# COVER SHEET

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SEC Registration Number

S T A . L U C I A L A N D , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

P e n t h o u s e , B l d g . 3 , S t a . L u c i a E a s t G r a n d M a l l , M a r c o s H i g h w a y c o r n e r I m e l d a A v e n u e , C a i n t a , R i z a l

(Business Address: No. Street City/Town/Province)

**David M. Dela Cruz**

(Contact Person)

**681-7332**

(Company Telephone Number)

**2014**

1 2 3 1

*Month* *Day*

(Fiscal Year)

1 7 - A

(Form Type)

0 6 2 0

*Month* *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

**SEC**

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

**269**

Total No. of Stockholders

Domestic Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC Number: 031-050
File Number: ________

# STA. LUCIA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

Penthouse Building 3, Sta. Lucia East Grand Mall,
Marcos Highway Cor. Imelda Ave., Cainta Rizal

(Company Address)

(632) 681-7332

(Telephone Number)

**December 31, 2014**

(Year Ending)

**Annual Report – SEC Form 17-A**

(Form Type)

(Amendments)

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-A**

**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 December 31, 2014

2. Commission identification number 31050 3. BIR Tax Identification No. 000-152-291-000

4. Exact name of issuer as specified in its charter **STA. LUCIA LAND, INC.**

5. Province, country or other jurisdiction of incorporation or organization **Republic of the Philippines**

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

7. Address of issuer's principal office and Postal Code **Penthouse, Bldg. III, Sta. Lucia East Grand Mall, Marcos Highway cor. Imelda Ave., Cainta, Rizal 1900**

8. Issuer's telephone number, including area code **(02) 681-73-32**

9. Former name, former address and former fiscal year, if changed since last report **ZIPPORAH MINING & INDUSTRIAL CORPORATION, 6th Flr., Sagittarius Bldg., H.V. de la Costa St, Salcedo Village, Makati City**

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

| Title of each class | Number of shares of common Stock outstanding |
|---|---|
| **Common** | **8,546,450,000** |

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

Yes [ x ] No [ ]

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

12. Indicate by check mark whether the Registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 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 [ x ] No [ ]

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

Yes [ x ] No [ ]

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# PART I – BUSINESS AND GENERAL INFORMATION

## ITEM 1: BUSINESS

Business Development

Sta. Lucia Land, Inc. (the Registrant, the Company, or SLI) was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1996 under the name Zipporah Mining and Industrial Corporation to engage in mining. On August 14, 1996, the Registrant's Articles of Incorporation was amended (a) changing the corporate name to Zipporah Realty Holdings, Inc. (ZRHI); (b) transposing the original primary purpose to secondary purpose from being a mining firm to a real estate company, the primary purpose of which is to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop and hold for investment or otherwise, real estate of all kinds, improve, manage or otherwise dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances. In 2007, majority of the shares of ZRHI was acquired by Sta. Lucia Realty & Development, Inc. (SLRDI) through a property-share swap and changed its company name to Sta. Lucia Land, Inc. upon board approval. SLI is 87.18% owned by SLRDI as of December 31, 2014.

Restructuring

As part of a restructuring program, the Registrant's board of directors (the Board) approved the following on June 15, 2007, which the shareholders (the Shareholders) subsequently approved on July 16, 2007:

(1) Increase in the authorized capital stock of the Registrant by Php14 billion, from Php2.0 billion to Php16 billion, divided into 16 billion shares with a par value of Php1.00 per share.
(2) Subscription of SLRDI of up to 10 billion shares out of the increase in the Registrant's authorized capital stock; and
(3) SLRDI's subscription to such shares shall be at par value, the consideration for which shall be the assignment and transfer by SLRDI to the Registrant of assets acceptable to the Board at a reasonable discount on the market value of such assets.

Accordingly, on December 8, 2007, various deeds of assignment were entered into by the Registrant and SLRDI wherein SLRDI assigned all its rights, title and interest on the following real properties:

| | |
|---|---|
| Alta Vista de Subic | Monte Verde Royale |
| Alta Vista Residential Estate and Golf Course | La Breza Tower (Mother Ignacia) |
| Caliraya Spring Golf Marina | Neopolitan Estate |
| Costa Verde Cavite | Palm Coast Marina Bayside |
| Davao Riverfront | Palo Alto Executive Village |
| Eagle Ridge Commercial | Pinewoods Golf & Country Estate |
| Glenrose Park Carcar Cebu | Pueblo del Sol |
| Greenwoods Commercial | Rizal Technopark |
| Greenwoods South | South Pacific Golf & Leisure Estates |
| Lakewood City | Southfield Executive Village |
| Manville Royal Subd. | Sta. Lucia East Grand Mall Sites 1, 2, 3 |
| Metropoli Residenza de Libis Residential | Tagaytay Royale Estate Commercial |
| Metropolis Greens | Vistamar Residential Estate |

Furthermore, on June 15, 2007 and July 16, 2007, the Board and the Shareholders respectively approved a number of changes in the corporate structure as part of its diversification scheme. These were:

1. The change of its name to **STA. LUCIA LAND, INC.;**
2. The change in the registered address and principal place of business;
3. The decrease in the number of directors from eleven (11) to nine (9);
4. The provision on indemnification of directors and officers against third party liabilities;
5. The change in the primary and secondary purposes of the Registrant and the adoption of a new set of by-laws;

Items 1-5 were approved by the SEC on October 9, 2007.

