaining to this loan amounted to P10.0 billion as at December 31, 2015.

Philippine Peso, 7-year loan due 2022

In November 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan will commence in November 2016 and interest is paid semi-annually based on a fixed 5.05% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2015.

Philippine Peso, 5-year loan due 2020

In December 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of five years with a grace period of one year upon availment. The principal repayment on the loan will commence in March 2017 and interest is paid quarterly based on a fixed 5.035% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2015.

15.2 EELHI

Philippine Peso, various secured short-term and long-term bank loans

EELHI's short-term and long-term interest bearing loans and borrowings consist only of bank loans amounting to P1.5 billion and P136.5 million as at December 31, 2015 and 2014, respectively. These loans bear annual interest rates ranging from 3.15% (subject to repricing every 30-180 days) to 9.08% in 2015, 7.8 to 9.5% in 2014, and 7.8% to 10.5% in 2013. As at December 31, 2015, the loan with floating interest rate was repriced at 5.40%. Bank loans also include proceeds received from certain trade receivables that were discounted on a with recourse basis (see Note 6). EELHI's interest-bearing loans and borrowings are secured by trade receivables and certain properties presented as part of Trade and Other Receivables and Residential and Condominium Units for Sale with total estimated carrying value of P312.1 million and P497.8 million as of December 31, 2015 and 2014, respectively.

15.3 LFI

Philippine Peso, 5-year loan due 2020

In December 2015, the LFI obtained an unsecured and interest-bearing loan from a local commercial bank amounting to P500.0 million for the funding requirements of the construction of a building. The loan bears an annual interest of 5.0%, subject to quarterly repricing. Quarterly installments beginning in March 2017 are due until the loan is fully-settled in 2020, or 5 years from the issue date of the loan (see Notes 6 and 7).

15.4 SPI

Philippine peso, various long-term bank loans, due in 2016 and 2020

In 2012, SPI obtained long-term loans from a local bank amounting to P330.0 million. These unsecured loans, which will mature in 2016 bear an annual interest of 5.50%, was pre-terminated 2015.

In 2015, SPI obtained a long-term from the same local bank amounting to P1.5 billion, of which P1.4 billion has been drawn. The loan bears a 3.15% floating interest, subject to repricing every 30-180 days, and will mature in 2020. Repayment for this loan, which is on a quarterly basis, will start in 2017.

Philippine peso, various short-term bank loans, due in 2015 and 2016

In 2014, SPI obtained short-term loans from local banks amounting to P1,184.8 million. These unsecured loans bear interest ranging from 3.00% to 5.75%. In 2015 and 2014, SPI paid P886.4 million and P298.4 million of the principal amount, respectively.

In 2015, SPI obtained short-term loans from local banks amounting to P1,060.0 million and paid P944.1 million of the principal amount in the same year. The loans, which will all mature in 2016, are unsecured and bear annual interest rate ranging from 5.50% to 5.75%, respectively.

Assigned trade receivables

SPI partially manages its cash flows for use in operations through assignment of its trade receivables on a with-recourse basis with certain local banks. The outstanding loans to the banks arising from receivable assignment as at December 31, 2015 and 2014 amounted to P997.4 million and P1,034.7 million, respectively (see Note 6).

All of SPI's loans are used to finance existing and future real estate development projects.

15.5 GERI

Philippine peso, 5-year loan due 2020

In 2015, GERI obtained a long-term Philippine peso-denominated bank loan from a local bank, which was granted on clean basis with negative pledge on assets. The proceeds of the loan are being used to finance capital expenditure requirement of the Company's various real estate development projects and for other general corporate requirements. The loan has a term of 5 years from the date of initial drawdown, inclusive of a grace period on principal repayment of 2 years. The loan shall be paid in twelve equal quarterly amortization commencing on the 9th quarter from date of initial drawdown. The loan bears a fixed interest rate computed at 5-year PDST-R2 plus a spread of 130 basis points subject to a floor rate of 5.0% per annum. The interest is payable quarterly in arrears. As of December 31, 2015, the outstanding loan payable amounted to P1.5 billion.

In 2015 and 2014, OFPI, a subsidiary of GERI, availed of a short-term loan from a local bank amounting to P500.0 million and 200.0 million which bears a fixed interest of 5.035% and 3.15%, respectively. As at December 31, 2015, the outstanding loan payable amounted to P500.0 million, of which P72.9 million is due within one year.

15.6 RHGI

Euro-denominated, short-term loan due 2016

On December 2014, RHGI availed of a Euro-denominated short-term loan from a foreign commercial bank amounting to €1.3 million (equivalent to P69.2 million) which bears an annual interest rate of 0.76% and matured in 2015. In June 2015, RHGI renewed the said short-term loan and will mature in June 2016 at a revised annual interest of 0.82%. The outstanding balance in relation this loan amounted to P65.0 million and P69.2 million as at December 31, 2015 and 2014, respectively.

The Group has complied with loan covenants including maintaining certain financial ratios at the end of the reporting periods.

Finance costs arising from the preceding loans and borrowings that are mainly and directly attributable to construction of the Group's projects are capitalized as part of Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts. The remaining interest costs are expensed outright.

Total finance costs attributable to all the loans of the Group amounted to P763.9 million, P308.8 million and P402.7 million in 2015, 2014 and 2013, respectively. Of these amounts, portion expensed is presented as part of Interest expense under Interest and Other Charges - Net in the consolidated statements of income (see Note 24). Interest capitalized in 2015, 2014 and 2013 amounted to P481.3 million, P43.0 million and P73.6 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 5.53%, 6.19% and 5.06% in 2015, 2014 and 2013, respectively.

16. BONDS PAYABLE

Philippine Peso, 5-year bonds due 2015

On November 18, 2009, the Group issued P5.0 billion fixed rate unsecured bonds with a term of five years and six months and which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. The proceeds received are being used by the Group to finance its capital expenditures from 2009 up to 2013 mainly for the development of its real estate projects. In May 2015, these bonds were fully redeemed at face value. As at December 31, 2014, the outstanding bonds payable balance amounted P5.0 billion. The bonds were fully settled in 2015.

U.S. Dollar, 7-year due 2018

On April 15, 2011, the Group issued seven-year term bonds totaling US \$200 million. The bonds bear interest at 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year starting October 15, 2011. The bonds will mature on April 15, 2018. As at December 31, 2015 and 2014, the outstanding bonds payable balance amounted to P9.4 billion and P8.8 billion, respectively.

U.S. Dollar, 10-year due 2023

On April 17, 2013, the Group issued 10-year term bonds totaling US \$250 million. The bond carries a coupon rate of 4.25% per annum and interest is payable semi-annually starting October 17, 2013. The bond will mature in 2023. The proceeds of the bond issuance is being used by the Company for general corporate purposes. As at December 31, 2015 and 2014, the outstanding bonds payable balance amounted to P11.7 billion and P11.1 billion, respectively.

The Group has complied with bond covenants including maintaining certain financial ratios at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,270.1 million in 2015, P1,508.8 million in 2014 and P1,284.7 million in 2013, of which portions capitalized amounted to P161.0 million in 2015 and, P423.0 million in both 2014 and 2013. The remaining amounts are expensed and presented as part of Interest expense under Interest and Other Charges – Net in the consolidated statements of income (see Note 24). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.46% in 2015, 2014 and 2013. The outstanding interest payable as of December 31, 2015 and 2014 is presented as Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

17. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Trade payables		P 8,664,025,590	P 7,467,336,544
Retention payable		2,495,578,562	2,464,294,537
Accrued interest	16	378,240,423	395,769,620
Accrued construction cost		4,999,106	5,816,242
Miscellaneous		<u>526,576,176</u>	<u>286,970,476</u>
		<u>P12,069,419,857</u>	<u>P10,620,187,419</u>

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors.

Miscellaneous payable consists primarily of withholding taxes payable and accrual of salaries and wages and utilities.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, the BOD of TLC, a newly-acquired subsidiary of the Group through the acquisition of GERI, approved the additional subscriptions of 1.3 billion preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1.3 billion. The SEC approved the issuance through exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P89.1 million and P60.2 million as at December 31, 2015 and 2014, respectively, is presented as part of Other payables under Other Non-current Liabilities account in the consolidated statements of financial position (see Note 19). The related interest expense, which represents dividends, recognized for the years ended December 31, 2015 and 2014 amounted to P28.9 million in both years is presented as part of Interest expense under the Interest Expense and Other Charges – Net account in the consolidated statements of income (see Note 24).

The preferred shares shall have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their carrying values.

19. OTHER LIABILITIES

This account consists of:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Current:			
Unearned revenues		P 1,639,368,747	P1,831,092,740
Deferred rental income		355,831,050	391,139,056
Other payables		<u>66,712,432</u>	<u>12,650,112</u>
		<u>2,061,912,229</u>	<u>2,234,881,908</u>
Non-current:			
Deferred rental income		3,346,201,751	1,762,530,579
Other payables	18	<u>155,201,430</u>	<u>94,164,023</u>
		<u>3,501,403,181</u>	<u>1,856,694,602</u>
		<u>P 5,563,315,410</u>	<u>P4,091,576,510</u>

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

20. REAL ESTATE SALES

This account consists of sales for the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential and condominium units	P 27,260,722,450	P 24,605,116,509	P 21,250,984,220
Golf and resort shares	<u>1,575,000</u>	<u>1,437,928</u>	<u>-</u>
	<u>P 27,262,297,450</u>	<u>P 24,606,554,437</u>	<u>P 21,250,984,220</u>

Realized gross profit on prior years amounted to P3.8 billion, P3.2 billion and P3.1 billion in 2015, 2014 and 2013, respectively.

21. COSTS OF REAL ESTATE SALES

The total cost of real estate sales for the years ended December 31, 2015, 2014 and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actual costs	P 9,520,350,982	P 7,762,486,949	P 6,822,583,408
Estimated costs	<u>5,914,591,370</u>	<u>6,601,382,238</u>	<u>5,822,398,964</u>
	<u>P15,434,942,352</u>	<u>P 14,363,869,187</u>	<u>P 12,644,982,372</u>

The breakdown of the cost of real estate sales are further broken down as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contracted services	P 12,851,666,636	P 12,120,803,695	P 10,922,746,175
Land cost	2,058,899,931	1,770,144,307	1,313,461,683
Borrowing cost	331,643,102	273,887,171	202,846,340
Other costs	<u>192,732,683</u>	<u>199,034,014</u>	<u>205,928,174</u>
	<u>P15,434,942,352</u>	<u>P 14,363,869,187</u>	<u>P 12,644,982,372</u>

22. OPERATING EXPENSES

Presented below are the details of this account.

	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries and employee benefits	25	P 2,059,096,838	P 1,714,889,017	P 1,206,397,043
Depreciation and amortization	12, 13, 14	1,348,751,764	1,300,385,226	956,774,624
Commission		1,062,732,165	961,366,846	905,847,959
Advertising and promotions		686,408,553	676,949,982	589,935,280
Taxes and licenses		664,757,350	757,575,717	446,823,406
Rent		539,873,942	521,819,487	398,718,708
Utilities and supplies		480,113,476	460,767,752	287,743,734
Professional fees and outside services		288,358,171	278,527,420	201,182,692
Association dues		273,733,153	263,961,219	169,925,605
Transportation		226,691,959	223,885,030	218,930,485
Miscellaneous		<u>361,377,640</u>	<u>331,566,070</u>	<u>282,085,374</u>
		<u>P 7,991,895,011</u>	<u>P 7,491,693,766</u>	<u>P 5,664,364,910</u>

Miscellaneous operating expenses include repairs and maintenance, training and development and insurance.

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2015	2014	2013
Interest income	5	P 1,337,049,326	P 1,056,924,854	P 1,566,850,939
Property management, cinema operations, commission and construction income		875,835,168	745,378,539	345,096,276
Gain on sale of investments in an associate	9, 11	181,347,731	9,384,719,202	-
Dividend income	9	78,239,149	46,595,425	55,359,121
Fair value gains on disposal of AFS securities reclassified to profit or loss	9	3,597,409	796,867,188	148,251,481
Fair value gains on remeasurement of investments - net	9, 11, 27.5	-	2,251,067,460	-
Gain on acquisitions and deconsolidation of subsidiaries	1	-	520,168,142	763,834,597
Miscellaneous – net	6, 9, 27.4	128,110,898	699,487,436	717,762,006
		<u>P 2,604,179,681</u>	<u>P 15,501,208,246</u>	<u>P 3,597,154,420</u>

The gain on sale of investment in an associate represents the difference between the proceeds from sale of 1.1 billion common shares of TIHGI amounting to P10.4 billion and the related carrying amount of investment amounting to P1.1 billion. The fair value gains on remeasurement of investments pertain mainly to the excess of fair value of the retained interests in TIHGI over its carrying amount at the time of reclassification of such investment to AFS securities (see Notes 9 and 11).

In 2014, FEPI, a wholly-owned subsidiary of GERI, sold 40% of its ownership interest in BNHGI. The deconsolidation of BNHGI resulted in the recognition of gain on deconsolidation amounting to P377.4 million. Also in 2015, FEPI sold a portion of its investments in BNGHI resulting to a gain amounting to P181.3 million. The sale did not affect the significant influence of the Group over BNHGI (see Notes 1 and 11).

On January 21, 2014, the Company acquired additional 16.67% ownership in LFI, increasing the Company's total ownership interest to 66.67%, thereby, obtaining control. The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition (see Note 1).

By the end of December 2014, the Company acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million. Gain on acquisition of P65.1 million was recognized since the fair value of net assets of P560.5 million exceeded the acquisition cost (see Note 1).

In August 2013, the Company acquired 100% ownership interest in API, thereby, obtaining control. The transaction was settled in cash amounting to P3.3 billion. The fair value of the net identifiable assets acquired amounted to P4.1 billion. Gain on acquisition amounting to P763.8 million was recognized since the fair value of the identifiable net assets of API exceeded the acquisition cost (see Note 1).

Gain on sale of investments in AFS securities consists of realized fair value gains reclassified subsequently to profit or loss and gains on sale of these investments in AFS securities.

Miscellaneous income refers to gain on sale of land, marketing fees and other.

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest expense				
arising from:				
Bank loans,				
borrowings and				
bonds payable	15, 16	P 1,391,749,555	P 1,319,465,995	P 1,280,554,678
Redeemable				
preferred shares	18	28,933,722	28,933,722	-
Post-employment				
defined benefit				
obligation	25	46,097,256	48,640,873	36,968,625
Amortization of				
deferred				
interest	10.2	19,848,008	19,848,008	-
Foreign currency				
losses – net		1,148,545,867	105,046,866	491,259,799
Miscellaneous – net	6, 15	<u>91,092,408</u>	<u>102,543,071</u>	<u>50,870,780</u>
		<u>P 2,726,266,816</u>	<u>P 1,624,478,535</u>	<u>P 1,859,653,882</u>

Miscellaneous pertains to amortization of discounts on security deposits, bank charges, impairment loss on receivables and other related fees.

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Short-term benefits		P 1,768,663,918	P 1,548,795,060	P 1,048,509,131
Employee share				
options	25.2, 28.6	146,272,133	40,096,554	30,382,120
Post-employment				
benefits	25.3	<u>144,160,787</u>	<u>125,997,403</u>	<u>127,505,792</u>
	22	<u>P 2,059,096,838</u>	<u>P 1,714,889,017</u>	<u>P 1,206,397,043</u>

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Company and GERI over the vesting period granted by them. As at December 31, 2015 and 2014, about 200.0 million and 46.0 million shares of GERI's options have vested, respectively, but none of these have been exercised by any of the option holder. None of the Company's share options has vested in 2015 and 2014.

Share option benefits expense, included as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of income, amounted to P146.3 million, P40.1 million and P30.4 million in 2015, 2014 and 2013, respectively, (see Note 25.1).

