

## SECURITIES AND EXCHANGE COMMISSION

### SEC FORM 17-Q

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

1. For the quarterly period ended  
Jun 30, 2015
2. SEC Identification Number  
AS094-006430
3. BIR Tax Identification No.  
003-942-108
4. Exact name of issuer as specified in its charter  
EMPIRE EAST LAND HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization  
Metro Manila
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
21st Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City  
Postal Code  
1227
8. Issuer's telephone number, including area code  
(632) 8678351 to 59
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

If yes, state the name of such stock exchange and the classes of securities listed therein:  
The shares of common stock of the Company are listed on the Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, 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.*



**Empire East**

**Empire East Land Holdings, Inc.**

**ELI**

**PSE Disclosure Form 17-2 - Quarterly Report**  
**References: SRC Rule 17 and**  
**Sections 17.2 and 17.8 of the Revised Disclosure Rules**

<b>For the period ended</b>	Jun 30, 2015
<b>Currency (indicate units, if applicable)</b>	Pesos

**Balance Sheet**

	<b>Period Ended</b>	<b>Fiscal Year Ended (Audited)</b>
	Jun 30, 2015	Dec 31, 2014
<b>Current Assets</b>	27,003,926,237	26,649,924,105
<b>Total Assets</b>	35,697,273,359	35,296,731,408
<b>Current Liabilities</b>	7,327,586,137	7,299,785,136
<b>Total Liabilities</b>	10,681,035,315	10,454,791,717
<b>Retained Earnings/(Deficit)</b>	3,937,589,865	3,668,638,956
<b>Stockholders' Equity</b>	25,016,238,044	24,841,939,691
<b>Stockholders' Equity - Parent</b>	24,399,213,973	24,225,973,064
<b>Book Value per Share</b>	1.66	1.65

**Income Statement**

	<b>Current Year (3 Months)</b>	<b>Previous Year (3 Months)</b>	<b>Current Year-To-Date</b>	<b>Previous Year-To-Date</b>
<b>Operating Revenue</b>	1,129,912,320	412,793,094	2,385,472,500	1,206,757,782
<b>Other Revenue</b>	62,134,057	81,151,404	137,384,164	152,173,541
<b>Gross Revenue</b>	1,192,046,377	493,944,498	2,522,856,664	1,358,931,323
<b>Operating Expense</b>	959,521,457	422,503,395	2,057,737,568	1,151,748,110
<b>Other Expense</b>	40,825,676	30,998,246	77,466,023	57,896,215
<b>Gross Expense</b>	1,000,347,133	453,501,641	2,135,203,591	1,209,644,325
<b>Net Income/(Loss) Before Tax</b>	191,699,244	40,442,857	387,653,073	149,286,998
<b>Income Tax Expense</b>	59,802,793	14,602,945	117,644,722	49,214,937
<b>Net Income/(Loss) After Tax</b>	131,896,451	25,839,912	270,008,351	100,072,061
<b>Net Income Attributable to Parent Equity Holder</b>	132,707,251	25,186,997	268,950,906	99,143,117
<b>Earnings/(Loss) Per Share (Basic)</b>	0	0	0.01	0
<b>Earnings/(Loss) Per Share (Diluted)</b>	0	0	0.01	0

**Other Relevant Information**

Please note that the actual figures of the following:

1. Earnings/ (Loss) Per Share (Basic) Current Year-To-Date: 0.0183/ Previous Year-To-Date: 0.0068
2. Earnings/ (Loss) Per Share (Diluted) Current-To-Date: 0.0183/ Previous Year-To-Date: 0.0068

**Filed on behalf by:**

<b>Name</b>	Dohrie Edangalino
<b>Designation</b>	Authorized User

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended 30 June 2015
2. Commission Identification Number: AS094-006430
3. BIR Tax Identification No. 003-942-108
4. EMPIRE EAST LAND HOLDINGS, INC.  
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. 21st Floor, The World Centre  
330 Sen. Gil J. Puyat Avenue  
Makati City, Philippines 1227  
Address of issuer's principal office
8. (632) 867-8351 to 59  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding
<b>Common</b>	<b>14,676,199,167</b>

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

Yes  No

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

**The shares of common stock of the Company are listed on the Philippine Stock Exchange.**

11. Indicate by check mark whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the Code 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 (or for such shorter period the registrant was required to file such reports).