Moreover, the Shareholders elected the following directors: Vicente R. Santos (Chairman), Exequiel D. Robles, Mariza R. Santos-Tan, Antonio D. Robles, Aurora D. Robles, Orestes R. Santos, Jose Ferdinand R. Guiang, Osmundo C. de Guzman, Jr., and Santiago Cua.

Lastly, the Registrant sold its subsidiary, EBEDEV, Inc. (EBEDEV) to Beziers Hldgs., Inc. on June 1, 2007, with eighty million (80,000,000) common shares representing one hundred percent (100%) of its issued and outstanding capital stock . Upon execution of the Sale and Purchase Agreement, responsibility for the management of EBEDEV was transferred to and vested with Beziers Hldgs., Inc., along with the corporate records and documents of EBEDEV.

Subsidiaries

On January 9, 2013, the Parent Company filed an application with SEC for the incorporation of one of its wholly owned subsidiary Sta. Lucia Homes, Inc. (SLHI), the primary purpose of which is to construct, develop, improve, mortgage, pledge and deal with residential structure for lot buyers of the Group. The Parent Company received an approval on February 20, 2013.

On January 31, 2013, the Parent Company also filed an application with SEC for the incorporation of another wholly owned subsidiary Santalucia Ventures Inc. (SVI), whose primary purpose is to market, operate, manage, develop, improve, dispose, mortgage, pledge and deal with residential structure for lot buyers of the Group. Such application was approved by SEC on April 5, 2013.

Employees/Officers

As of December 2013, the Registrant has the following numbers of employees/officers including:

| DIVISION | NO. OF EMPLOYEES |
|---|---|
| Executive Officers | 8 |
| Sales | 16 |
| Finance | 4 |
| Administration and Accounting | 16 |
| Legal / Documentation | 5 |
| Information Technology | 5 |
| Project Management | 5 |
| **Total Employees and Officers** | **59** |

There are no current labor disputes or strikes against the Registrant, nor have there been any labor disputes or strikes against the Registrant in the past three (3) years.

The Company has provided a mechanism through which managers and staff are given feedback on their job performance, which it believes will help to ensure continuous development of its employees. The Company also provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments.

Major Risks

Various risk factors will affect SLI's results of operations may it be in the result of economic uncertainty and political instability.

The Philippines as one of the countries in Asia that were not directly affected by the crisis showed a better position for market enhancement. Despite the fact that inflation is continuously affecting the world market, the Philippines manages to offset the augmented prices of goods and services with the increase in local & foreign investment as well as the Overseas Filipino Workers (OFW) remittances continued to be constant. Given the skilled labor in the Philippines, which is at par with international standards, jobs were actually created in the country. The steady rise of employment in this industry contributed to the increase in consumer spending, which is one of the strongest stimuli for economic growth. In addition, local and foreign investors were driven by the new Aquino administration which showed a positive outcome for investors.

As for the real estate industry in the Philippines, the country still experienced a stable market demand for 2014. This is due to the common object of OFW's which to have their own property. Based on SLI's sales report, it has always been a significant number of OFW who purchased properties. Also, there have been foreign investors who invested in properties in the country due to our low cost of living. The Philippines is likewise seen as a country with great economic potential by our neighboring countries in Asia.

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

Politics has been a major risk in the Philippines since it has a negative image in political disorder which is largely due to corruption and unstable development. Also, the country's high debt to financial institutions affects all business sectors and has become a major factor to consider. Nevertheless, the Philippine government has its new hope for 2014 and the residual years through the Aquino administration. It would be a challenge for the government to act on the risk factors threatening the Philippine economy.

Other than those mentioned above, the Company may also be exposed with the changes in Peso, interest rates and costs in construction. However, the Company adopted appropriate risk management procedures to lessen and address the risks it faces.

Nature of Business/Product Line

Following its restructuring and corporate reorganization, the Sta. Lucia Land, Inc., now with a broader capital structure and a globally-oriented vision, aims to be at par and even surpass the achievements of its predecessor, SLRDI. Moreover, SLI today has almost accomplished its three vertical projects located at Quezon City, Tagaytay, Cebu and various horizontal projects located in Tagaytay, Batangas, Cavite, Tarlac, Laguna, Davao, Cebu, Iloilo and Antipolo.