25.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by trustee banks. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of plan salary for every year of credited service, but shall not be less than the regulatory benefit under Republic Act 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of Amounts Presented in the 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 independent actuaries in 2015 and 2014.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	<u>2015</u>	<u>2014</u>
Present value of the obligation	P 1,065,773,374	P1,191,591,023
Fair value of plan assets	(140,578,260)	(114,050,658)
Net defined benefit liability	<u>P 925,195,114</u>	<u>P1,077,540,365</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	P 1,191,591,023	P 851,805,596
Current service costs	144,160,787	125,997,403
Interest costs	51,547,448	53,826,929
Remeasurements –		
Actuarial losses (gains)		
arising from changes in:		
Experience adjustments	(65,694,538)	52,928,254
Financial assumptions	(248,958,147)	114,089,539
Demographic assumptions	(3,955,741)	-
Benefits paid	(<u>2,917,458</u>)	(<u>7,056,698</u>)
Balance at end of year	<u>P 1,065,773,374</u>	<u>P 1,191,591,023</u>

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

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	P 114,050,658	P 103,407,063
Contributions paid	22,000,000	14,000,000
Benefits paid	(2,917,458)	(7,056,698)
Interest income	5,450,192	5,186,056
Return on plan		
assets (excluding amount included		
in net interest cost)	<u>1,994,868</u>	(<u>1,485,763</u>)
Balance at end of year	<u>P 140,578,260</u>	<u>P 114,050,658</u>

The plan assets are composed of cash and cash equivalents and investment in debts and equity securities. Debt securities pertains to corporate and government securities while equity securities consists of investments in private corporation. The contributions to the retirement plan are made annually by the Group. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Group will incur within five years.

Actual return on plan assets were P7.4 million, P3.7 million and P4.2 million in 2015, 2014 and 2013, respectively.

The plan assets do not include any of the Company's and other related parties' own financial instruments or any of its assets occupied and/or used in its operations.

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

	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Reported in consolidated statements of income:</i>				
Post-employment defined benefit:				
Current service costs		P 144,160,787	P 125,997,403	P 116,785,988
Past service cost		<u>-</u>	<u>-</u>	<u>10,719,804</u>
	25.1	144,160,787	125,997,403	127,505,792
Net interest costs	24	<u>46,097,256</u>	<u>48,640,873</u>	<u>36,968,625</u>
		<u>P 190,258,043</u>	<u>P 174,638,276</u>	<u>P 164,474,417</u>
<i>Reported in consolidated statements of comprehensive income:</i>				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		P 248,958,147	P 114,089,539	P 26,746,027
Demographic assumptions		3,955,741	-	-
Experience adjustments		65,694,538	52,928,254	1,066,279
Return on plan assets (excluding amounts included in net interest expense)		<u>(1,994,868)</u>	<u>(1,485,763)</u>	<u>(815,509)</u>
		316,613,558	165,532,030	26,996,797
Tax income (expense)	26	<u>(94,984,067)</u>	<u>(49,659,609)</u>	<u>(8,099,039)</u>
		<u>P 221,629,491</u>	<u>P 115,872,421</u>	<u>P 18,897,758</u>

Current service costs is allocated and presented as part of Operating Expenses in the consolidated statements of income. The net interest cost is included in Interest expense under Interest and Other Charges - Net account in the consolidated statements of income (see Note 24).

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

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

	2015	2014	2013
Discount rates	4.89% - 5.40%	4.49% - 7.81%	4.68% - 5.65%
Expected rate of salary increases	5.00% - 10.00%	6.00% - 10.00%	6.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 22 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. 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 post-employment 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 investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the DBO 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. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during 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.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as at December 31, 2015 and 2014:

	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2015</u>			
Discount rate	0.50%	(P 110,145,014)	P 63,048,969
Salary increase rate	1.00%	166,787,414	(21,338,142)
<u>December 31, 2014</u>			
Discount rate	0.50%	(P 38,566,269)	P 38,566,269
Salary increase rate	1.00%	59,369,478	(59,369,478)

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 DBO 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 DBO 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 DBO recognized in the consolidated statements of financial position.

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

(ii) *Asset-liability Matching Strategies*

The Group, through its BOD, envisions that the investment positions shall be 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 aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

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

(iii) *Funding Arrangements and Expected Contributions*

As at December 31, 2015, the plan is currently underfunded by P0.9 billion based on the Group's 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 22 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P12.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2015</u>	<u>2014</u>
Within one year	P 9,270,690	P 7,871,889
More than one year to 5 years	50,525,978	62,345,512
More than 5 years to 10 years	453,305,787	431,819,516
More than 10 years to 15 years	392,676,385	495,701,944
More than 15 years to 20 years	664,392,058	708,618,147
More than 20 years	<u>8,020,780,539</u>	<u>13,126,936,421</u>
	<u>P 9,590,951,437</u>	<u>P14,833,293,429</u>

The weighted average duration of the DBO at the end of the reporting period is 22 years.

26. TAXES

The components of tax expense (income) as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
Regular corporate income tax			
(RCIT) at 30% and 10%	P 1,836,798,661	P 1,529,076,945	P 1,449,871,581
Final tax at 20% and 7.5%	50,655,309	69,385,362	115,764,691
Preferential tax at 5%	2,817,063	40,955,848	23,604,978
Minimum corporate income tax			
(MCIT) at 2%	1,761,980	1,760,348	1,717,051
Capital gains tax at 5%	-	26,785,714	16,294,686
	<u>1,892,033,013</u>	<u>1,667,964,217</u>	<u>1,607,252,987</u>
Deferred tax expense relating to origination and reversal of temporary differences	<u>1,392,645,482</u>	<u>1,452,366,009</u>	<u>964,199,025</u>
	<u>P 3,284,678,495</u>	<u>P 3,120,330,226</u>	<u>P 2,571,452,012</u>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>P 115,945,063</u>	<u>(P 80,348,207)</u>	<u>P 23,370,891</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax on pretax profit at 30%	P 4,157,844,101	P 7,402,513,722	P 3,481,930,725
Adjustment for income subjected to lower income tax rates	(59,524,349)	(705,832,346)	(612,457,778)
Tax effects of:			
Non-taxable income	(1,212,893,361)	(4,074,676,381)	(723,679,133)
Non-deductible expenses	361,286,164	405,000,251	358,275,556
Unrecognized deferred tax assets on temporary differences	35,830,382	96,763,874	60,734,553
Miscellaneous	<u>2,135,558</u>	<u>(3,438,894)</u>	<u>6,648,089</u>
	<u>P 3,284,678,495</u>	<u>P 3,120,330,226</u>	<u>P 2,571,452,012</u>

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

	<u>2015</u>	<u>2014</u>
Deferred tax assets - net:		
Retirement benefit obligation	P 12,488,746	P 25,332,934
NOLCO	11,187,800	1,326,790
Allowance for impairment of receivables	9,087,303	9,087,303
MCIT	5,448,915	165,772
Allowance for property development cost	-	9,227,732
Accrued rental expense	-	8,945,996
Others	<u>28,895,110</u>	<u>23,180,572</u>
	<u>P 67,107,874</u>	<u>P 77,267,099</u>
Deferred tax liabilities - net:		
Uncollected gross profit	P8,884,257,510	P7,617,315,708
Capitalized interest	1,431,498,138	998,345,338
Unrealized foreign currency losses – net	(663,877,612)	(323,783,911)
Difference between the tax reporting base and financial reporting base of investment properties	258,790,669	234,176,793
Retirement benefit obligation	(245,597,333)	(303,220,582)
Translation adjustments	(96,732,669)	(117,693,665)
Share options	(27,488,206)	(12,028,966)
Bond issuance cost	23,511,908	28,923,105
Uncollected rental income	7,882,177	16,731,124
Others	<u>64,951,682</u>	<u>-</u>
	<u>P 9,637,196,264</u>	<u>P 8,138,764,944</u>

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2015	2014	2013	2015	2014	2013
Changes in deferred tax assets:						
Accrued rental expense	P 8,945,996	(P 9,954,299)	P 8,723,634	P -	P -	P -
Retirement benefit obligation	12,844,188	(2,226,432)	(16,324,502)	-	-	-
NOLCO	(9,861,010)	1,332,859	(2,659,649)	-	-	-
Allowance for property development cost	9,227,732	(9,227,732)	-	-	-	-
MCIT	(5,283,143)	608,046	(122,605)	-	-	-
Allowance for impairment of receivables	-	-	89,669	-	-	-
Others	(5,714,538)	(14,184,203)	8,128,048	-	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	1,266,941,802	1,694,029,381	1,178,147,317	-	-	-
Capitalized interest	433,152,800	(111,644,539)	142,511,478	-	-	-
Unrealized foreign currency losses	(340,093,701)	(28,828,585)	(294,955,326)	-	-	-
Difference between tax reporting base and financial reporting base of:						
Investment properties	24,613,876	16,365,670	(1,605,411)	-	-	-
Property and equipment	-	18,998,485	251,430	-	-	-
Retirement benefit obligation	(37,360,818)	(34,785,062)	(38,743,082)	94,984,067	(49,659,609)	8,099,039
Translation adjustments	-	-	-	20,960,996	(30,688,598)	15,271,852
Share options	(15,459,240)	(2,914,330)	(9,114,636)	-	-	-
Bond issuance cost	(5,411,197)	(5,086,967)	13,255,384	-	-	-
Uncollected rental income	(8,848,947)	(67,180,852)	(43,066,222)	-	-	-
Others	64,951,682	7,064,569	19,683,498	-	-	-
Deferred Tax Expense (Income)	<u>P 1,392,645,482</u>	<u>P 1,452,366,009</u>	<u>P 964,199,025</u>	<u>P 115,945,063</u>	<u>(P 80,348,207)</u>	<u>P 23,370,891</u>

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Some of the entities within the Group are subject to the MCIT which is computed at 2% of gross income, net of allowable deductions as defined under the tax regulations. The details of MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Subsidiaries	Year incurred	Amount	Valid Until
MLI	2015	P 116,720	2018
	2014	120,319	2017
	2013	242,098	2016
API	2015	69,690	2018
	2014	123,051	2017
	2013	112,883	2016
PIPI	2013	2,744	2016
GPMAI	2015	5,884	2018
	2014	37,063	2017
	2013	40,728	2016

<u>Subsidiaries</u>	<u>Year incurred</u>		<u>Amount</u>	<u>Valid Until</u>
MCPI	2015	P	385,058	2018
	2014		1,194,150	2017
	2013		1,403,798	2016
OPI	2015		338,261	2018
	2013		86,208	2016
MNPHI	2015		187,680	2018
MCP	2015		4,847	2018

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.

<u>Subsidiaries</u>	<u>Year incurred</u>		<u>Amount</u>	<u>Valid Until</u>
API	2015	P	4,869,362	2018
	2014		2,165,572	2017
	2013		21,382,586	2016
GPMI	2015		2,771,046	2018
	2014		404,617	2017
	2013		1,670,920	2016
MCP	2015		64,022	2018
DPDHI	2014		3,520,503	2017
LCCI	2013		9,870	2016
LGHII	2013		886,544	2016

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

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

	<u>Assets</u>	<u>Retained Earnings (Deficit)</u>	<u>Revenues</u>	<u>Net Loss</u>
2015				
API	P 85,825,255	(P 60,115,923)	P 4,201,321	(P 4,935,628)
GPMI	598,975,336	271,557,116	3,349,927	(7,955,481)
MCP	<u>1,007,011,146</u>	<u>71,986,041</u>	<u>17,055,876</u>	(<u>68,488,236</u>)
	<u>P 1,691,811,737</u>	<u>P 283,427,234</u>	<u>P 24,607,124</u>	<u>(P 81,379,345)</u>

		<u>Assets</u>	<u>Retained Earnings (Deficit)</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
<u>2014</u>					
API	P	93,106,475	(P 55,178,198)	P 6,891,980	(P 2,278,133)
GPMAI		606,947,764	279,512,597	5,404,122	77,338
LGHLI		625,000	(1,645,548)	-	(759,004)
LCCI		51,860,316	(3,544,504)	72,633,474	172,689
DPDHI		<u>560,514,338</u>	<u>(3,520,503)</u>	<u>-</u>	<u>(3,520,503)</u>
		<u>P 1,313,053,893</u>	<u>P 215,623,844</u>	<u>P 84,929,576</u>	<u>(P 6,307,613)</u>

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2015, 2014 and 2013, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for their income tax dues.

ECOC and SEDI are registered with Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 191 dated October 6, 1999. As PEZA-registered entities, ECOC and SEDI are entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

In November 2011 and May 2014, the Board of Investments approved SPI's application for registration on Suntrust Adriatico Gardens and Suntrust Sentosa projects, respectively. SPI shall be entitled to income tax holiday for three years from November 2011 and May 2014, respectively, or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In 2015, ITH for Suntrust Adriatico Gardens has expired.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Parent Company, associates, the Group's key management and other related parties under common ownership as described below. Transactions with related parties are also discussed in the succeeding pages.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2015 and 2014 are as follows:

Related Party Category	Notes	2015		2014	
		Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Parent Company:					
Dividends paid	27.6	(P 857,700,557)	P -	(P 456,070,226)	P -
Investments in AFS securities	27.4	(565,270,000)	1,973,860,000	(1,200,383,754)	2,539,130,000
Dividend income	27.4	38,006,000	-	46,595,425	-
Sale of investment	27.5	-	-	10,431,650,000	-
Purchase of investment	11	-	-	(10,431,650,000)	-
Associates:					
Cash advances	27.2, 27.3	(277,684,848)	1,042,891,786	(156,075,758)	1,320,576,634
Rendering of services	27.1	3,000,778	4,409,086	2,412,448	-
Related Parties Under Common Ownership:					
Cash advances	27.2, 27.3	(435,439,990)	1,425,105,182	2,002,646,085	1,860,545,172
Collection on sale of land and rendering of services	27.1	86,466,075	56,912,802	(528,944,699)	17,062,500
Investment in AFS securities	27.4	(1,517,602,124)	1,340,695,800	2,669,056,587	2,858,297,924

None of the companies under the Group is a joint venture. The Company is not subject to joint control and none of its related parties exercise significant influence over it.

27.1 Sale (Collection of Sale) of Land and Rendering of Services to Related Parties

	Amount of Transactions		
	2015	2014	2013
Associates	P 3,000,778	P 2,412,448	P 33,623,683
Other related parties under common ownership	86,466,075	(528,944,699)	9,223,864
	<u>P 89,466,853</u>	<u>(P 526,532,251)</u>	<u>P 42,847,547</u>

Sale of land and rendering of services to related parties are usually on a cost-plus basis, allowing a certain margin agreed upon by the parties.

The Group leases some of its investment properties to certain related parties with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from 1 to 25 years, with renewal options, and include annual escalation rates of 3% to 10%. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of income (see Note 12). The related outstanding receivables from these transactions are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

In 2012, the Company sold to a former associate, now a related party under common ownership, parcels of land with a total contract price of P2.2 billion collectible in installments. Outstanding balance related to these transactions amounted to P17.1 million as at December 31, 2014 and was fully collected in 2015. These are presented as part of Trade under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The same former associate is a party in a Management Agreement with the Company, which will provide management services for the overall administration of the other related party's leasing operations for a fee, which is based on certain rates of collection plus commission.

The Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and payable in cash or through offsetting arrangement.

There were no impairment losses recognized on the trade and other receivables from related parties.

27.2 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing and unsecured advances by the Company and other entities in the Group with no repayment terms for working capital purposes. These are generally collectible in cash or through offsetting arrangements with the related parties.

The outstanding balances of Advances to associates and other related parties shown as part of Investments in and Advances to Associates and Other Related Parties in consolidated statements of financial position (see Note 11) are as follows:

	<u>2015</u>	<u>2014</u>
Advances to associates	P1,325,503,852	P1,277,781,909
Advances to other related parties	<u>2,633,653,945</u>	<u>2,806,492,140</u>
	<u>P3,959,157,797</u>	<u>P4,084,274,049</u>

The movements in advances to associates and other related parties are as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	P4,084,274,049	P2,808,216,620
Repayments	(507,860,575)	(86,788,697)
Additions	382,744,323	433,938,450
Advances granted by newly-acquired subsidiaries	<u>-</u>	<u>928,907,676</u>
Balance at end of year	<u>P3,959,157,797</u>	<u>P 4,084,274,049</u>

Advances to other related parties pertain to advances granted to entities under common ownership of the parent company. No impairment losses on the advances to associates and other related parties were recognized in 2015, 2014 and 2013 based on management's assessment.