Yes  No

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

Yes

No

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 6 hereof and incorporated herein by reference:

Exhibit 1 – Consolidated Statements of Financial Position as of December 31, 2014 and June 30, 2015

Exhibit 2 – Consolidated Statements of Comprehensive Income as of June 30, 2014 and June 30, 2015

Exhibit 3 – Consolidated Statements of Changes in Equity as of June 30, 2014 and June 30, 2015

Exhibit 4 – Consolidated Statements of Cash Flows as of June 30, 2014 and June 30, 2015

Exhibit 5 - Notes to Interim Financial Statements

Exhibit 6 - Management's Discussion and Analysis of Results of Operations and Financial Condition

### Item 2. Aging of Accounts Receivable as of June 30, 2015

Please refer to Exhibit 7 hereof.

### Item 3. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

## PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

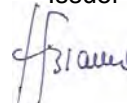
### SIGNATURE

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

**EMPIRE EAST LAND HOLDINGS, INC.**

Issuer

By:



**EVELYN G. CACHO**

Vice President for Finance (Principal Financial Officer) and Duly Authorized Officer

August 11, 2015

## EXHIBIT 1

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In thousand pesos)

	Unaudited 30-Jun-15	Audited 31-Dec-14
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 821,639	P 821,514
Trade and other receivables - net	4,142,168	4,021,021
Advances to related parties	2,038,193	1,956,360
Residential and condominium units for sale	16,749,022	16,765,014
Property development costs	2,429,253	2,428,012
Prepayments and other current assets	823,651	658,003
Total Current Assets	27,003,926	26,649,924
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	1,949,630	2,412,999
Available-for-sale financial assets	2,443,420	2,539,130
Advances to landowners and joint ventures	1,333,538	775,835
Land held for future development	2,284,064	2,218,662
Investment in associates	289,508	293,291
Property and equipment - net	148,191	153,529
Investment property - net	160,345	168,748
Other non-current assets	84,650	84,613
Total Non-current Assets	8,693,346	8,646,807
<b>TOTAL ASSETS</b>	<b>P 35,697,272</b>	<b>P 35,296,731</b>

	Unaudited 30-Jun-15	Audited 31-Dec-14
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	P 38,511	P 58,691
Trade and other payables	1,140,354	709,271
Deferred gross profit on real estate sales	43,337	37,797
Customers' deposits	2,844,789	3,608,515
Advances from related parties	2,476,161	2,170,360
Reserve for property development	316,933	243,836
Income tax payable	-	20,642
Other current liabilities	<u>467,500</u>	<u>450,672</u>
 Total Current Liabilities	 <u>7,327,585</u>	 <u>7,299,784</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	57,762	77,830
Deferred gross profit on real estate sales	126,483	115,498
Reserve for property development	1,232,485	1,185,420
Retirement benefit obligation	435,548	433,173
Deferred tax liabilities	<u>1,501,171</u>	<u>1,343,086</u>
 Total Non-current Liabilities	 <u>3,353,449</u>	 <u>3,155,007</u>
 Total Liabilities	 <u>10,681,034</u>	 <u>10,454,791</u>
<b>EQUITY</b>		
Equity attributable to parent company's shareholders	24,399,214	24,225,973
Non-controlling interest	<u>617,024</u>	<u>615,967</u>
 Total Equity	 <u>25,016,238</u>	 <u>24,841,940</u>
 <b>TOTAL LIABILITIES AND EQUITY</b>	 <b><u>P 35,697,272</u></b>	 <b><u>P 35,296,731</u></b>

## EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In thousand pesos, except earnings per share)

	Unaudited		Unaudited	
	April to June 2015	Jan to June 2015	April to June 2014	Jan to June 2014
<b>REVENUES</b>				
Real estate sales	P 990,185	P 2,050,189	P 238,876	P 909,431
Realized gross profit on prior years' sales	17,679	41,408	11,988	37,070
Finance income	64,628	141,166	81,033	148,805
Equity in net (loss) earnings of associates	(2,494)	( 3,782 )	119	3,369
Commissions and other income	<u>122,048</u>	<u>293,875</u>	<u>161,929</u>	<u>260,257</u>
	<u>1,192,046</u>	<u>2,522,856</u>	<u>493,945</u>	<u>1,358,932</u>
<b>COSTS &amp; EXPENSES</b>				
Cost of real estate sales	592,584	1,423,964	146,516	593,796
Deferred gross profit on current year's sales	55,244	57,934	9,453	37,507
Finance costs	40,826	77,466	30,998	57,896
Operating expenses	311,693	575,839	266,535	520,446
Tax expense	<u>59,803</u>	<u>117,645</u>	<u>14,603</u>	<u>49,215</u>
	<u>1,060,150</u>	<u>2,252,848</u>	<u>468,105</u>	<u>1,258,860</u>
<b>NET PROFIT</b>	<u><u>131,896</u></u>	<u><u>270,008</u></u>	<u><u>25,840</u></u>	<u><u>100,072</u></u>
Net profit attributable to:				
Parent company's shareholders	P 132,707	P 268,951	P 25,187	P 99,143
Non-controlling interest	<u>(811)</u>	<u>1,057</u>	<u>653</u>	<u>929</u>
	<u>P 131,896</u>	<u>P 270,008</u>	<u>P 25,840</u>	<u>P 100,072</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Fair value gains (losses) on available-for-sale financial assets	<u>(540,480)</u>	<u>(95,710)</u>	<u>67,560</u>	<u>371,580</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<u><u>P (408,584)</u></u>	<u><u>P 174,298</u></u>	<u><u>P 93,400</u></u>	<u><u>P 471,652</u></u>
Total comprehensive income (loss) attributable to:				
Parent company's shareholders	P (407,889)	P 173,241	P 92,747	P 470,723
Non-controlling interest	<u>(695)</u>	<u>1,057</u>	<u>653</u>	<u>929</u>
	<u>P (408,584)</u>	<u>P 174,298</u>	<u>P 93,400</u>	<u>P 471,652</u>
<b>Earnings Per Share</b>				
Basic		<u>P 0.0183</u>		<u>P 0.0068</u>
Diluted		<u>P 0.0183</u>		<u>P 0.0068</u>



## EXHIBIT 3

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**COMPARATIVE STATEMENTS OF CHANGES IN EQUITY**

	( In Thousands)	
	Unaudited 30-Jun-2015	Unaudited 30-Jun-2014
CAPITAL STOCK	P 14,803,455	P 14,803,455
ADDITIONAL PAID-IN CAPITAL	4,307,888	4,307,888
TREASURY SHARES	(102,107)	(102,107)
REVALUATION RESERVES		
Balance at beginning of year	1,548,098	1,980,516
Net unrealized fair value gains (losses) on available-for-sale financial assets	<u>(95,710)</u>	<u>371,580</u>
Balance at end of period	1,452,388	2,352,096
RETAINED EARNINGS	3,937,590	3,285,937
MINORITY INTEREST	<u>617,024</u>	<u>614,337</u>
TOTAL EQUITY	P <u><u>25,016,238</u></u>	P <u><u>25,261,606</u></u>

## EXHIBIT 4

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousand pesos)