With a large capital infusion culled from all its consolidated assets, as well as expected proceeds from the increase in sales for this year, the company is amply armed to finance its new set of development portfolios for 2014 and the subsequent years, comprising residential subdivisions, golf courses and communities, resorts, condominiums, sports and country club estates, and commercial developments.

Lastly, upon the transfer of Sta. Lucia East Grand Mall (SLEGM) to the Registrant from SLRDI, the Registrant is now engaged in leasing, specifically spaces at SLEGM. The Registrant's income statement reflects the revenue from lease payments to SLEGM.

Description of Market/Clients

The Registrant has now expanded its target market to include clients with different professions and living statuses, coming from all segments of society. This is due to the array of properties infused into the Registrant by SLRDI as well as the new portfolio of project development it develops. Its portfolio now includes horizontal and vertical properties across the country, as well as SLEGM, a shopping mall located in Cainta, Rizal, as mentioned above.

The Registrant's said clients comprise of families, overseas Filipino workers, foreign investors, retirees, young urban professionals, and newly-married couples, among others.

Real Property Development

The following properties as mentioned above comprise the assets of the Registrant as part of the capital infusion from SLRDI:

**Residential and Commercial Properties**

**Alta Vista de Subic**
Alta Vista de Subic is a residential property located in Subic, Zambales. It sits on a 22,308 sq. m. area, with 68 lots for sale.

**Alta Vista Residential Estate and Golf Course**
Alta Vista Residential Estate and Golf Course is a residential property located in Cebu City. It sits on a 25,450 sq. m. area, with 36 lots for sale.

**Caliraya Spring**
Caliraya Spring is a residential property located in Laguna. It sits on a 84,980 sq. m. area, with 120 lots for sale.

**Costa Verde Cavite**
Costa Verde Cavite is a residential property with housing projects located in Rosario, Cavite. It sits on a 10,005 sq. m. area, with 100 lots for sale.

**Davao Riverfront**
Davao Riverfront is a residential and commercial property located in Davao City. It has 11 residential lots for sale, which sits on a 2,170 sq. m. area. The property also has 100 commercial lots for sale, situated on a 81,889 sq. m. land.

**Eagle Ridge**
Eagle Ridge is a commercial property located in Cavite. It sits on a 69,042 sq. m. area, with 87 lots for sale.

**Glenrose Park Carcar Cebu**
Glenrose Park Carcar Cebu is a residential property with housing projects located in Cebu City. It sits on a 14,338 sq. m. area, with 179 lots for sale.

**Greenwoods**
Greenwoods is a commercial property located in Pasig City. It sits on a 6,665 sq. m. area, with 6 lots for sale.

**Greenwoods South**
Greenwoods South is a residential property with housing projects located in Batangas City. It sits on a 25,181 sq. m. area, with 125 lots for sale.

**La Breza Tower**
La BrezaTower is the planned 22-storey residential condominium to be built on the property on Mother Ignacia Ave. in Quezon City. The property area is 1,450 sq. m.

**Lakewood City**
Lakewood City is a residential property with housing projects located in Cabanatuan. It sits on a 107,087 sq. m. area, with 372 lots for sale.

**Manville Royale Subdivision**
Manville Royale Subdivision is a residential and commercial property located in Bacolod. It has 382 residential lots for sale, which sits on a 65,606 sq. m. area. The property also has 5 commercial lots for sale, situated on a 7,316 sq. m. land.

**Metropolis Greens**
Metropolis Greens is a residential property with housing projects located in General Trias, Cavite. It sits on a 19,785 sq. m. area, with 179 lots for sale.

**Metropoli Residenza de Libis**
Metropoli Residenza de Libis is a residential and commercial property located in Libis, Quezon City. It has 46 residential lots for sale, which sits on a 10,721 sq. m. area. The property also has 18 commercial lots for sale, situated on a 7,336 sq. m. land.

**Monte Verde Royale**
Monte Verde is a residential property with housing projects located in Taytay, Rizal. It sits on a 43,492.93 sq. m. area, with 202 lots for sale.

**Neopolitan Garden Condominium**
Neopolitan Garden Condominium is a residential condominium property located in Fairview, Quezon City . It sits on a 77,003 sq. m. area, with 48 lots for sale.

**Palm Coast Marina Bayside**
Palm Coast Marina Bayside is a commercial property located on Roxas Blvd., Manila. It sits on a 2,571 sq. m. area, with 2 lots for sale.

**Palo Alto**
Palo Alto is a residential property located in Tanay, Rizal. It sits on a 678,837 sq. m. area, with 1,115 lots for sale.

**Pinewoods**
Pinewoods is a residential property located in Baguio City. It sits on a 112,210 sq. m. area, with 71 lots for sale.