27.3 Advances from Associates and Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash or through offsetting arrangements with the related parties. The outstanding balances from these transactions are presented as Advances from Other Related Parties account in the consolidated statements of financial position and are broken down as follows:

	<u>2015</u>	<u>2014</u>
Advances from associates	P 282,612,066	P 1,331,560
Advances from other related parties	<u>1,208,548,763</u>	<u>901,820,683</u>
	<u>P1,491,160,829</u>	<u>P 903,152,243</u>

The movements in advances from other related parties are as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	P 903,152,243	P 120,487,829
Additions	693,250,959	288,167,471
Repayments	(105,242,373)	(20,315,115)
Advances granted to newly-acquired subsidiaries	<u>-</u>	<u>514,812,058</u>
Balance at end of year	<u>P1,491,160,829</u>	<u>P 903,152,243</u>

27.4 Investments in Equity Securities

The Group's equity securities mainly consist of investment in shares of the Parent Company and related parties under common ownership. The fair value of these securities has been determined directly by reference to published prices in active market. Movements and the related fair value gains or losses on these investments are shown and discussed in Note 9. Also, the Group received dividend income from these shares and is presented as part of Miscellaneous – net under Interest and Other Income – Net in the consolidated statement of income (see Note 23). No outstanding receivable arises from the transaction.

27.5 Sale of Investments in an Associate

In 2014, the Company sold significant portion of its ownership interest in TIHGI to the Parent Company for P10.4 billion. The resulting fair value gain on the remeasurement of investment and gain on sale of shares were recognized in Interest and Other Income – net account in the 2014 consolidated statement of income (see Note 23). Accordingly, the remaining TIHGI shares amounting to P2.7 billion were reclassified to AFS securities at the time of sale (see Note 9).

27.6 Others

The Company declared dividend to the Parent Company amounting to P0.9 billion and P0.5 billion in 2015 and 2014, respectively. There is no outstanding liability arising from this transaction on both years (see Note 28.4).

27.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Short-term benefits	P 144,906,631	P 168,632,604	P 130,245,735
Post-employment benefit	31,398,166	28,779,904	18,949,576
Share-based expense	<u>146,272,133</u>	<u>40,096,554</u>	<u>30,382,120</u>
	<u>P 322,576,930</u>	<u>P 237,509,062</u>	<u>P 179,577,431</u>

27.8 Post-employment Plan

The Group has a formal retirement plan established separately for the Company and each of the significant subsidiaries, particularly GERI, EELHI, and PHRI. The Group's retirement fund for its defined benefit post-employment plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2015 and 2014 are presented in Note 25.3.

The Company's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

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

The details of the contributions of the Group to the plan are also presented in Note 25.3.

28. EQUITY

Capital stock consists of:

	<u>Shares</u>			<u>Amount</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Preferred shares Series "A"-						
P0.01 par value						
Authorized	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	P 60,000,000	P 60,000,000	P 60,000,000
Issued and outstanding	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	P 60,000,000	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	<u>40,140,000,000</u>	<u>40,140,000,000</u>	<u>40,140,000,000</u>	P 40,140,000,000	P 40,140,000,000	P 40,140,000,000
Issued and outstanding:						
Balance at beginning of year	32,362,877,948	32,100,675,105	28,878,862,985	P 32,362,877,948	P 32,100,675,105	P 28,878,862,985
Issuances during the year	<u>7,987,924</u>	<u>262,202,843</u>	<u>3,221,812,120</u>	<u>7,987,924</u>	<u>262,202,843</u>	<u>3,221,812,120</u>
Balance at end of year	<u>32,370,865,872</u>	<u>32,362,877,948</u>	<u>32,100,675,105</u>	<u>P 32,370,865,872</u>	<u>P 32,362,877,948</u>	<u>P 32,100,675,105</u>
Total Capital Stock				P 32,430,865,872	P 32,422,877,948	P 32,160,675,105

On June 15, 1994, the SEC approved the listing of the Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.8 per common share. As of December 31, 2015, there are 2,582 holders of the listed shares, which closed at P4.25 per share as of that date.

The following also illustrates the additional listings made by the Company: May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 7.0 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion; 2012 – 3.1 billion shares. The Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014 and 8.0 million shares in 2015.

28.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P0.6 million in 2015 and 2014.

28.2 Common Shares

On various dates in 2014, the Company's BOD approved the additional issuance of share options to qualified employees of the Company.

On May 23, 2013, the Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10 billion shares with par value of P1.0 per share. On November 20, 2013 the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by AGI at the price of P4.29 per share for a total subscription price of P10.7 billion.

On April 28, 2009, the Company offered 5,127,556,725 common shares, by way of pre-emptive share rights offering, to eligible existing common shareholders at the rate of one right for every four common shares held as at May 4, 2009 at an exercise price of P1 per share. Moreover, shareholders were given four additional share warrants for every five share rights subscribed. For every share warrant, shareholders can avail of one common share at P1 per share.

As a result of the share rights offering, 5,127,556,725 common shares were subscribed and issued on June 1, 2009. Of the total exercise price, 50% was paid as at May 31, 2009 and the remaining 50% was paid by the subscribers in 2010. Relative to the share subscription, 4,102,045,364 share warrants were issued and these will be exercisable beginning on the second year until the fifth year from issue date.

Out of the Company's 4,102,045,364 share warrants, 7,987,924, 262,202,843, and 721,812,120 warrants were exercised at P1 per share in 2015, 2014, and 2013, respectively. Prior to 2013, there were 3,109,659,359 share warrants also exercised at P1. As at December 31, 2015, a total of 383,118 warrants have expired.

28.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares. In 2013, P8.2 billion was recognized arising from the subscription of AGI (see Note 28.2). There were no movements in the Company's APIC account in 2015 and 2014.

28.4 Cash Dividends

The details of the Group's cash dividend declarations, both for preferred and common shares, are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Declaration date/date of approval by BOD	June 17, 2015	June 16, 2014	July 3, 2013
Date of record	July 1, 2015	June 30, 2014	July 17, 2013
Date paid	July 27, 2015	July 24, 2014	August 12, 2013
Amounts declared and paid	<u>P 1,936,160,028</u>	<u>P 1,246,941,619</u>	<u>P 1,030,083,639</u>
Common dividends per share	<u>P 0.06</u>	<u>P 0.04</u>	<u>P 0.04</u>

28.5 Treasury Shares

This account also includes the Company's common shares held and acquired by RHGI. The number of treasury common shares aggregated to 551.4 million as at December 31, 2015. The changes in market values of these shares, recognized as fair value gains or losses by the subsidiaries, were eliminated in full and not recognized in the consolidated financial statements.

A portion of the Company's retained earnings is restricted for dividend declaration up to the cost of treasury shares as of the end of the reporting period.

28.6 ESOP

a. Company

On April 26, 2012, the Company's BOD approved an ESOP for the Company's key executive officers, and on June 15, 2012, the shareholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Company. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Company granted share options to certain key executives to subscribe to 245.0 million common shares of the Company, at an exercise price of P1.77 per share.

In 2014, additional share options were granted to certain key executives to subscribe 35.0 million common shares of the Company at an exercise price of P2.92 per share. There were no additional share options granted in 2015.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	15.29 years
Average share price at grant date	P 2.92
Average exercise price at grant date	P 2.06
Average fair value at grant date	P 1.38
Average standard deviation of share price returns	9.42%
Average dividend yield	0.59%
Average risk-free investment rate	3.65%

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time consistent with the option life.

b. GERI

On September 23, 2011, the BOD of GERI approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest in GERI, thereby encouraging long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of the BOD of GERI.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of the GERI's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. GERI shall receive cash for the share options.

Pursuant to this ESOP, on February 16, 2012, GERI granted the option to its key company executives to subscribe to 100.0 million shares of GERI, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. As at December 31, 2015 and 2014, a total of 200.0 million and 100.0 million options have vested but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	7 years
Average share price at grant date	P 2.10
Average exercise price at grant date	P 1.93
Average fair value at grant date	P 2.27
Average standard deviation of share price returns	57.10%
Average risk-free investment rate	2.46%

The underlying expected volatility was determined by reference to historical data of the GERI's shares over a period of time consistent with the option life.

A total of P146.3 million, P40.1 million and 30.4 million share option benefits expense in 2015, 2014 and 2013, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of income (see Note 25.2).

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net profit attributable to Company's shareholders	P 10,215,095,444	P 21,219,577,584	P 8,970,664,010
Dividends on cumulative preferred shares Series "A"	(<u>600,000</u>)	(<u>600,000</u>)	(<u>600,000</u>)
Profit available to Company's common shareholders	<u>P10,214,495,444</u>	P 21,218,977,584	P 8,970,064,010
Divided by weighted average number of outstanding common shares	<u>31,816,158,923</u>	<u>31,678,808,588</u>	<u>29,131,044,450</u>
Basic EPS	<u>P 0.321</u>	P <u>0.670</u>	P <u>0.308</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u>31,977,462,945</u>	<u>31,834,293,509</u>	<u>29,440,788,285</u>
Diluted EPS	<u>P 0.319</u>	P <u>0.667</u>	P <u>0.305</u>

The potential dilutive common shares relating to the unexercised share warrants were considered in the computation of diluted EPS totaling 8,037,811 in 2014 (see Note 28.2). In 2015, unexercised share warrants expired; hence, were no longer included in the computation. In addition, as of end of 2015 and 2014, the potentially dilutive outstanding share options totaling 280,000,000 were also considered in the computations (see Note 28.6).

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several non-cancellable operating leases covering real estate properties for commercial use (see Note 12). The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to about P10.8 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Within one year	P 7,687,114,102	P 6,757,739,227	P 5,709,494,083
After one year but not more than five years	43,476,147,159	35,491,931,862	29,646,014,378
More than five years	<u>13,795,188,452</u>	<u>11,199,502,286</u>	<u>9,365,860,586</u>
	<u>P 64,958,449,713</u>	<u>P 53,449,173,375</u>	<u>P 44,721,369,047</u>

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several non-cancellable operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 11 years, with renewal options, and include a 5% to 10% annual escalation rate. The average annual rental covering these agreements amounts to about P34.7 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as at December 31 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Within one year	P 55,832,292	P 48,658,023	P 61,865,533
After one year but not more than five years	62,907,791	49,101,909	99,110,534
More than five years	<u>56,662,793</u>	<u>60,505,793</u>	<u>3,697,674</u>
	<u>P 175,402,876</u>	<u>P 158,265,725</u>	<u>P 164,673,741</u>

30.3 Others

As at December 31, 2015 and 2014, the Group has unused lines of credit as follows:

	<u>2015</u>	<u>2014</u>
SPI	P 2,100,000,000	P -
EELHI	<u>1,023,000,000</u>	<u>670,000,000</u>
	<u>P 3,123,000,000</u>	<u>P 670,000,000</u>

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the 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.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

31.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents and bonds payable which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2015		2014	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	\$ 169,321,563	P 7,986,220,825	\$ 204,748,076	P 9,135,244,930
Financial liabilities	(514,971,354)	(24,289,138,883)	(450,019,200)	(20,078,506,664)
	<u>(\$ 345,649,791)</u>	<u>(P16,302,918,058)</u>	<u>(\$ 245,271,124)</u>	<u>(P 10,943,261,734)</u>

The following table illustrates the sensitivity of the Group's consolidated net results for the year with respect to changes in Philippine Peso against U.S. dollar exchange rate. 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 at a 68% confidence level.

	2015			2014		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
PhP - USD	+/-3.67%	(P 598,965,597)	(P 419,275,918)	+/-3.94%	(P 430,635,868)	(P 301,445,108)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

31.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. These long-term borrowings and other financial assets and liabilities are subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 25.74:1.00, 51.63:1.00, and 33.46:1.00 as of December 31, 2015, 2014 and 2013, respectively.

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity to a reasonably possible change in floating interest rates of +1% and -1% in 2015 and 2014. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2015		2014	
	+1%	-1%	+1%	-1%
Consolidated net results for the year	(P19,675,000)	P 19,675,000	(P 7,479,953)	P 7,479,953
Consolidated equity	(13,772,500)	13,772,500	(5,235,967)	5,235,967

31.3 Credit Risk

The Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. 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.

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

	Notes	2015	2014
Cash and cash equivalents	5	P 22,763,063,173	P 25,142,949,887
Trade and other receivables	6	55,148,505,013	49,606,034,905
Advances to associates and other related parties	11, 27.2	3,959,157,797	4,084,274,049
AFS debt securities	9	65,334,355	108,602,601
Guarantee and other deposits	14	822,930,111	541,591,807
		<u>P 82,758,990,449</u>	<u>P 79,483,453,249</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents 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 P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

All trade receivables are subject to credit risk exposure. However, 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. Certain receivables from trade customers are covered by post-dated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

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:

	<u>2015</u>	<u>2014</u>
Not more than 3 months	P 1,152,518,898	P1,028,989,404
More than 3 months but not more than 6 months	445,589,200	429,474,456
More than 6 months but not more than one year	267,533,633	209,339,801
More than one year	<u>104,813,390</u>	<u>141,958,783</u>
	<u>P 1,970,455,121</u>	<u>P1,809,762,444</u>

31.4 *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, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period 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 or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2015 and 2014 the Group's financial liabilities have contractual maturities which are presented below.

	<u>2015</u>			
	<u>Current</u>		<u>Non-current</u>	
	<u>Within</u>	<u>6 to 12</u>	<u>1 to 5</u>	<u>Later</u>
	<u>6 Months</u>	<u>Months</u>	<u>Years</u>	<u>5 Years</u>
Interest-bearing loans and borrowings	P 1,344,170,072	P 2,900,765,105	P 26,241,799,050	P 1,185,897,435
Trade and other payables	7,186,027,320	4,883,392,537	-	-
Bonds payable	-	-	9,372,920,546	11,556,999,583
Redeemable Preferred Shares	-	-	-	1,257,987,900
Advances from associates and other related parties	-	-	1,491,160,829	-
	<u>P 8,530,197,392</u>	<u>P 7,784,157,642</u>	<u>P 37,105,880,425</u>	<u>P 14,000,884,918</u>

	2014			
	Current		Non-current	
	Within	6 to 12	1 to 5	Later
	6 Months	Months	Years	5 Years
Interest-bearing loans and borrowings	P 1,760,559,349	P 865,178,586	P 5,357,765,914	P 769,230,769
Trade and other payables	5,944,104,226	4,676,083,193	-	-
Bonds payable	5,000,000,000	-	8,843,936,590	10,940,977,158
Redeemable Preferred Shares	-	-	-	1,257,987,900
Advances from associates and other related parties	-	-	903,152,243	-
	<u>P12,704,663,575</u>	<u>P 5,541,261,779</u>	<u>P 15,104,854,747</u>	<u>P 12,968,195,827</u>

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

31.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments in AFS securities carried at fair value. 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, the observed volatility rates of the fair values of the Group's investments held at fair value is determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. Their impact on the Group's consolidated net profit and consolidated equity as at December 31, 2015 and 2014 are summarized as follows:

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
2015						
Investment in equity securities in a holding company	+7.49%	-7.49%	<u>P -</u>	<u>P 147,789,372</u>	<u>P -</u>	<u>(P 147,789,372)</u>
Investments in equity securities in tourism and leisure	+31.47%	-31.47%	<u>P -</u>	<u>P 264,181,970</u>	<u>P -</u>	<u>(P 264,181,970)</u>
Investments in equity securities in a manufacturing company	+6.82%	-6.82%	<u>P -</u>	<u>P 34,165,835</u>	<u>P -</u>	<u>(P 34,165,835)</u>
2014						
Investment in equity securities in a holding company	+21.49%	-21.49%	<u>P 48,226,538</u>	<u>P 591,257,329</u>	<u>(P 48,226,538)</u>	<u>(P 591,257,538)</u>
Investments in equity securities in tourism and leisure	+23.44%	-23.44%	<u>P -</u>	<u>P 665,625,935</u>	<u>P -</u>	<u>(P 665,625,935)</u>

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.

32. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

32.1 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.

		2015		2014	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 22,763,063,173	P 22,763,063,173	P 25,142,949,887	P 25,142,949,887
Trade and other receivables - net	6	55,148,505,013	55,148,505,013	49,606,034,905	49,606,034,905
Advances to associates and other related parties	11, 27.2	3,959,157,797	3,959,157,797	4,084,274,049	4,084,274,049
Guarantee and other deposits	14	<u>822,930,111</u>	<u>822,930,111</u>	<u>541,591,807</u>	<u>541,591,807</u>
		<u>P 82,693,656,094</u>	<u>P 82,693,656,094</u>	<u>P 79,374,850,648</u>	<u>P 79,374,850,648</u>
AFS securities:					
Equity securities	9	P 4,634,249,299	P 4,634,249,299	P 6,037,664,828	P 6,037,664,828
Debt securities		<u>65,334,355</u>	<u>65,334,355</u>	<u>108,602,601</u>	<u>108,602,601</u>
		<u>P 4,699,583,654</u>	<u>P 4,699,583,654</u>	<u>P 6,146,267,429</u>	<u>P 6,146,267,429</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing					
loans and borrowings	15	P 31,672,631,662	P 31,672,631,662	P 8,752,734,618	P 8,752,734,618
Bonds payable	16	20,929,920,130	20,929,920,130	24,784,913,748	24,784,913,748
Redeemable preferred shares	18	1,257,987,900	1,257,987,900	1,257,987,900	1,257,987,900
Trade and other payables	17	9,407,713,404	9,407,713,404	8,562,703,728	8,562,703,728
Advances from associates and other related parties	27.3	<u>1,491,160,829</u>	<u>1,491,160,829</u>	<u>903,152,243</u>	<u>903,152,243</u>
		<u>P 64,759,413,925</u>	<u>P 64,759,413,925</u>	<u>P 44,261,492,237</u>	<u>P 44,261,492,237</u>

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

32.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2015 and 2014 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2 and 27.3. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances. Further, certain trade receivables that were assigned on a with-recourse basis may be offset against the related outstanding borrowings from local banks (see Note 15.2).

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 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:

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

33.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's investments in AFS Securities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2015 and 2014 (see Note 9).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2015</u>				
Equity securities	<u>P4,606,799,401</u>	<u>P -</u>	<u>P 27,449,898</u>	<u>P 4,634,249,299</u>
Debt securities	<u>65,334,355</u>	<u>-</u>	<u>-</u>	<u>65,334,355</u>
<u>2014</u>				
Equity securities	<u>P6,010,214,930</u>	<u>P -</u>	<u>P 27,449,898</u>	<u>P 6,037,664,828</u>
Debt securities	<u>108,602,601</u>	<u>-</u>	<u>-</u>	<u>108,602,601</u>

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) *Equity Securities*

As at December 31, 2015 and 2014, instruments included in Level 1 comprise equity securities classified as AFS securities. These securities were valued based on their market prices quoted in the Philippines Stock Exchange at the end of each reporting period.

Moreover, equity security held in certain investee companies are included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

b) *Debt Securities*

The fair value of the Company's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Frankfurt Exchange) at the end of the reporting period and is categorized within Level 1.

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

The Company's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables, advances to associates and other related parties and guarantee and other deposits which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to interest-bearing loans and borrowings, bonds payable, trade and other payables and advances from associates and other related parties which are categorized under Level 3.

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 based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

33.4 Fair Value Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties except for investment properties of API and LFI (see Note 12) was determined by calculating the present value of the cash inflows anticipated until the life of the Investment properties using a discount rate of 8%. On the other hand, the fair value of API and LFI was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

As at December 31, 2015 and 2014, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2015 and 2014.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio.

	<u>2015</u>	<u>2014</u>
Interest-bearing loans and borrowings	P 31,672,631,662	P 8,752,734,618
Bonds payable	<u>20,929,920,130</u>	<u>24,784,913,748</u>
	<u>P 52,602,551,792</u>	<u>P 33,537,648,366</u>
Total equity	<u>P 134,413,354,643</u>	<u>P128,798,793,221</u>
Debt-to-equity ratio	<u>0.39 : 1.00</u>	<u>0.26 : 1.00</u>

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

35. OTHER MATTER

International Organization for Standardization (ISO) Certification

The Company was awarded a Certificate of Registration ISO 9001:1994 effective November 26, 1999 by Certification International Philippines, Inc. Effective November 21, 2002, the Company has upgraded its Certification to ISO 9001:2000 series. The scope of the certification covers all areas of the Company's operations, which include planning, design, project management and customer service for its real estate business. Among others, the Company is required to undergo surveillance audits every six months.

**Report of Independent Auditors
to Accompany Supplementary Information
Required by the Securities and Exchange
Commission Filed Separately from the
Basic Consolidated Financial Statements**

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**The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)**
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) for the year ended December 31, 2015, on which we have rendered our report dated March 18, 2016. 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. 5321727, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

March 18, 2016

BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

Megaworld Corporation and Subsidiaries
List of Supplementary Information
December 31, 2015

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Financial Assets	
	Financial Assets at Fair Value Through Profit or Loss	N/A
	Held-to-maturity Investments	N/A
	Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable/Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6
Other Required Information		
I	Reconciliation of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2015.	
J	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, 2015	
K	Map Showing the Relationship Between the Company and its Related Entities	
L	Schedule of Financial Soundness Indicator	

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2015

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the market quotation at balance sheet date</i>	<i>Income received and accrued</i>
Alliance Global Group, Inc.	122,600,000 P	1,973,860,000 P	1,973,860,000 P	38,006,000
Travellers International Hotel Group, Inc.	290,587,162	1,278,586,769	1,278,586,769	20,631,452
Emperador, Inc.	56,000,000	502,435,687	502,435,687	5,880,000
Various quoted equity securities	190,665,866	851,916,945	851,916,945	13,703,755
Various unquoted equity securities	29,501,000	27,449,898	27,449,898	-
Various unquoted debt securities	<u>1,250,000</u>	<u>65,334,355</u>	<u>65,334,355</u>	<u>1,521,803</u>
		<u>p 4,699,583,654</u>	<u>p 4,699,583,654</u>	<u>p 79,743,010</u>

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2015

<i>Name and designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at end of period</i>
			<i>Amounts collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Not current</i>	
Advances to Officers and Employees:							
Philipps C. Cando <i>Senior VP - Operations</i>	P 79,168	P -	(P 79,168)	P -	P -	P -	P -
Garry V. de Guzman <i>First VP and Head of Corporate Advisory and Compliance Division</i>	497,626	-	(135,716)	-	361,910	-	361,910
Maria Marivic M. Acosta <i>Senior VP for International Marketing</i>	-	1,722,349	(430,000)	-	1,292,379	-	1,292,379
Monica T. Salomon <i>First VP - Corporate Management</i>	434,814	-	(102,309)	-	332,505	-	332,505
Rolando D. Siatela <i>Assistant Corporate Secretary</i>	248,212	-	(111,981)	-	136,231	-	136,231
	<u>P 1,259,820</u>	<u>P 1,722,379</u>	(<u>P 859,174</u>)	<u>P -</u>	<u>P 2,123,025</u>	<u>P -</u>	<u>P 2,123,025</u>
Loans to Directors:	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE C- Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2015

Name and designation of debtor	Balance at the beginning of period	Additions	Deductions		Current	Non current	Balance at the end of the period
			Amounts collected	Amounts written off			

Due from Related Parties:

Suntrust Properties, Inc. (SPI)	P 1,999,279,844	P 235,894,790	P -	P -	P -	P 2,235,174,633	P 2,235,174,633
Empire East Land Holdings, Inc.(EELHI)	1,538,882,589	344,619,022	-	-	-	1,883,501,611	1,883,501,611
Megaworld Cebu Properties, Inc. (MCP)	-	1,540,129,557	-	-	-	1,540,129,557	1,540,129,557
Megaworld Land, Inc.(MLI)	165,746,848	11,647,037	-	-	-	177,393,885	177,393,885
Arcovia Properties, Inc. (API)	115,570,597	-	907,781	-	-	114,662,816	114,662,816
Megaworld Newport Property Holdings, Inc.(MNPHI)	113,642,180	-	21,515,967	-	-	92,126,213	92,126,213
Global Estate Resorts, Inc.(GERI)	22,402,635	52,901,454	-	-	-	75,304,089	75,304,089
Oceantown Properties, Inc.(OPI)	347,112,561	-	288,757,566	-	-	58,354,995	58,354,995
Eastwood Property Holdings, Inc.(EPHI)	70,781,434	-	24,888,003	-	-	45,893,431	45,893,431
Belmont Newport Luxury Hotels Inc. (BNLHI)	-	26,869,495	-	-	-	26,869,495	26,869,495
Lucky Chinatown Cinemas, Inc.(LCCI)	11,328,057	13,015,123	-	-	-	24,343,180	24,343,180
Megaworld Bacolod Properties Inc. (MBPI)	-	24,001,020	-	-	-	24,001,020	24,001,020
Eastwood Cinema 2000, Inc.(EC2000)	13,750,000	-	-	-	-	13,750,000	13,750,000
Global One Hotel Group Inc. (GOHGI)	-	5,627,367	-	-	-	5,627,367	5,627,367
Luxury Global Hotels and Leisure, Inc.(LGHLI)	1,625,363	20,380	-	-	-	1,645,743	1,645,743
Streamwood Property, Inc.(SP)	1,128,824	215,843	-	-	-	1,344,666	1,344,666
Various Subsidiaries	7,386,089	708,876	7,067,261	-	-	1,027,704	1,027,704

Due to Related Parties:

Richmonde Hotel Group International, Ltd.(RHGI)	2,449,274,169	1,401,520,942	-	-	-	3,850,795,111	3,850,795,111
Megaworld Globus Asia, Inc.(MGAI)	212,979,082	-	2,000,000	-	-	210,979,082	210,979,082
Megaworld Central Properties, Inc. (MCPI)	135,911,745	20,438,808	-	-	-	156,350,553	156,350,553
Megaworld-Daewoo Corporation (MDC)	228,056,418	-	108,128,875	-	-	119,927,543	119,927,543
Prestige Hotels and Resorts, Inc.(PHRI)	62,685,171	6,821,260	-	-	-	69,506,432	69,506,432
Townsquare Development, Inc. (TDI)	111,822,269	-	49,569,303	-	-	62,252,966	62,252,966
Philippine International Properties, Inc. (PIPI)	4,349,111	16,476	-	-	-	4,365,587	4,365,587

Megaworld Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2015

<i>Description</i>		<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deduction</i>			<i>Ending balance</i>
				<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Goodwill	P	1,290,232,360	p -	P -	P -	p -	P 1,290,232,360
Leasehold Rights		<u>139,304,336</u>	<u>-</u>	<u>6,965,217</u>	<u>-</u>	<u>-</u>	<u>132,339,119</u>
	P	<u>1,429,536,696</u>	<u>p -</u>	<u>P 6,965,217</u>	<u>p -</u>	<u>p -</u>	<u>P 1,422,571,479</u>

Megaworld Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2015

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>
Long -term loan	P 32,375,840,366	P 4,179,963,823	P 27,427,696,485
Foreign borrowings	\$ 451,377,504	<u>64,971,354</u>	<u>20,929,920,130</u>
		<u>P 4,244,935,177</u>	<u>P 48,357,616,615</u>

Megaworld Corporation and Subsidiaries
Schedule H - Capital Stock
December 31, 2015

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value	40,140,000,000	32,370,865,872	280,000,000	21,284,521,882	99,453,748	10,855,470,242
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

**Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2015**

Unappropriated Retained Earnings at Beginning of Year		51,291,216,533
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(490,839,311)	
Stock options credited to retained earnings	(60,437,069)	
Unrealized interest income from trade receivables	769,400,381	
Day-one gain on initial measurement of security deposits at amortized cost	(376,781,308) (158,657,307)	
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		<u>51,132,559,226</u>
Net Profit Realized during the Year		
Net profit per audited financial statements		8,149,124,270
Non-actual/unrealized income, net of tax		
Deferred tax income	(391,316,170)	
Interest income realized from trade receivables	(1,210,370,675)	
Day-one gain on initial measurement of security deposits at amortized cost	(174,644,485) (1,776,331,330)	
		6,372,792,940
Other Transactions During the Year		
Dividends declared	(1,961,708,405)	
Retained Earnings Restricted for Treasury Shares	(118,555,453)	
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		<u>55,425,088,308</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES

(A Subsidiary of Alliance Global Group, Inc.)

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, 2015

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			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
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 (2014)* (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: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective January 1, 2016)	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016)	✓		
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* (effective January 1, 2016)	✓		
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, 2016)			✓

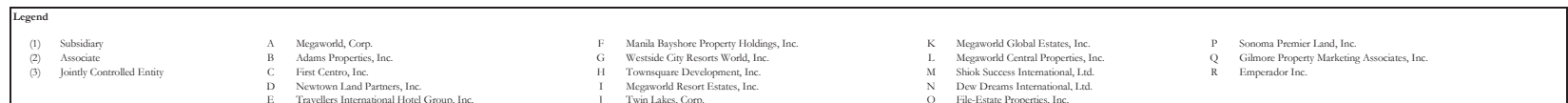
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 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	✓		
	Amendment to PAS 16: Bearer Plants* (effective January 1, 2016)			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* (effective January 1, 2016)			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
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	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* (effective January 1, 2016)			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective January 1, 2016)	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* (effective January 1, 2016)	✓		
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	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* (effective January 1, 2016)			✓

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			✓
	Amendment to PAS 41: Bearer Plants* (effective January 1, 2016)			✓
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	Leases			✓
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 2015 and are not early adopted by the Company.