	<b>Unaudited 30-Jun-15</b>	<b>Unaudited 30-Jun-14</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	P 387,653	P 149,287
Adjustments for:		
Depreciation and amortization	17,006	18,978
Finance costs	77,466	57,896
Finance income	(141,166)	(148,805)
Equity in net loss (earnings) of associates	3,782	(3,369)
Operating income before working capital changes	344,741	73,987
Net Changes in Operating Assets and Liabilities		
Increase in current and non-current assets	(404,325)	(1,423,253)
Increase (Decrease) in current and other non-current liabilities	(67,044)	1,291,571
Increase in reserve for property development	120,162	45,661
Cash used in operations	(6,466)	(12,034)
Interest received	75,245	89,187
Cash paid for income taxes	(21,652)	(16,732)
Net Cash From Operating Activities	47,127	60,421
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	(1,545)	(7,113)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	(45,457)	(49,381)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	125	3,927
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	821,514	504,471
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P 821,639	P 508,398

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Megaworld Corporation)*  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED JUNE 30, 2015, AND 2014**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

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

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

The Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership	
		June 2015	2014
Subsidiaries:			
Eastwood Property Holdings, Inc. (EPHI)	(a)	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(c)	100%	100%
Empire East Communities, Inc. (EECI)	(d)	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(f)	60%	60%
Associates:			
Gilmore Property Marketing Associate, Inc. (GPMAI)	(g)	47%	47%

Explanatory Notes:

- (a) Subsidiary incorporated in 1996 and serves as the marketing arm of the Company for the latter's projects, as well as those of other related parties.
- (b) Subsidiary incorporated in 2006; additional shares were acquired in November 2008 through assignment of shares from a third party.
- (c) Subsidiary incorporated in 2007; shares acquired through assignment of shares from Yorkshire Holdings Inc., a related party, in January 2008.

- (d) Subsidiary incorporated in 2008 to primarily engage in the purchase, development, sale and lease of real properties but is currently engaged in the marketing of real estate properties.
- (e) Subsidiary incorporated in 1996 to primarily engage in operating a school for primary and secondary education.
- (f) Subsidiary incorporated in 2007 as a holding entity to primarily engage in the development and marketing of all kinds of real estate. Additional shares were acquired from First Centro, Inc. in March and June 2008.
- (g) Entity incorporated in 1996. In 2012, the entity was deconsolidated and treated as an associate of the Company.

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

- (a) EPHI - 28<sup>th</sup> Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
- (b) LBASSI - Brgy. Don Jose, Sta. Rosa, Laguna

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 *Basis of Preparation of Consolidated Financial Statements*

#### (a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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

#### (b) *Presentation of Financial Statements*

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

#### (c) *Functional and Presentation Currency*

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

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

## 2.2 Adoption of New and Amended PFRS

### (a) Effective in 2015 that are Relevant to the Company

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

- (i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.
- (ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the

economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

- (iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and associate.
- (v) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.
- (vi) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

- (vii) IFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2017). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.
- (viii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

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



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

*Annual Improvements to PFRS (2010-2012 Cycle)*

- (a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- (b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.
- (c) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.
- (d) PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

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

*Annual Improvements to PFRS (2011-2013 Cycle)*

- (a) PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.
- (b) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.
- (c) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

*Annual Improvements to PFRS (2012-2014 Cycle)*

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

#### 3.1 *Critical Judgments in Applying Accounting Policies*

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

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

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

- (b) *Distinguishing Operating and Finance Leases*

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

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

(c) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

3.2 *Key Sources of Estimation Uncertainty*

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

(a) *Impairment of Trade and Other Receivables*

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

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

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

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

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

previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

*(d) Determining Realizable Amount of Deferred Tax Assets*

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

*(e) Impairment of Non-financial Assets*

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

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

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

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

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project.

*(h) Basis for Revenue Recognition Benchmark*

The Group recognizes its revenue in full when a certain percentage of the net contract price is received /collected. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the

Group's collection history of customers and number of back out sales in prior years. A buyer's interest in the property is considered to have vested when a defined percentage of the net contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

*(i) Determination of Fair Value of Investment Property*

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

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

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

#### 4. SEGMENT REPORTING

##### *4.1 Business Segments*

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

##### *4.2 Segment Assets and Liabilities*

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

#### *4.3 Intersegment Transactions*

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

#### *4.4 Analysis of Segment Information*

The succeeding pages present the revenue and profit information regarding industry segments for the six months ended June 30, 2015 and 2014 and certain assets and liabilities information regarding industry segments as of June 30, 2015 and December 31, 2014.