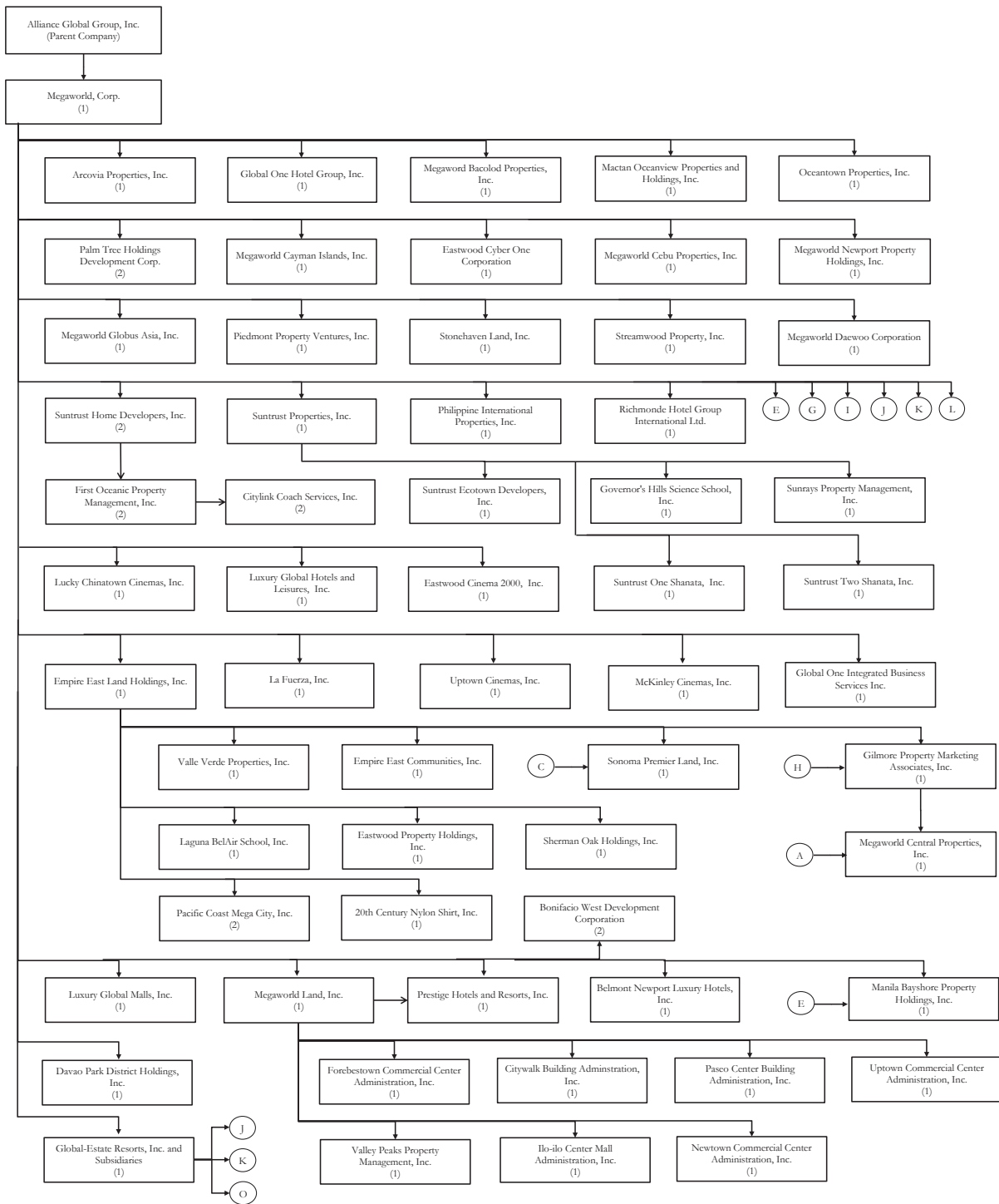
** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

Schedule K - Map Showing the Relationship Between and
Among the Company and Its Related Parties
December 31, 2015



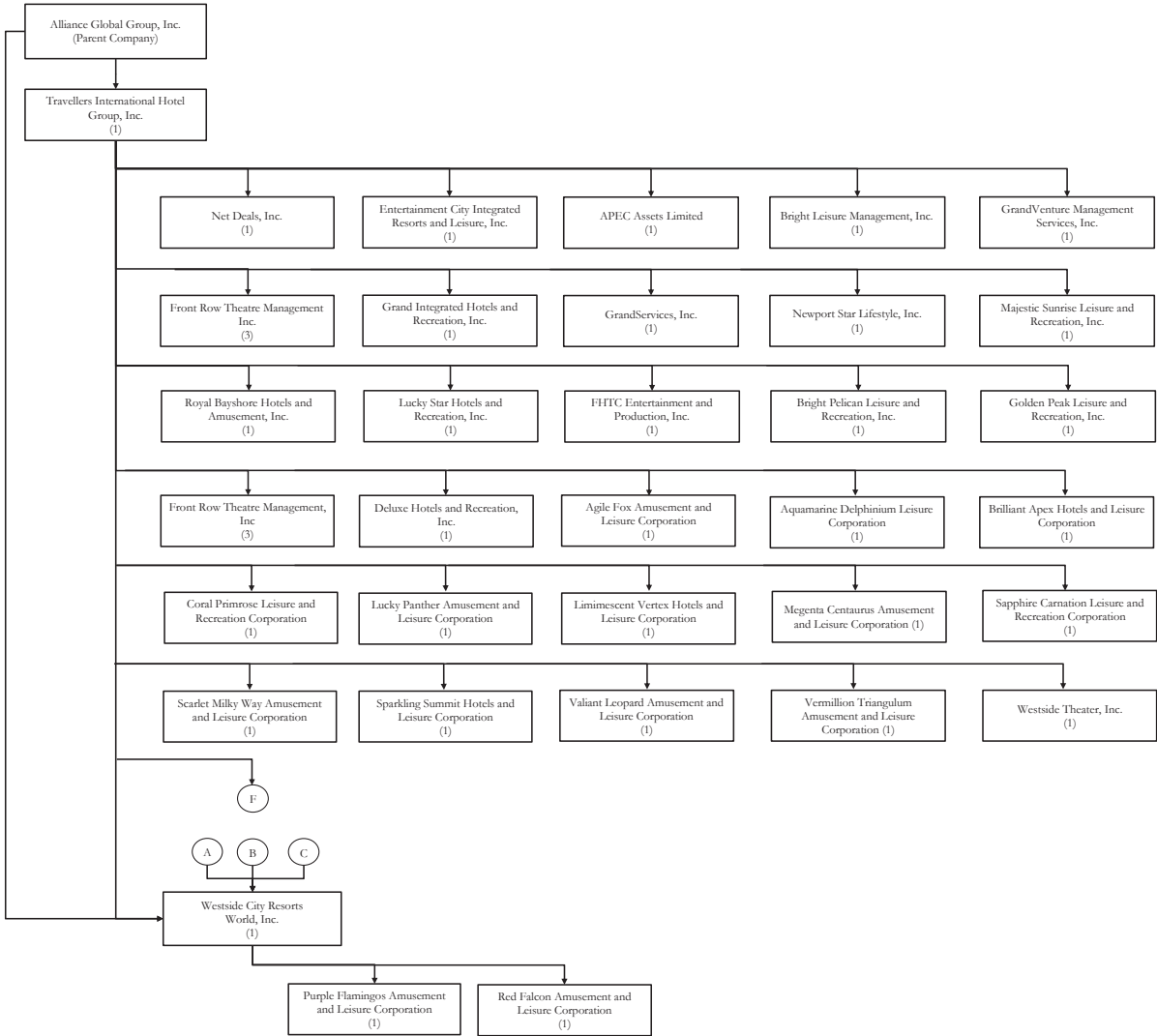
ALLIANCE GLOBAL GROUP, INC.

Schedule K-1 - Map Showing the Relationship Between and
Among the Company and Megaworld Corporation Group
December 31, 2015



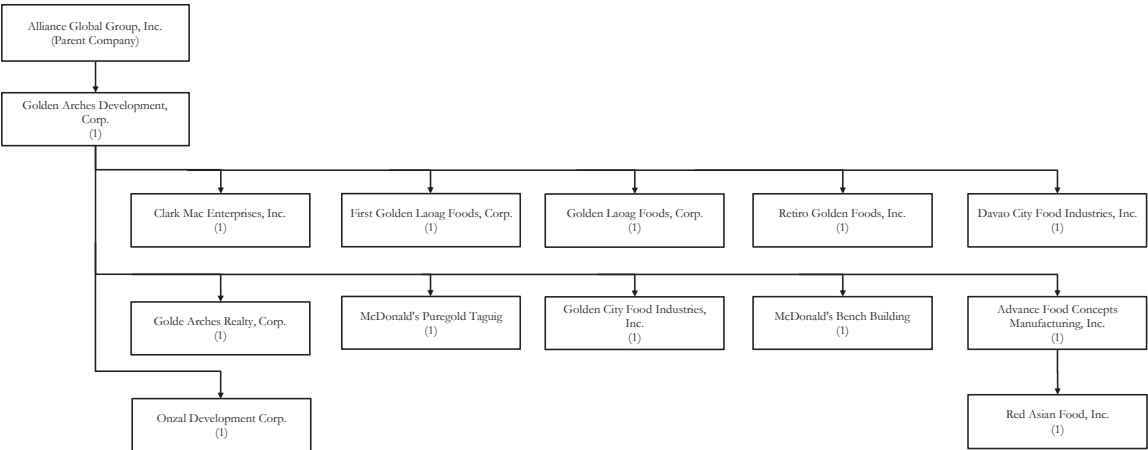
Legend	
(1)	Subsidiary
(2)	Associate
A	Megaworld, Corp.
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes, Corp.
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	File-Estate Properties, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.
S	Megaworld Land Inc's Subsidiaries

ALLIANCE GLOBAL GROUP, INC.
Schedule K-2 - Map Showing the Relationship Between and
Among the Company and Travellers Group
December 31, 2015



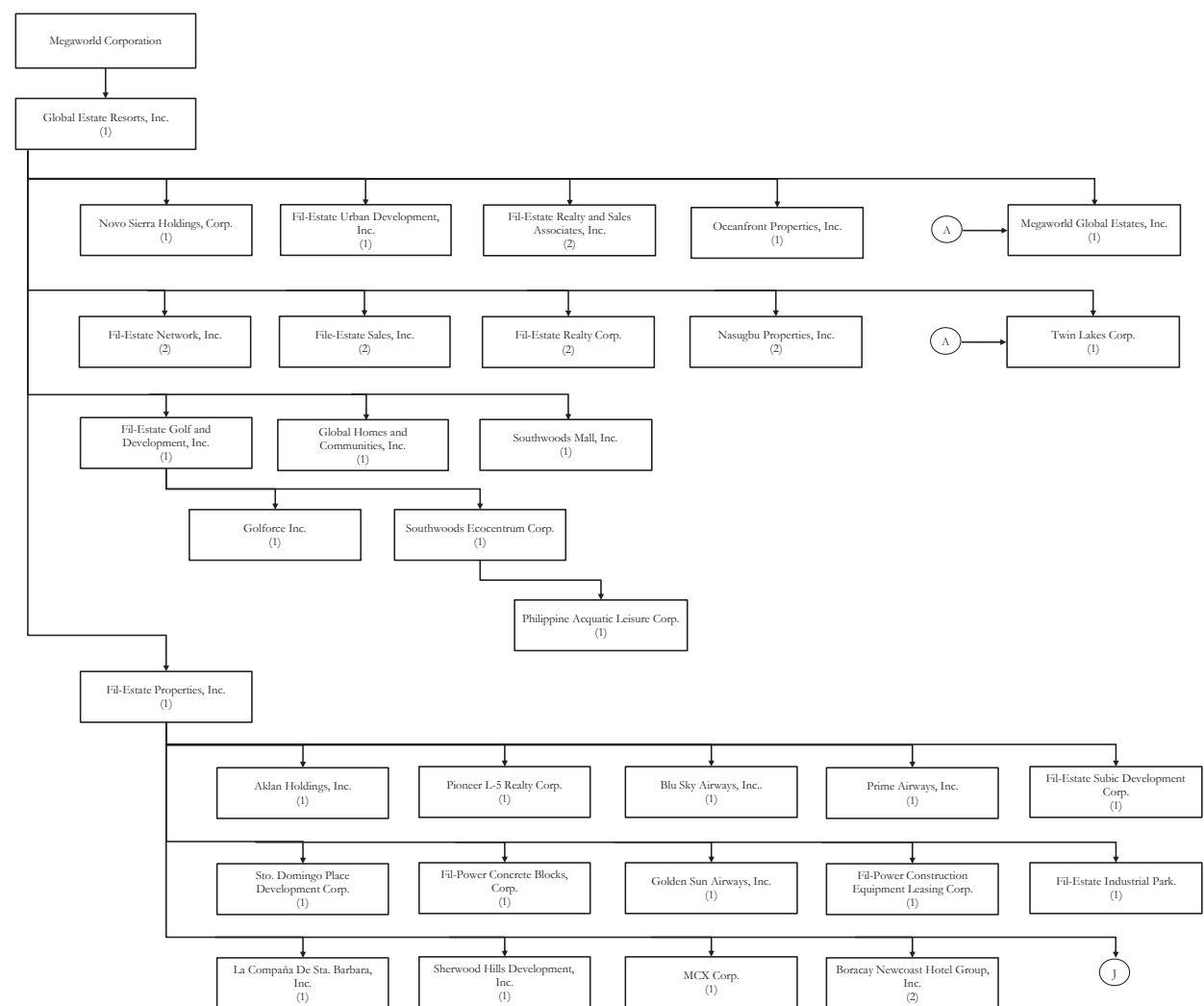
Legend			
(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperor Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-3 - Map Showing the Relationship Between and
Among the Company and Golden Arches Development Corporation Group
December 31, 2015



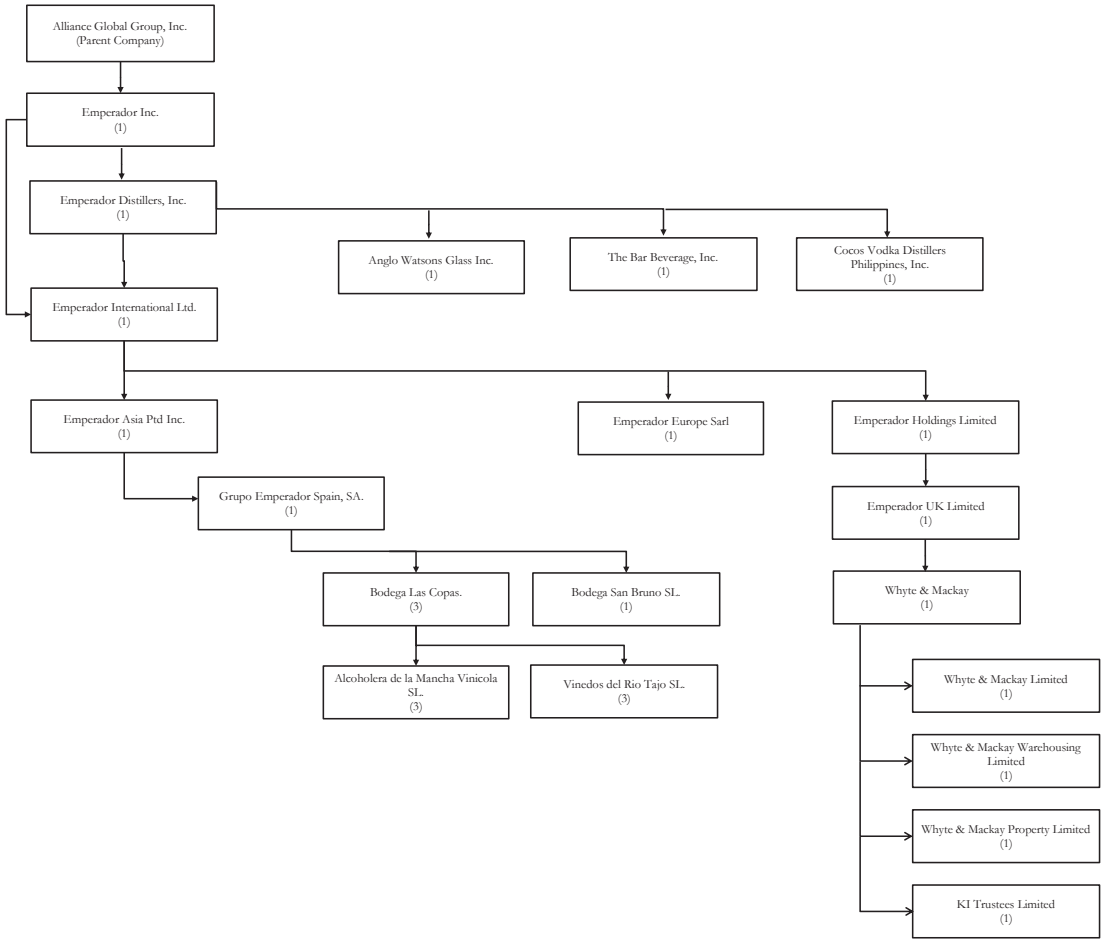
Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld, Corp.
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes, Corp.
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	File-Estate Properties, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-4 - Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2015



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
A	Megaworld, Corp.
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City Resorts World, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
J	Twin Lakes, Corp.
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Fil-Estate Properties, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-5 - Map Showing the Relationship Between and
Among the Company and Emperor Inc.
December 31, 2015



Legend			
(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld, Corp.	J	Twin Lakes, Corp.
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	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperor Inc.

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE L - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2015 AND 2014

	DECEMBER 31, 2015	DECEMBER 31, 2014
Current ratio	3.60 :1.00	3.14 :1.00
Quick ratio	0.62 :1.00	0.65 :1.00
Debt-to-equity ratio	0.39 :1.00	0.26 :1.00
Interest-bearing debt to total capitalization	0.31 :1.00	0.23 :1.00
Asset-to-equity ratio	1.87 :1.00	1.72 :1.00
Interest rate coverage ratio	740.88%	1459.44%
Net profit margin	23.50%	40.57%
Return on assets	4.47%	10.92%
Return on equity/investment of owners	8.98%	20.93%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio – computed as current assets divided by current liabilities

Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

Debt to equity ratio – computed as interest bearing loans and borrowings and bonds payable divided by total stockholders' equity.

Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt+stockholders' equity attributable to the company's shareholders.

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

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.

It is computed as Earnings before income tax and interest expense (EBIT) divided by interest payments.

PROFITABILITY RATIOS

Net profit margin – computed as net profit divided by revenues

Return on assets – net profit divided by average total assets

Return on investment of owners – net profit attributable to the company's shareholders divided by equity attributable to the company's shareholders.



MEGAWORLD CORPORATION

**ANNUAL CORPORATE GOVERNANCE
REPORT
(SEC FORM – ACGR)
FOR YEAR 2015**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year: **2015**
2. Exact Name of Registrant as Specified in its Charter: **MEGAWORLD CORPORATION**
3. **28TH FLOOR, THE WORLD CENTRE, 330 SEN. GIL PUYAT AVENUE** **1227**
MAKATI CITY, PHILIPPINES
Address of Principal Office Postal Code

4. SEC Identification Number: **167423**
5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **000-477-103-000**
7. **(632) 867-8826 to 40**
Issuer's Telephone number, including area code
8.
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)
---	-----------

Actual number of Directors for the year	Seven (7)
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(a) Composition of the Board

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		Alliance Global Group, Inc.	August 24, 1989	June 19, 2015	Annual	26
KATHERINE L. TAN	NED		Alliance Global Group, Inc.	August 24, 1989	June 19, 2015	Annual	26
KINGSON U. SIAN	ED		Alliance Global Group, Inc.	April 13, 2007	June 19, 2015	Annual	8
ENRIQUE SANTOS L. SY	NED		Alliance Global Group, Inc.	July 19, 2009	June 19, 2015	Annual	6
MIGUEL B. VARELA	ID		Luke Tan (no relationship)	June 30, 2006	June 19, 2015 (4 years)	Annual	9
GERARDO C. GARCIA	ID		Ma. Rosario Justo (no relationship)	June 1994	June 19, 2015 (4 years)	Annual	21
ROBERTO S. GUEVARA	ID		Ma. Rosario Justo (no relationship)	June 20, 2001	June 19, 2015 (4 years)	Annual	14

- (b) 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.

The Board of Directors is committed to institutionalizing the principles of good governance in the entire organization because the Board believes that corporate governance is a necessary component of sound strategic business management. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness in a manner consistent with its corporate objectives and the best interests of its stockholders. To ensure that rights of its stockholders particularly those that belong to the minority or non-controlling group are protected, the Board takes appropriate steps to remove excess or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings. Accurate and timely information is made available to stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration and approval. Minority stockholders are given the right to propose the holding of meeting and the items for discussion in the agenda that relate directly to the business of the Company. Minority stockholders are given the opportunity to be heard during stockholders' meetings. For various concerns, stockholders may seek assistance from the Investor Relations Group.

¹ Reckoned from the election immediately following January 2, 2012.

(c) How often does the Board review and approve the vision and mission?

The Board reviews the vision and mission of the Company annually.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

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	Alliance Global Group, Inc.	Executive/ Chairman
	Empire East Land Holdings, Inc.	Non-Executive/ Chairman
	Suntrust Properties, Inc.	Non-Executive/ Chairman
	Global-Estate Resorts, Inc.	Executive/Chairman
	Eastwood Cyber One Corporation	Non-Executive/ Chairman
	Megaworld Land, Inc.	Executive/ Chairman
	Megaworld Central Properties Inc.	Non-Executive/ Chairman
	Townsquare Development, Inc.	Non-Executive/ Chairman
	Richmonde Hotel Group International Limited	Executive/ Chairman
	Twin Lakes Corporation	Executive
	Mactan Oceanview Properties and Holdings, Inc.	Executive/ Chairman
	Megaworld Cayman Islands, Inc.	Non-Executive/ Chairman
	Megaworld Cebu Properties, Inc.	Non-Executive
	Megaworld Newport Property Holdings, Inc.	Non-Executive/ Chairman
	Megaworld Globus Asia, Inc.	Executive/ Chairman
	Philippine International Properties, Inc.	Executive/ Chairman
	Gilmore Property Marketing Associates, Inc.	Non-Executive/ Chairman
KATHERINE L. TAN	Alliance Global Group, Inc.	Executive
	Megaworld Cayman Islands, Inc.	Non-Executive
KINGSON U. SIAN	Alliance Global Group, Inc.	Executive
	Eastwood Cyber One Corporation	Executive
	Manila Bayshore Property Holdings, Inc.	Executive
	Megaworld Land, Inc.	Executive
ENRIQUE SANTOS L. SY	Empire East Land Holdings, Inc.	Non-Executive
MIGUEL B. VARELA	Global-Estate Resorts, Inc.	Independent

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

GERARDO C. GARCIA	Empire East Land Holdings, Inc.	Independent
	Global-Estate Resorts, Inc.	Independent
	Megaworld Land, Inc.	Independent
	Suntrust Properties, Inc.	Independent
ROBERTO S. GUEVARA	None	None

(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.
ANDREW L. TAN	Travellers International Hotel Group, Inc.	Non-Executive
	Emperador Inc.	Executive/Chairman
KATHERINE L. TAN	Emperador Inc.	Executive
KINGSON U. SIAN	Emperador Inc.	Non-Executive
	Travellers International Hotel Group, Inc.	Executive
ENRIQUE SANTOS L. SY	None	None
MIGUEL B. VARELA	Emperador Inc.	Independent Director
GERARDO C. GARCIA	None	None
ROBERTO S. GUEVARA	None	None

(iii) Relationship within the Company and its Group

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	Alliance Global Group, Inc.	Chairman/CEO
	New Town Land Partners, Inc.	Indirect Beneficial Owner
KATHERINE L. TAN	Alliance Global Group, Inc.	Director
	New Town Land Partners, Inc.	Treasurer
KINGSON U. SIAN	Alliance Global Group, Inc.	Director/President
ENRIQUE SANTOS L. SY	None	None
MIGUEL B. VARELA	None	None
GERARDO C. GARCIA	None	None
ROBERTO S. GUEVARA	None	None

(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:

The Company has not set a limit on the number of board seats that its Executive Directors, Non-Executive Directors and CEO may hold in other companies. The Group consists of several companies where Executive Directors of the Company serve as directors. 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.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	REFER TO THE SUMMARY ABOVE	
Non-Executive Director		
CEO		

(c) Shareholding in the Company (As of December 31, 2015)

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	95,000,000		.24843%
		1,891,632 (Katherine L. Tan)	.00495%
		20,090,219,058 (Alliance Global Group, Inc.)	52.5379%
		5,668,530,324 (New Town Land Partners, Inc.)	14.8238%
GERARDO C. GARCIA	136,136	None	.00036%
KINGSON U. SIAN	612,501	None	.00160%
KATHERINE L. TAN	1,891,632		.00495%
		95,000,000 (Andrew L. Tan)	.24843%
MIGUEL B. VARELA	4,422	None	.00001%
ROBERTO S. GUEVARA	1	None	.00000%
ENRIQUE SANTOS L. SY	80,553	None	.00021%
TOTAL	97,725,245	25,855,641,014	0.25556% (direct) 67.61503% (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 ☐ No ☒

Identify the Chair and CEO:

Chairman of the Board	ANDREW L. TAN
CEO/President	ANDREW L. TAN

Although the positions of Chairman of the Board and CEO are held by one individual, the duties and responsibilities of each are clearly defined and delineated under the By-Laws and Manual of Corporate Governance. The President also participates in the decision-making process and can express his views to the Chairman/CEO and the Board.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	<p>Ensure that meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;</p> <p>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;</p> <p>Maintain qualitative and timely lines of the communication and information between the Board and Management</p>	<p>Preside at all meetings of the Board, and act as Chairman at all meetings of the stockholders;</p> <p>Supervise the business affairs and property of the Company and its officers and employees;</p> <p>See to it that all orders and resolutions of the Board are carried into effect;</p> <p>Perform such other duties as from time to time may be assigned to him by the Board.</p>
Accountabilities	<p>To the Board in the conduct of meetings;</p> <p>To the Board and Management in the preparation of agenda and maintaining lines of communication and information between them.</p>	<p>To the stockholders in the conduct of meetings;</p> <p>To the Board, stockholders and other stakeholders in the general supervision of the business affairs and property of the Company and over its officers and employees;</p> <p>To the Board in seeing to it that all orders and resolutions of the Board are carried into effect and in performing such other duties assigned to him;</p>
Deliverables	<p>Approve the agenda of meetings of the Board</p>	<p>Submits comprehensive report of the operations of the Company for the preceding year, and the state of its affairs, to the Board and to the stockholders;</p> <p>Reports to the Board on all matters within his knowledge which in the interests of the Company may require to be brought to its notice.</p>

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board ensures that a succession plan for top and key management positions is in place.

- 4) 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.

The membership of the Board is a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. Currently, the Board has directors with varied expertise in the fields of real estate development, property management, investment banking, corporate communications, tourism, food and beverage and financing.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, the Company ensures that the directors of the Company have a practical understanding and exposure to the real estate industry either in real estate development, real estate investment or real estate regulatory framework.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Involved in operational or day-to-day affairs of the Company and reports to the Board on matters requiring its attention.	Provides oversight functions over executive directors' recommendations.	Provides a system of checks and balances within the Board. An independent director chairs the Audit Committee.
Accountabilities	To the Board and management, in ensuring that the lines of communication are open between them.	To the stockholders, in providing sound strategic policies and guidelines of the Board.	To the stockholders, in ensuring the integrity of decision making process of the Board.
Deliverables	Reports and makes recommendations to the Board on operational matters	Approves the executive directors' recommendations and motions	As member of the Audit Committee, performs oversight functions over the financial reporting process, risk management and internal control and internal audit.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

"Independence", as a qualification of an independent director, means the freedom from any interference by any other persons or other considerations in the exercise of judgment in the carrying out of responsibilities as a director, other than the duties enjoined on directors by law and by the By-Laws of the Company, as well as possession of all of the qualifications and none of the disqualifications provided by law.

The Company's Manual of Corporate Governance provides that there should be at least two (2) independent directors. Currently, there are three independent directors who are members of the Board of the Company.

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.

The Company follows the term limits of Independent Directors prescribed by the Securities and Exchange Commission in SEC Memorandum Circular 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 same circular.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal:

None

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
N/A			

(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	Nomination is conducted by the Nomination Committee prior to a stockholders' meeting pursuant to the provisions of SRC Rule 38.	Qualifications are provided for in the Company's By-Laws and Manual of Corporate Governance.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above	Same as above and SRC Rule 38.
b. Re-appointment		
(i) Executive Directors	Re-appointment is allowed. The procedure is the same as the selection/appointment process above.	The same criteria are imposed for appointment and re-appointment. Qualifications are provided for in the Company's By-Laws and Manual of Corporate Governance.
(ii) Non-Executive Directors	Re-appointment is allowed. The procedure is the same as the selection/appointment process above.	Same as above
(iii) Independent Directors	Re-appointment is allowed as long as the term limit for Independent Directors in SEC Memorandum Circular No. 9,	Same as above and SRC Rule 38.

	Series of 2011 has not been breached. The procedure is the same as the selection/appointment process above.	
c. Permanent Disqualification		
(i) Executive Directors	The Company follows the procedure provided for in the Corporation Code.	The Grounds are provided for in the Company's Manual of Corporate Governance.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above. The Company also follows the procedure provided in SRC Rule 38.	Same as above and SRC Rule 38.
d. Temporary Disqualification		
(i) Executive Directors	A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	The Grounds are provided for in the Company's Manual of Corporate Governance.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above.	Same as above
e. Removal		
(i) Executive Directors	The Company follows the procedure provided for in the Corporation Code.	Removal may be due to death, voluntary resignation and/or permanent disqualification from office consistent with the grounds provided for in the Company's Manual of Corporate Governance.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above. The Company also follows the procedure provided in SRC Rule 38.	Same as above and SRC Rule 38.
f. Re-instatement		
(i) Executive Directors	A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the 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 of action.
(ii) Non-Executive Directors	Same as above	Same as above

(iii) Independent Directors	Same as above.	Same as above
g. Suspension		
(i) Executive Directors	The Company follows the procedure provided for in the Corporation Code.	The Grounds are provided for in the Company's Manual of Corporate Governance.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above.	Same as above

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
ANDREW L. TAN	29,510,557,464 shares – 77.19%
GERARDO C. GARCIA	29,510,557,464 shares – 77.19%
KINGSON U. SIAN	29,510,557,464 shares – 77.19%
MIGUEL B. VARELA	29,510,557,464 shares – 77.19%
ROBERTO S. GUEVARA	29,510,557,464 shares – 77.19%
ENRIQUE SANTOS L. SY	29,510,557,464 shares – 77.19%
KATHERINE L. TAN	29,510,557,464 shares – 77.19%

6) Orientation and Education Program

Disclose details of the company's orientation program for new directors, if any.

The directors of the Company are required to take a Corporate Governance Orientation course preferably from the Institute of Corporate Governance (ICG). Directors are encouraged to undergo further training in corporate governance. Some directors have attended the Professional Directors Program of the ICG and participated in Corporate Governance roundtable conferences.

- (a) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

- Mandatory Continuing Legal Education**
- Corporate Governance and Anti-Money Laundering Act Seminar**

- (b) 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	December 11, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Katherine L. Tan	December 11, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Kingson U. Sian	November 23, 2015	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 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Gerardo G. Garcia	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Roberto S. Guevara	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Lourdes Gutierrez- Alfonso	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Philipps C. Cando	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Francisco C. Canuto	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Giovanni C. Ng	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Maria Victoria M. Acosta	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Jericho P. Go	November 23, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Noli D. Hernandez	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Garry V. De Guzman	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Kevin Andrew L. Tan	December 11, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Rafael Antonio S. Perez	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Kimberly Hazel A. Sta. Maria	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Carmen C. Fernando	November 25, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Anna Michelle T. Llovido	December 11, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management, Inc.
Rolando D. Siatela	November 25, 2015	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	A director should not use his position to profit or gain some benefit or advantage for himself and/or his related interest. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately	Before an employee enters into an official transaction with a supplier or contractor, he should disclose in writing to his immediate supervisor any relationship or association that binds him to the supplier or contractor or	Before an employee enters into an official transaction with a supplier or contractor, he should disclose in writing to his immediate supervisor any relationship or association that binds him to the supplier or contractor or its authorized representative to avoid

	disclose it and should not participate in the decision-making process.	its authorized representative to avoid possible conflict of interest.	possible conflict of interest.
(b) Conduct of Business and Fair Dealings	A director should not use his position to profit or gain some benefit or advantage for himself and/or his related interest. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.	They are prohibited from using their authority or position to favor a supplier or contractor in anticipation of a personal gain or benefit.	They are prohibited from using their authority or position to favor a supplier or contractor in anticipation of a personal gain or benefit.
(c) Receipt of gifts from third parties	Must not solicit or accept any gift, regardless of value, from any supplier, contractor or business partner. However, if it is not practical to return the gift, such gift must be turned over to the Office of the President for proper disposition.	Must not solicit or accept any gift, regardless of value, from any supplier, contractor or business partner. However, if it is not practical to return the gift, such gift must be turned over to the Office of the President proper disposition.	Must not solicit or accept any gift, regardless of value, from any supplier, contractor or business partner. However, if it is not practical to return the gift, such gift must be turned over to the Office of the President proper disposition.
(d) Compliance with Laws & Regulations	Ensure through their functions, the Company's faithful compliance with all applicable laws, regulations and best business practices.	Ensure through their functions, the Company's faithful compliance with all applicable laws, regulations and best business practices.	Ensure through their functions, the Company's faithful compliance with all applicable laws, regulations and best business practices.
(e) Respect for Trade Secrets/Use of Non-public Information	Keep secure and confidential trade secrets and all non-public information acquired or learned by reason of position. Should not reveal confidential information to unauthorized persons without authority of the Board.	Keep secure and confidential trade secrets and all non-public information acquired or learned by reason of position. Should not reveal confidential information to unauthorized persons without authority of the Board.	Keep secure and confidential trade secrets and all non-public information acquired or learned by reason of position. Should not reveal confidential information to unauthorized persons without authority of the Board.
(f) Use of Company Funds, Assets and Information	Observe discretion in use of funds and assets. Be mindful of eliminating unnecessary consumption and wasteful practices. Confidential information	Observe discretion in use of funds and assets. Be mindful of eliminating unnecessary consumption and wasteful practices. Confidential information	Observe discretion in use of funds and assets. Be mindful of eliminating unnecessary consumption and wasteful practices. Confidential information must not be

	must not be disclosed to unauthorized persons.	must not be disclosed to unauthorized persons.	disclosed to unauthorized persons.
(g) Employment & Labor Laws & Policies	Ensure the Company's faithful compliance with employment and labor law & policies.	The guiding philosophy behind the Company's benefits program is to reasonably assist the employee and his family in providing for their economic security.	The guiding philosophy behind the Company's benefits program is to reasonably assist the employee and his family in providing for their economic security.
(h) Disciplinary action	The Company observes the provisions on disqualification and temporary disqualification of directors as provided in the Company's Manual of Corporate Governance.	Company rules and regulations shall be enforced fairly and consistently. Violations shall result in one or more disciplinary actions depending on frequency, seriousness and circumstances of the offense. The employee shall be given the opportunity to present his side. If found guilty, he will be penalized with the appropriate disciplinary action in accordance with the Code of Discipline.	Company rules and regulations shall be enforced fairly and consistently. Violations shall result in one or more disciplinary actions depending on frequency, seriousness and circumstances of the offense. The employee shall be given the opportunity to present his side. If found guilty, he will be penalized with the appropriate disciplinary action in accordance with the Code of Discipline.
(i) Whistle Blower	The Committee on Ethics accepts reports of wrongdoing by the Company's directors, senior management and employees and investigates them while at the same ensuring confidentiality of information.	N/A	N/A
(j) Conflict Resolution	Amicable settlement through alternative dispute resolution	Amicable settlement through alternative dispute resolution	Amicable settlement through alternative dispute resolution

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

YES.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Directors submit annually a list of business and professional affiliating through which provide conflicts-of-interest may be detected.