	High Rise Projects		Horizontal Projects		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>REVENUES</b>						
Real Estate Sales	P 783,063,502	P 805,744,991	P 1,267,125,351	P 103,685,941	P 2,050,188,853	P 909,430,932
Realized gross profit on prior years' sale	41,407,726	37,069,666	-	-	41,407,726	37,069,666
Finance income	65,805,035	91,458,275	9,001,589	(2,797,103)	74,806,624	88,661,172
Commission & Other Income	136,929,574	91,318,083	16,523,114	29,479,387	153,452,688	120,797,470
Total Revenues	1,027,205,837	1,025,591,015	1,292,650,054	130,368,225	2,319,855,891	1,155,959,240
<b>COSTS AND OTHER</b>						
<b>OPERATING EXPENSES</b>						
Cost of Real Estate Sales	496,330,516	545,049,149	927,633,328	48,746,772	1,423,963,844	593,795,921
Deferred gross profit on current years' sale	57,755,432	32,789,524	178,218	4,717,516	57,933,650	37,507,040
Operating expenses	230,579,025	186,757,906	34,562,396	45,580,431	265,141,421	232,338,337
Cost and other operating expenses excluding depreciation and amortization	784,664,973	764,596,579	962,373,942	99,044,719	1,747,038,915	863,641,298
Depreciation and amortization	1,692,739	1,663,172	7,009,245	6,984,916	8,701,984	8,648,088
	786,357,712	766,259,751	969,383,187	106,029,635	1,755,740,899	872,289,386
<b>SEGMENT OPERATING PROFIT (LOSS)</b>						
	P 240,848,125	P 259,331,264	P 323,266,867	P 24,338,590	P 564,114,992	P 283,669,854

	High Rise Projects		Horizontal Projects		Total	
	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
<b>SEGMENT ASSETS AND LIABILITIES</b>						
Segment Assets	16,790,920,820	16,657,976,354	5,710,815,858	6,611,226,516	22,501,736,678	23,269,202,870
Segment Liabilities	1,533,511,987	1,397,195,150	185,726,035	185,355,199	1,719,238,022	1,582,550,349



#### 4.5 Reconciliations

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Revenues</b>		
Total segment revenues	P 2,319,855,891	P 1,155,959,241
Other unallocated revenues	<u>203,000,773</u>	<u>202,972,082</u>
Revenues as reported in profit or loss in profit or loss	<u>P 2,522,856,664</u>	<u>P 1,358,931,323</u>
<b>Profit or loss</b>		
Segment operating profit	P 564,114,992	P 283,669,854
Other unallocated income	203,000,773	202,972,082
Other unallocated expense	<u>(379,462,692)</u>	<u>(337,354,938)</u>
Profit before tax as reported in profit or loss	<u>P 387,653,073</u>	<u>P 149,286,998</u>
	<u>June 30, 2015</u>	<u>Dec. 31, 2014</u>
<b>Assets</b>		
Segment Assets	P 22,501,736,678	P 23,269,202,870
Unallocated Assets	<u>13,195,536,681</u>	<u>12,027,528,538</u>
Total assets as reported in the consolidated statements of financial position	<u>P 35,697,273,359</u>	<u>P 35,296,731,408</u>
<b>Liabilities</b>		
Segment Liabilities	P 1,719,238,022	P 1,582,550,349
Unallocated Liabilities	<u>8,961,797,293</u>	<u>8,872,241,368</u>
Total liabilities as reported in the consolidated statements of financial position	<u>P 10,681,035,315</u>	<u>P 10,454,791,717</u>

## 5. STOCK RIGHT

On April 24, 2012, the Company's BOD approved the offer for subscription of 2,695,239,833 new shares (the "right shares") by way of a pre-emptive offer (the "rights offer") to holders of its common shares at the proportion of one new share for every four existing common shares, at the offer/exercise price equivalent to their par value of P1 per share. This was approved by SEC on August 30, 2012.