Relative to senior management and employees, a copy of the Employee Handbook containing the Company's Code of Ethics/Conduct is furnished to all employees upon hiring. All newly-hired employees are required to attend a seminar conducted by the Human Resources Department which explains the concepts and importance of the said Code. The Human Resources Department implements and monitors compliance with the code of ethics or conduct.

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	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
(2) Joint Ventures	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. These are in the nature of cash advances made to landowners for pre-development expenses. Repayment in full is made upon completion of the project.
(3) Subsidiaries	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
(4) Entities Under Common Control	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
(5) Substantial Stockholders	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
(6) Officers including spouse/children/siblings/parents	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into a transaction. Officers shall have no participation in the approval of the transaction.
(7) Directors including spouse/children/siblings/parents	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. A Director, who has an interest in the transaction, shall have no participation in the approval of the transaction.
(8) Interlocking director relationship of Board of Directors	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into a transaction. No participation on the part of an interested director shall be allowed in the approval of the transaction.

(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	NONE
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	NONE
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
Alliance Global Group, Inc. (AGI)	Business	Parent-Subsidiary relationship
New Town Land Partners, Inc.	Business	Parent-Subsidiary relationship

- (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
NONE		

- (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
NONE		

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	No significant conflicts or differences. Concerns of stockholders

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

	are raised, addressed and resolved either thru the Corporate Secretary or Investor Relations Group.
Corporation & Third Parties	amicable settlement
Corporation & Regulatory Authorities	amicable settlement

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Board meetings are scheduled and conducted monthly.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Andrew L. Tan	June 19, 2015	12	12	100%
Member	Katherine L. Tan	June 19, 2015	12	12	100%
Member	Kingson U. Sian	June 19, 2015	12	12	100%
Member	Enrique Santos L. Sy	June 19, 2015	12	12	100%
Independent	Miguel B. Varela	June 19, 2015	12	12	100%
Independent	Gerardo C. Garcia	June 19, 2015	12	12	100%
Independent	Roberto S. Guevara	June 19, 2015	12	12	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The Company follows the quorum requirement provided in the Corporation Code.

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

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?

Yes.

- (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?

The Company Secretary is responsible for safekeeping and preservation of the integrity of the minutes of the

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.

meetings of the Board and its Committees, as well as the other official corporate records of the Corporation. He should inform the members of the Board of the agenda of the meetings and ensure that the members have before them accurate information that will enable them to arrive at 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.

Yes.

- (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 ☒ No ☐

Committee	Details of the procedures
Executive	The Committee is afforded full access to management, personnel and records in the performance of its duties and responsibilities.
Audit	Upon request made thru the Corporate Secretary, Directors shall be provided with information about the matters to be taken up in their meetings in addition to materials already provided. The Committee is afforded full access to management, personnel and records in the performance of its duties and responsibilities.
Nomination	Upon request made thru the Corporate Secretary, Directors shall be provided with information about the matters to be taken up in their meetings in addition to materials already provided. The Committee is afforded full access to management, personnel and records in the performance of its duties and responsibilities.
Remuneration	Upon request made thru the Corporate Secretary, Directors shall be provided with information about the matters to be taken up in their meetings in addition to materials already provided. The Committee is afforded full access to management, personnel and records in the performance of its duties and responsibilities.
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 Audit Committee may, thru the Corporate Secretary, obtain and shall be provided with external legal counsel or independent professional advisors as it may consider necessary in the performance of its functions.	

- 7) 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
N/A		

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	Remuneration is based on prevailing industry rates.	Remuneration is based on prevailing industry rates. Pay increases and promotions are merit-based and depend on the results of annual performance reviews.
(2) Variable remuneration	N/A	N/A
(3) Per diem allowance	N/A	N/A
(4) Bonus	Year-end performance bonuses are determined by Management and distributed across the board to all officers and employees based on the results of the Company's operations.	Year-end performance bonuses are determined by Management and distributed across the board to all officers and employees based on the results of the Company's operations.
(5) Stock Options and other financial instruments	The Company has an Employee Stock Option Plan which is administered by the Compensation and Remuneration Committee of the Board. The Committee determines the eligible participants who will receive stock options.	The Company has an Employee Stock Option Plan which is administered by the Compensation and Remuneration Committee of the Board. The Committee determines the eligible participants who will receive stock options.
(6) Others (specify)	The Company has a Benefits Program for its employees. It is periodically reviewed and updated by Management.	The Company has a Benefits Program for its employees. It is periodically reviewed and updated by Management.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

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	Levels of remuneration must be sufficient to be able to attract and retain the services of qualified and competent directors. No director should	Directors of the Company are paid of the per diem allowances.	Attendance in meetings of directors of the Company.

	participate in deciding on his remuneration.		
Non-Executive Directors	Levels of remuneration must be sufficient to be able to attract and retain the services of qualified and competent directors. No director should participate in deciding on his remuneration.	Directors of the Company are paid of the per diem allowances.	Attendance in meetings of directors of the Company.

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
Directors do not receive compensation other than per diem.	

3) Aggregate Remuneration

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	200,000	200,000	300,000
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	200,000	200,000	300,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NONE		
2) Credit granted			
3) Pension Plan/s Contributions			
4) Pension Plans, Obligations incurred			
5) Life Insurance Premium			
6) Hospitalization Plan			
7) Car Plan			
8) Others (Specify)			
Total	None	None	None

9) 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		

10) Remuneration of Management

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
LOURDES T. GUTIERREZ-ALFONSO/CHIEF OPERATING OFFICER	30,353,238.00 (2015 Annual Basic)
PHILIPPS C. CANDO/SVP FOR OPERATIONS	
FRANCISCO C. CANUTO/ SVP and TREASURER	
MARIA VICTORIA M. ACOSTA/ MANAGING DIRECTOR FOR INTERNATIONAL SALES	
GARRY V. DE GUZMAN/ SENIOR VICE PRESIDENT FOR CORPORATE ADVISORY AND COMPLIANCE OFFICER	

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	0	1	Yes	Acts on all matters by the Board	Acts on all matters by the Board	Acts on all matters that may be assigned by the Board
Audit	1	0	2	Yes	Ensures that all financial reports comply with internal financial and management standards, performs oversight financial management functions, pre-approves all audit plans, scope and frequency and performs direct interface functions with internal and external auditors	Performs oversight responsibilities for the following: (a) Financial Reporting; (b) Risk Management; (c) Internal Control; (d) Internal Audit; (e) External Audit.	The Committee shall have the authority to conduct or order the investigation into any matter within the scope of its responsibilities.
Nomination	1	1	1	None	Prescreens and shortlists all	Reviews and evaluates the	Prescreens nominees and

					candidates nominated to become a member of the Board.	qualifications of all persons nominated to the Board and other appointments that require Board approval , and assesses the effectiveness of the Board's processes and procedures in the election and replacement of directors	prepares final list of candidate
Remuneration	1	0	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)							

Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Andrew L. Tan	June 19, 2015	20	20	100%	3 yrs.
Member (ED)	Kingson U. Sian	June 19, 2015	20	20	100%	3 yrs.
Member (ID)	Miguel B. Varela	June 19, 2015	20	20	100%	3 yrs.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Gerardo C. Garcia	June 19, 2015	4	4	100%	3 yrs.
Member (ED)	Andrew L. Tan	June 19, 2015	4	4	100%	3 yrs.
Member (ID)	Miguel B. Varela	June 19, 2015	4	4	100%	2 yrs.

Disclose the profile or qualifications of the Audit Committee members.

The members must have the qualifications and none of the disqualifications of a director provided under the Company's Manual of Corporate Governance and the Audit Committee Charter. In addition, at least member must preferably have an accounting background and finance background.

Gerardo C. Garcia has extensive experience in business. He holds a bachelor's degree in Chemical Engineering and a Master's Degree in Business Administration from the University of the Philippines.

Andrew L. Tan pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He graduated Magna Cum Laude from the University of the East with the degree of Bachelor of Science in Business Administration.

Miguel B. Varela is a member of the Philippine Bar he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He was also conferred by the Central Luzon State University with the degree of Doctor of Humanities (*honoris causa*), and by the Eulogio "Amang" Rodriguez University of Science and Technology with a Doctorate in Business Technology (*honoris causa*).

Describe the Audit Committee's responsibility relative to the external auditor.

Ensure that the external auditor complies with auditing standards.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings	No. of Meeting	%	Length of Service in the Committee
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			Held	s Attende d		
Chairman	Enrique Santos L. Sy	June 19, 2015	1	1	100%	3 yrs.
Member (ID)	Gerardo C. Garcia	June 19, 2015	1	1	100%	3 yrs.
Member (ED)	Kingson U. Sian	June 19, 2015	1	1	100%	2 yrs.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Kingson U. Sian	June 19, 2015	5	5	100%	3 yrs.
Member (ID)	Miguel B. Varela	June 19, 2015	5	5	100%	2 yrs.
Member (ID)	Gerardo C. Garcia	June 19, 2015	5	5	100%	3 yrs.

(e) 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	N/A					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

2) 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		
Audit		
Nomination	N/A	N/A
Remuneration		
Others (specify)		

3) 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	Operational matters
Audit	Promulgated the Company's Audit Committee Charter	Formally provided for the purpose, membership, structure, operations, duties and responsibilities of the Committee, including its procedures.
Nomination	Prepared final list of candidates for election at annual meeting of stockholders	None
Remuneration	Awarded stock options under the Employee Stock Option Plan (ESOP)	Selection of eligible participants to the ESOP
Others (specify)		

4) 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	Compliance with upcoming financial reporting rules	Modifications to financial reporting rules
Audit	Review of Risk Management System	New trends
Nomination		
Remuneration	Review of Organization Structure and Company Benefits Program	
Others (specify)		

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.

The Board, thru the Audit Committee, periodically reviews the effectiveness of the Company's risk management system with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures. Risk management review is conducted annually. A review for the period 2015 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 (performance of the Philippine economy and political stability)	Use of pre-selling as a project financing tool. Entering into joint development agreements for the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a net cash position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of suppliers. Efficient project management and monitoring. Capitalize on synergies across the Group.	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Revenue and property diversification and product innovation. Makes available bank financing facilities to buyer on easy terms thru partner banks.	Reduce collection risk

(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 (performance of the Philippine economy and political stability)	Use of pre-selling as a project financing tool. Entering into joint development agreements for the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a net cash position. Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of suppliers. Efficient project management and monitoring. Capitalize on synergies across the Group	On-time completion of projects, efficient sourcing of construction materials. Reduce collection risk
Customer Default Risk	Revenue and property diversification and product innovation. Make available bank financing facilities to buyer on easy terms thru partner banks.	Reduce collection risk

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The AGI Group'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	Institutional reviews of the Philippine economy particularly the real property market	Minimize cash outlay for projects, control development costs and maintain a net cash 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 Make available bank financing facilities to buyer on easy terms thru partner banks.

(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	Institutional reviews of the Philippine economy particularly the real property market	Minimize cash outlay for projects, control development costs and maintain a net cash 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 Make available bank financing facilities to buyer on easy terms thru partner banks.

(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	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;

Internal audit is a systematic and independent examination which determines whether activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The directors of the Company have reviewed the effectiveness of the Company's internal control system and consider them effective and adequate.

- (c) Period covered by the review;

January to December of 2015

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

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.

- (e) Where no review was conducted during the year, an explanation why not.

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
Conducts periodic audit of all business processes	Quality Audit and Internal Control Review	In-house; Surveillance audit is conducted by Certification International since the Company is ISO2001:2008 certified.	Shiela Mary Agenar	11) 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.

- (b) 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?

No.

- (c) Discuss the internal auditor's reporting relationship with the audit committee.

The Audit Committee reviews and approves the annual audit plans prepared by the Internal Audit Group and major changes to the plans, if any, including the scope and extent of audit work to ensure adequacy of resources and independence of the Internal Audit Group and compliance with International Standards on the Professional Practice of Internal Auditing.

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?

Yes.

- (d) Resignation, Re-assignment and Reasons

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.

Name of Audit Staff	Reason
None	

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

There are no major issues and findings which affect the effectiveness of the quality management system of the Company. Findings relate to minor lapses in routine procedures and controls which do not affect the effectiveness of the quality management system. The Company's quality management system/internal control system is audited semi-annually by Certification International.

Progress Against Plans	100% as of December 31, 2015
Issues⁶	None
Findings⁷	The Internal Audit Group conducts quarterly post-audit to ensure that all findings have been corrected and all issues have been resolved.
Examination Trends	Please refer to the above paragraph

[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;

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.

- 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.]

(f) 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."

The internal controls, policies and procedures are detailed in the Company's Internal Audit Manual. The Internal Audit Group prepares an annual audit plan for all business processes of the Company which serves a guide for its review and prepares a report of its findings which is submitted to the Executive and Audit Committees. For 2015, there are no major issues or findings which affect the effectiveness of the quality management system of the Company.

Policies & Procedures	Implementation
All business procedures must be audited at least once a year. All findings and issues must be resolved and corrected immediately.	Yes

(g) 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 Internal Audit Group is a separate department of the Company whose sole function is to conduct internal audit work and it reports directly to the Executive and Audit Committees. The External Auditors are not normally engaged to perform non-audit services.	None		

- (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.

The Chairman and CEO and the Compliance Officer attest to an annual compliance.