Also, on April 24, 2012, the BOD approved the increase in the Company's authorized capital stock from P23.5 billion divided into 21.5 billion common and 2 billion preferred shares both with par value of P1 each, to P33.5 billion divided into 31.5 billion common and 2 billion preferred shares both with par value of P1 per share. The application for the increase in authorized capital stock was approved by the SEC on October 17, 2012.

As of June 30, 2015, the Company's number of shares issued and outstanding totalled 14,803,455,238 with total Treasury Stock of 127,256,071.

## 6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to parent company's shareholders divided by the weighted average number of shares in issue during the period.

Earnings per share amounts were computed as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Weighted average number of shares	<u>14,676,199,167</u>	<u>14,676,199,167</u>
Income available to parent company's Shareholders	<u>P 268,950,906</u>	<u>P 99,143,117</u>
Basic	<u>P 0.0183</u>	<u>P 0.0068</u>
Diluted	<u>P 0.0183</u>	<u>P 0.0068</u>

## 7. COMMITMENTS AND REAL ESTATE PROPERTIES

There were no material contingencies and any other events or transactions that have material impact on the current interim period. There were no issuances, repurchases, and repayments of debt on the current interim period.

## 8. SEASONAL FLUCTUATIONS

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

## 9. ASSESSMENT OF FINANCIAL RISKS

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

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

### 9.1) *Foreign Currency Sensitivity*

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

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are closely monitored.

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos amounted to P54.8 million as of June 30, 2015.

At June 30, 2015, if the peso had strengthened by 3.84% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P2.11 million higher, mainly as a result of foreign exchange gain on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had been weaker by the same percentage, with all other variables held constant, income before tax would have been lower by the same amount.

The 3.84% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the reporting period.

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

### 9.2) *Interest Rate Sensitivity*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises only from cash and cash equivalents, which are subject to variable interest rates. Financial assets and liabilities at variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities have fixed rates.

On June 30, 2015, if general interest rates on dollar and peso-denominated financial assets had been lower by 0.125%, with all other variables held constant, income before tax for the year would have been P2.3M lower, mainly as a result of lower interest income on floating rate deposits.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past six months using a 95%-confidence level. The calculations are based on the Group's financial instruments held at each reporting period, with effect estimated from the beginning of the year.

### 9.3) *Credit Risk*

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position, as summarized below.

	<u>As of June 30, 2015</u>	<u>As of Dec. 31, 2014</u>
Cash and cash equivalents	P 821,639,284	P 821,513,652
Trade and other receivables - net	4,846,439,981	5,497,005,122
Advances to related parties	<u>2,038,192,535</u>	<u>1,956,360,549</u>
	<u>P 7,706,271,800</u>	<u>P 8,274,879,323</u>

The credit risk for liquid funds is considered negligible, since the counter parties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

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

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

### 9.4) *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 basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-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 are 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 June 30, 2015, the Group's financial liabilities have contractual maturities which are presented below:

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 38,511,009	P 57,761,817
Trade and other payables	828,743,813	-
Advances from related parties	2,476,160,573	-
Other current liabilities	467,501,144	-
	<u>P 3,810,916,539</u>	<u>P 57,761,817</u>

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

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

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

#### 9.5) *Other Market Price Risk*

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

At June 30, 2015, if the quoted stock price for the securities had increased by 0.65% with all other variables held constant, equity would have been higher by about P15.95 million. The 0.65% estimated change in quoted market price is computed based on volatility of local index for holdings first listed at Philippine Stock Exchange.

On the other hand, if the quoted market price for these securities had decreased by the same amount, with all other variables held constant, equity for the year would have been lower by the same figure.

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.

## 10. FINANCIAL INSTRUMENTS EVALUATION

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

*Cash and cash equivalents* are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statements of comprehensive income.

The foregoing categories of financial instruments are more fully described below.

### 10.1) *Financial Assets at Fair Value through Profit or Loss*

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the reporting period.

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

### 10.2) *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 maturities with greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Group's loans and receivables are presented as Trade and other receivables, Advances to landowners and joint ventures, and Advances to related parties in the statements of financial position.

### 10.3) *Held-to-maturity Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. They are included in non-current assets in the statements of financial position, except those maturing within 12 months of the reporting period.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

### 10.4) *Available-for-sale Financial Assets*

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

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

In the case of impairment, any loss previously recognized in equity is transferred to the statements of comprehensive income. Impairment losses recognized in the statements of comprehensive income on equity securities are not reversed through the statements to comprehensive income. Losses recognized in prior year statements of comprehensive income resulting from the impairment of debt instruments are reversed through the statements of comprehensive income.

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

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

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

The Group has no investment in foreign securities as of reporting period. The markets of the Group's Available-for-sale financial assets are active.



**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION****RESULTS OF OPERATIONS****Review of June 30, 2015 versus June 30, 2014**

During the six-months period, the consolidated net profit amounted to P270.0 million, 170% higher than the previous year's net income of P100.1 million. Consolidated revenues, composed of real estate sales, realized gross profit, finance income, earnings of associates, commissions and other revenues posted an increase of 86% from P1.4 billion to P2.5 billion.

**Real Estate Sales**

The Group registered Real Estate Sales of P2.05 billion for six months ended June 30, 2015 compared with P909.4 million in 2014. The sales generated were derived from various projects including, Southpoint Science Park, San Lorenzo Place, Pioneer Woodlands, The Sonoma, The Rochester, The Cambridge Village, California Garden Square, Kasara Urban Resort Residences, Little Baguio Terraces and Laguna Bel Air Projects.

The Cost of Real Estate Sales amounting to P1.4 billion in 2015 and P593.8 million in 2014, as a percentage of Real Estate Sales, was 69% and 65%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P626.2 million during the six months of 2015 and P315.6 million in 2014, or 31% and 35% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit amounting to P609.7 million in 2015 and P315.2 million in 2014, represents 30% and 35% of Real Estate Sales, respectively.

**Other Revenues**

The finance income amounting to P141.2 million and P148.8 million in 2015 and 2014 respectively were derived mostly from in-house financing and accounts for 6% and 11% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P293.9 million in 2015 and P260.3 million in 2014, represents 12% and 19% of total revenues in 2015 and 2014.

## Operating Expenses

Operating Expenses posted an increase from P520.4 million in 2014 to P575.8 million in 2015. Other charges/expenses include Finance Cost of P77.5 million and P57.9 million in 2015 and 2014, respectively.

## FINANCIAL CONDITION

### Review of June 30, 2015 versus December 31, 2014

Total resources of the Group as of June 30, 2015 and December 31, 2014 amounted to P35.7 billion and P35.3 billion respectively. Cash and Cash Equivalents increased from P821.5 million to P821.6 million. The Group remained liquid with Total Current Assets of P27.0 billion in 2015 and P26.6 billion in 2014, which accounted for 76% of the Total Assets in 2015 and 2014, while its Total Current Liabilities amounted to P7.3 billion in June 30, 2015 and in December 31, 2014.

The Equity increased from P24.84 billion in the previous year to P25.02 billion as of June 30, 2015 was basically due to Group's Net Income for the 6-month period.

For the six months of 2015 and in the year 2014, the Group sourced its major cash requirements from internally generated funds, and partly from borrowings.

The Group utilized its funds for construction and development of projects, purchase of properties, loan repayments, settlement of various payables and other operating expenses.

## **TOP FIVE (5) KEY PERFORMANCE INDICATORS**

For the six-month period of 2015, the following are top key performance indicators of the Group:

### **1) Increase in Real Estate Sales**

The Group's marketing concepts and sales strategies, project location, flexible payment scheme and aggressive selling have contributed to the increase in sales. The Group's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila

### **2) Increase in Other Revenues**

Other income derived from various sources contributed to the Group's revenue.