H. ROLE OF STAKEHOLDERS

7) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The Company is committed to ensure utmost satisfaction of its customers through high quality products conceived in the spirit of innovation and born out of continuous research and development and to provide excellent service to its customers.	Continuous upgrading of skills and expertise of key people in the Customer Relations Department so that they can provide customers with service of the highest quality. Institutionalization of the Customer Feedback System Customer Delight Activities
Supplier/contractor selection practice	Selection of suppliers and contractors on the basis of quality products	Canvassing activities which ensure selection on the basis of quality products
Environmentally friendly value-chain	The Company endeavors to use environment-friendly design, procedures and materials in the development of its projects.	Selection of suppliers and contractors whose manufacturing procedures assure clients that each item is made in an environment-friendly manner and which produce environmental friendly products to be used in the Company's projects; Environmental friendly initiatives design features in the Company's projects.
Community interaction	Through Megaworld Foundation, the Company provides scholarship grants to financially handicapped but academically deserving students and to provide financial assistance to foundations and socio-civic organizations.	Foundation's scholarship program and institution partnerships through sponsorship and donations.
Anti-corruption programmes and procedures	The Company endeavors to cultivate a culture of integrity that does not tolerate conflict-of-interest and unfair business dealings.	The Company has set up the Ethics Committee to act as reporting channel through which wrongdoing may be reported, investigated and acted upon.
Safeguarding creditors' rights	The Company is committed to honoring its financial obligations and loan covenants.	Timely settlement of financial obligations and faithful compliance with loan covenants.

8) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, the Annual Report has a corporate responsibility report.

9) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company is committed to maintain a safety and security program for its employees, which is periodically updated and revised.

(b) Show data relating to health, safety and welfare of its employees.

The Company provides free health care coverage to its employees.

The Company periodically upgrades its security procedures and facilities to ensure the safety of employees in the workplace.

(c) State the company's training and development programmes for its employees. Show the data.

The Company recently established the Megaworld Learning Academy ("MLA"), which institutionalizes training programs for all employees with the view of improving organizational performance thru professional development. The MLA seeks to address the developmental needs of employees through Orientation Programs, Institutionalized Programs, Career Development Programs, Management Development Programs, Leadership Programs, and other training programs.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

Employee Stock Option Plan

10) 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.

Employees may report illegal and unethical behavior to an Ethics Committee which receives and investigates complaints while maintaining confidentiality of information.

I. DISCLOSURE AND TRANSPARENCY

a. Ownership Structure

i. Holding 5% shareholding or more (As of December 31, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
Alliance Global Group, Inc.	Common- 14,090,219,058 Preferred- 6,000,000,000	36.8473% 15.5379%	Alliance Global Group, Inc.
PCD Nominee Corporation (Non-Filipino)	5,790,772,539	15.1435%	Participants of the PCD composed of custodian banks and brokers
New Town Land Partners, Inc.	5,668,530,324	14.8238%	New Town Land Partners, Inc.
PCD Nominee Corporation (Filipino)	4,895,004,968	12.8009%	Participants of the PCD composed of custodian banks and brokers. No PCD (Filipino) participants owns more

			than 5% of the Company's voting stock.
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Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
ANDREW L. TAN	95,000,000		.24843%
		1,891,632 (Katherine L. Tan)	.00495%
		20,090,219,058 (Alliance Global Group, Inc.)	52.5379%
		5,668,530,324 (New Town Land Partners, Inc.)	14.8238%
TOTAL	95,000,000	25,760,641,014	67.3666%

b. 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	No
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	No (Disclosed in the Certificate of Board Attendance)
Attendance details of each director/commissioner in respect of meetings held	No (Disclosed in the Certificate of Board Attendance)
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.

c. External Auditor's fee (ended December 31, 2015)

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan and Araullo	Php2,285,000.00 ⁸	None

d. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Company website, annual report, information statement, current reports, press releases and company briefings.

e. Date of release of audited financial report: **March 25, 2015**

f. Company Website

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)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

Disclosure of RPT

The related party transactions of the Company as of and for the year ended 31 December 2015 can be summarized as follows:

Related Party Transactions	Relationship	Nature	Value
Dividends Paid	Parent Company	Dividend Paid	(857,700,557)
Investment in equity securities AFS	Parent Company	Investment	(565,270,000)
Dividend Income	Parent Company	Dividend Income	38,006,000
Cash advances	Associates	Advances	(277,684,848)
Rendering of services	Associates	Collection	3,000,778
Cash advances	Related Parties Under Common Ownership	Advances	(435,439,990)

⁸ Parent Only

Collection on sale of land and rendering of services	Related Parties Under Common Ownership	Collection	86,466,075
Investment in equity securities AFS	Related Parties Under Common Ownership	Investment	(80,080,000)

A detailed discussion of the Company's related party transactions is found in Note 27 of the Company's Audited Financial Statement for the years ended 31 December 2015 and 2014.

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?

The Company ensures that related party transactions are entered into on terms comparable to those available from unrelated parties.

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	Majority of outstanding capital stock
------------------------	--

(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.

None

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
None	

Dividends

Declaration Date	Record Date	Payment Date
June 17, 2015	July 01, 2015	July 27, 2015

(d) Stockholders' Participation

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
Allows active participation of stockholders in meetings	Notice of Meetings, Information Statement, Open Forum at the AGM. Availability of communication channels to Management.

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

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? **Yes**
 - a. Date of sending out notices: **May 29, 2015**
 - b. Date of the Annual/Special Stockholders' Meeting: **June 19, 2015**
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Below is a summary of the questions asked and answers given during the open forum.

- Question: On page 29 of the Annual Report, there is a picture of the Boracay Newcoast project and I have already seen this picture 3 to 4 years ago when it was still a concept. Could you possibly present actual pictures of this project so we may have a better appreciation of the status of this development? Also, as a stockholder of Global-Estate Resorts, Inc., how much does GERI contribute to the income of Megaworld right now?
- Answer: GERI is now a subsidiary of Megaworld. The income of GERI would be consolidated to Megaworld's income statement. Regarding the Boracay development, I am very happy to report to you that the construction of the hotel is ongoing and is doing very well. The construction is proceeding on schedule. In GERI's Annual Stockholders' Meeting, we will show some photos of the progress in Boracay.
- Question: Do Megaworld's projects fall within the West Valley Fault?
- Answer: No. The West Valley Fault runs across a very big part of Metro Manila, but I can assure you that none of our projects are on the fault line.
- Question: Will you be declaring cash dividends this year?

Answer: Yes. We will be declaring cash dividends this year. We have an annual cash dividend policy. Actually, we have already declared close to P2 billion for this year.

Question: With regard to The Venice project, where will you source out the materials? Do you consider sourcing out from Italy or locally?

Answer: We always create special themes for each of our retail properties and we were inspired by the Grand Canal in Venice. We have an Italian consultant who has been guiding us for this project. Thus, we are building a faithful reproduction of the façade that we see in Italy. We source our materials from both foreign and local suppliers. Nevertheless, if we find local materials with the same quality and price, we will prioritize purchasing from our local suppliers.

Question: I noticed that you are purchasing very big properties to be developed as townships and this was certainly bought by the company's confidence which was built throughout the years. Where does your solid plan for expansion come from?

Answer: A lot of people ask how we are able to come up with this kind of projects. Dr. Andrew Tan came from a strong consumer background and he taught us the culture of innovation, the entrepreneurial spirit, and not being afraid to make mistakes. Those hallmarks allowed us to be nimble and responsive to our consumers. Those are our guiding principles that we use daily to enable us to come up with new and exciting projects. We listen to our customers. Because of these hallmarks, we were able to brand our projects and we believe that branding a project in this scale is important for marketing purposes, granting us the ability to take pride in living in this community.

Question: Since earthquakes are now rampant, can Megaworld's projects withstand this kind of calamity?

Answer: We are strictly complying with the Philippine Building Code. Hence, we can assure you that our buildings are safe.

Question: There is a lot construction going on for both residential and office buildings. I think there is an oversupply with regard to real estate. What is your take on that? What sets you apart from your competitors?

Answer: We don't believe that there is an oversupply in real estate except for certain locations. What sets us apart is that we are the largest township developer in the Philippines and township development creates a higher level of product. A township is not just selling a condominium unit, it is selling a "lifestyle". In order to achieve this kind of project, we need to have large lands in well-located places. We sell properties that offer much more value-added amenities and services as compared to selling a mere condominium unit in a lone standing building. We also cater to the fastest growing segments – the mid-income and BPO industry are the ones with the highest growth.

Question: Megaworld is apparently expanding outside Metro Manila considering the five new townships. What is the rationale behind?

Answer: The Philippines' economic growth for the last decade has spilled over beyond Metro Manila. For a company to continue to grow, we also need to grow with areas with the fastest economic growth. We continue to focus in Metro Manila but we have also ventured in Cebu, Iloilo, Davao and Bacolod.

Question: According to your report, Megaworld intends to increase its rental income up to P10 billion in 2016. How will you achieve this figure?

Answer: We have already secured 4,000 hectares of land and now, it is time to execute. All of those twenty

communities will have a component for both residential and rental income. The component for rental income is already there, we just need to build it. Obviously, we are not going to build those projects all at the same time. We want to be prudent with the cash flow so as to not oversupply the market. The most important ingredient is land therefore, we are now going to focus in the execution.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
1. Appointment of External Auditors 2. Approval of Stock Option Plan 3. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management	29,510,557,464 shares – 77.19%	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

June 19, 2015

(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
N/A	

(f) Stockholders' Attendance

(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 Miguel B. Varela Gerardo C. Garcia Katherine L. Tan Roberto S. Guevara Enrique Santos L. Sy Kingson U. Sian	June 19, 2015	Nomination	0.24843% 0.00001% 0.00036% 0.00495% 0.00000% 0.00021% 0.00160%	N/A N/A N/A N/A N/A N/A N/A	77.189%
Special	N/A	N/A	N/A	N/A	N/A	N/A

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. The Company's stock and transfer agent.

- (iii) Do the company's common shares carry one vote for one share? **Yes.**

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.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

As a policy, the Company does not solicit proxies.

	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 required
Submission of Proxy	To be submitted preferably at least 10 days before the scheduled meeting
Several Proxies	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 procedures provided in the Corporation Code and the Securities Regulation Code.	

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,618 stockholders
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Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 29, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 29, 2015
State whether CD format or hard copies were distributed	CD format
If yes, indicate whether requesting stockholders were provided hard copies	N/A

(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.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Transparency	Publication of Notice, Agenda and information statement for meeting
Accessibility of the Company	Investor Relations group and feedback portion in Company website
Protection of Stockholder's Rights	Declaration of cash dividends; Notification to stockholders of their rights thru the Information Statement; Submission to stockholders for approval any matter requiring stockholder's approval under the law.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

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.

Internal communications and external communications policies are reviewed annually. Major company announcements are reviewed and approved by a Committee composed of Finance, Corporate Management, Corporate Communications and Investor Relations.

- 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 stockholders and investors informed of important developments in the Company
(2) Principles	Transparency and accessibility to investors
(3) Modes of Communications	Disclosure Statements; Press Releases; Company Website; Investor Presentations; Quarterly Teleconferences with Investors; Analyst Briefings
(4) Investors Relations Officer	Johann Quiazon/Tel. No. 8678826 loc. 234 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?

The Company takes guidance from applicable law, the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange with respect to the approval, pricing and disclosure 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.

None for 2015.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Employee Volunteerism and Involvement	As of the year 2015, the Foundation has engaged more than one thousand (1,000) volunteers in carrying out socio-civic projects and activities such as medical missions wherein the Foundation has provided more than 200 elderly patients in Golden Reception and Action Center for the <i>Elderly</i> and other Special Cases (G.R.A.C.E.S.) with free check-ups, medicines and vitamins. Aside from this, the Foundation also served almost 900 children within Metro Manila through its feeding activity in partnership with Spiritual Physical

	<p>Educational Cultural Social (SPECS) Foundation, Inc., the Philippine Army's Civil-Military Operations Group, Fr. Simpliciano Academy, and Assembly of Family and Friends in Christ, Inc.</p> <p>Further, Megaworld Foundation is committed to be part of the solution to the environmental crisis, and it starts with planting a tree. Last July 25, 2015, Megaworld Foundation, in partnership with Allan L. Cristobal (ALC) Foundation, Inc., conducted a bamboo-planting activity dubbed "Kawayanihan: <i>"I am Juan with the Earth"</i> at Barangay Silangan, Quezon City. Around 30 Megaworld volunteers supported the campaign and were able to plant 100 Bamboo seedlings.</p>
College Scholarship Program	<p>From two initial partner schools in 1999, University of the Philippines and Mapua Institute of Technology, the Foundation now extends a helping hand to an additional twenty six (26) universities and colleges namely Adamson University, Angeles University Foundation, Arellano University, Ateneo de Manila University, Centro Escolar University, Central Philippine University, De La Salle University, DLS-College of St. Benilde, Far Eastern University, FEU-Institute of Technology, Lyceum of the Philippines University, Colegio de San Juan de Letran- Calamba, Malayan Colleges Laguna, Manila Tytana Colleges, Miriam College, National University, Pamantasan ng Lungsod ng Maynila, Polytechnic University of the Philippines, San Beda College, San Sebastian College-Recoletos, Technological Institute of the Philippines, Technological University of the Philippines, Universal College of Parañaque, University of the East and University of Santo Tomas.</p> <p>Aside from this, the Foundation also supported sixteen (16) high schools namely Chiang Kai Shek College, Don Alejandro Roces Sr. Science-Technology High School, Elizabeth Seton School, Hope Christian Academy, Justice Cecilia Muñoz Palma High School, Laguna Bel Air School, Light Christian Academy, Malate Catholic School, Pasay City East High School, Philippine Cultural College, Philippine Tiong Se Academy, Raja Soliman Science and Technology High School, Signal Village National High School, St. Stephen High School, Taguig Science High School and Western Bicutan National High School.</p> <p>With an average of 100 college scholars in its early years, the Foundation now supports more than 400 students a year. These students show academic excellence in the fields of business, engineering,</p>

	accountancy, information technology, architecture, communication arts, interior design, social sciences, hotel and restaurant management and tourism. Aside from full scholarship grants, stipends and allowances are afforded to Megaworld scholars.
Financial Support	<p>The assistance of Megaworld Foundation to the Filipinos does not end with its scholarship program alone. It also supports various sectors of the community; especially the children and youth and those individuals who were victims of poor health, poverty, and social injustice.</p> <p>The Foundation has been very committed in lending a hand to a wider coverage through the networks and linkages it has established with other organizations that share the same vision. This commitment of Megaworld Foundation in helping people has transformed Megaworld Corporation into an institution that values its people, particularly the marginalized sectors, and nurtures a culture of volunteerism, generosity, and dedication to one's fellowmen.</p>
Relief Assistance	In an aim to uplift the lives of the victims of natural calamities, the Foundation has shared its time and efforts to provide relief assistance both in monetary and in-kind donation. Also, to reach out to more Filipinos who are in dire need of help, Megaworld Foundation supports organizations that conduct relief operations and/or calamity response to communities which are gravely devastated by the typhoons.

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	Performance of Board Responsibilities
Board Committees	Board Review	Performance of oversight functions
Individual Directors	Board Review	Attendance/Participation
CEO/President	Board Review	Results of Operations in discussions

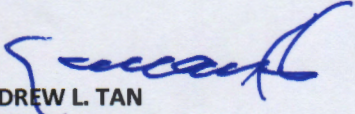
N. INTERNAL BREACHES AND SANCTIONS

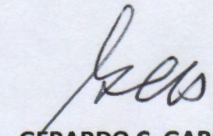
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

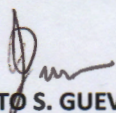
Violations	Sanctions
Emphasis on Violation of Code of Ethics Non-performance of Board Responsibilities Absence in meetings with no valid reasons	Sanctions range from reprimand to removal from office

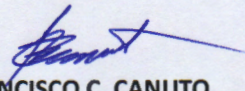
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MANILA on APR 04 2016, 2016.

SIGNATURES


ANDREW L. TAN
Chairman of the Board/ Chief Executive Officer ✓


GERARDO C. GARCIA
Independent Director ✓


ROBERTO S. GUEVARA
Independent Director ✓


FRANCISCO C. CANUTO
Compliance Officer ✓

APR 04 2016

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2016, affiant(s) exhibiting to me their Tax Identification Number, as follows:

<u>NAME</u>	<u>TIN NO.</u>
Andrew L. Tan	125-960-003
Gerardo C. Garcia	110-183-659
Miguel B. Varela	108-673-290
Francisco C. Canuto	102-956-483

NOTARY PUBLIC

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