### 3) Ability to repay loan obligations

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

### 4) Continuous development of projects

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

### 5) Landbanking

The Group has been continuously acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for development within the next 5 to 7 years.

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

### Statements of Financial Position

- 5% decrease in Trade and other receivables  
Mainly due to collections
- 25% increase in Prepayments and other current assets  
Mainly due to increase in prepaid taxes related to transfer of titles and input vat on purchases
- 72% increase in Advances to landowners and joint venture  
Mainly due to purchase of properties
- 5% decrease in Investment property  
Primarily due to depreciation charges
- 29% decrease in Interest-bearing loans and borrowings  
Due to payment of loans
- 61% increase in Trade and other payables  
Various payables to contractors and suppliers due to increasing construction activities

- 11% increase in Deferred Gross Profit on Real Estate Sales  
Mainly due to unearned gross profit on sales of new projects
- 21% decrease in Customers' deposits  
Mainly due to recognition of sales
- 14% increase in Advances from related parties  
Due to additional advances from a subsidiary
- 8% increase in Reserve for property development  
Pertains to estimated cost to complete the construction/development of sold units
- 100% decrease in Income tax payable  
Mainly due to payment of previous year's income tax payable
- 12% increase in Deferred Tax Liabilities  
Mainly due to increase in income tax expense

Statements of Income  
(Increase or decrease of 5% or more versus June 30, 2014)

- 125% increase in Real estate sales  
Due to aggressive selling of projects and higher sales recognized during the period
- 12% increase in Realized gross profit on prior years' sale  
Due to increase in construction accomplishment of on-going projects
- 5% decrease in Finance Income  
Primarily due to varying payment terms of accounts under in-house financing
- 212% decrease in Equity in net earnings of associates  
Primarily due to decrease in earnings of associate
- 13% increase in Commission and other income  
Mainly due to increase in revenues derived from other related sources
- 140% increase in Cost of real estate sales  
Mainly attributed to increase in sales
- 54% increase in Deferred gross profit on current year's sales  
Due to increase in sales of on-going projects

- 34% increase in Finance costs  
Mainly due to additional construction related advances
- 11% increase in Operating Expenses  
Primarily due to intensified selling/marketing activities and increase in administrative expenses
- 139% increase in Tax expense  
Mainly due to increase in taxable income

For the year 2015, the projected capital expenditures (construction and development) of roughly P5.0 billion is expected to be funded by collections, borrowings and equity financing.

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

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

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

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

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

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

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

As of June 30, 2015

Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current / Not Yet Due	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & Items in Litigation
a) Trade Receivables	3,292,309	2,850,984	68,794	150,309	164,209	58,013	-
b) Other Receivables	2,799,489	2,799,489	-	-	-	-	-
Net Receivables	6,091,798						

2) Accounts Receivable Description

<u>Type of Receivables</u>	<u>Nature/Description</u>	<u>Collection Period</u>
a) Trade Receivables	Sale of residential units/lots	maximum of 10 years
b) Other Receivables	Advances to contractors/suppliers	1 to 2 years

3) Normal Operating Cycle: 3 to 15 years

**EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

	30-Jun-2015	31-Dec-2014
Current ratio	3.69	3.65
Quick ratio	0.68	0.66
Debt-to-equity ratio	0.43	0.42
Interest-bearing debt to total capitalization ratio	0.004	0.01
Asset-to-equity ratio	1.43	1.42
		30-Jun-2014
Interest rate coverage ratio	600%	358%
Net profit margin	10.70%	7.36%
Return on assets	0.77%	0.29%
Return on equity/investment	1.08%	0.40%
Return on equity/investment of owners	1.10%	0.40%

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, marketable securities, accounts receivable divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term-debt.

Debt-to-equity ratio-computed as total liabilities divided by total equity.

Interest-bearing debt to total capitalization ratio-computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest.

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

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.

PROFITABILITY RATIOS

Net profit margin - computed as net profit divided by total revenues

Return on assets - net profit divided by average total assets

Return on investment - net profit divided by total stockholders' equity

Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to owners of the parent company