**Pueblo Del Sol**
Pueblo Del Sol is a residential property located in Tagaytay City. It sits on a 12,977 sq. m. area, with 44 lots for sale.

**Rizal Technopark**
Rizal Technopark is a commercial property located in Taytay, Rizal. It sits on a 25,112 sq. m. area, with 34 lots for sale.

**Southfield Executive Village**
Southfield Executive Village is a residential property with housing projects located in Dasmarinas, Cavite. It sits on a 28,359 sq. m. area, with 193 lots for sale.

**South Pacific**
South Pacific is a residential property with housing projects located in Davao City. It sits on a 150,095 sq. m. area, with 434 lots for sale.

**Sta. Lucia East Grandmall**
Sta. Lucia East Grandmall is a commercial property located in Cainta, Rizal. It sits on a 98,705 sq. m. area and is composed of three buildings.

**Tagaytay Royale**
Tagaytay Royale is a commercial property located in Tagaytay City. It sits on a 22,907 sq. m. area, with 9 lots for sale.

**Vistamar Estates**
Vistamar Estates is a residential and commercial property located in Cebu City. It has 86 residential lots for sale, which sits on a 32,086 sq. m. area. The property also has 13 commercial lots for sale, situated on a 20,299 sq. m. land.

The following are the Registrant's completed projects as of December 31, 2014 aside from the ones indicated above:

**Sugarland Estates**
Sugarland Estates is a residential property located in Trece Martires, Cavite with a saleable area of 72,377 sqm.

**Splendido Tower 1**
Splendido Tower 1 is a condominium project located in Laurel, Batangas and 22-Storey high.

**La Breza Tower**
La Breza Tower is a condominium project located in Mother Ignacia Street Quezon City with more than 250 units for sale.

**La Mirada Tower**
La Mirada Tower is a condominium project located in Lapu Lapu, Cebu.

**Villa Chiara**
Villa Chiara is a residential property located in Tagaytay City, Cavite with more than 34,000 sqm in area.

**Grand Villas Bauan**
Grand Villas Bauan is a residential subdivision located in Bauan Batangas.

**Green Meadows Tarlac**
Green Meadows Tarlac is a residential and commercial property which sits in Paniqui, Tarlac with more than 149,000 sq. m. in area.

**Luxurre Residences**
Luxurre Residences is a residential and commercial property located in Alfonso, Cavite.

**East Bel Air 1**
East Bel Air 1 is a condominium tower located in Cainta, Rizal.

**Antipolo Greenland**
Antipolo Greenland is a residential property located in Antipolo, Rizal with more than 20,000 sq. m. in area.

**Material Reclassification, Merger, Consolidation or Purchase or Sale of Significant Amount of Assets**

The Registrant has sold the Ayala Property to Alphaland, Inc. in April 2008 for Php820 Million.

Business of Issuer

The Registrant's primary purpose is to deal, engage or otherwise acquire an interest in land or real estate development, whether in the Philippines or elsewhere, to acquire, purchase, sell, convey, encumber, lease, rent, erect, construct, alter, develop, hold, manage, operate, administer or otherwise deal in and dispose of, for itself or for others, for profit and advantage, residential, commercial, industrial, recreational, urban and other kinds of real property, such as horizontal and vertical developments as stated in its latest Amended Articles of Incorporation, as of 09 October 2007. Please refer to "Real Property Development" and "Development Activities" sections for the detailed descriptions of the products that are and will be distributed by the Registrant.

Distribution Methods of the Products

With regard to the sales and marketing of the abovementioned properties, the Registrant has at its disposal the expertise of different marketing arms to expand its network of investors. Among the Registrant's previous marketing groups were: Asian Pacific, Mega East, and Fil-Estate. However, while the aforementioned companies still play an active role in marketing for the Registrant, the Registrant's current major marketing companies are Orchard Property Marketing Corp., Royale Homes Marketing Corp and Santalucia Ventures, Inc.

Competition

The market base for residential and commercial space has been growing but the Registrant also faces increased competition from other developers undertaking the same kind of projects across the country.

With respect to residential lots and condominium sales, the Registrant considers DMCI Homes, Filinvest, and SM Development Corporation as its competitors. The Registrant is able to effectively compete for the buyers primarily on the basis of price, reliability and location of the development site.

With respect to its mall business, SM Prime and Robinsons Retail are considered as the main competitors of the Registrant. The Registrant is able to compete for the buyers on the basis of effective tenant mix, location and rental rates.

The Registrant is supported by the expertise of its majority shareholder, SLRDI, in all of its major undertakings specifically in the area of horizontal developments, which will remain as its core business. SLRDI together with the Registrant has been known to be one of the biggest in terms of the scope of its development, having developed 10,000 hectares with over 200 projects all over the Philippines. The Registrant shall also continue to specialize in developing horizontal projects for middle-end clients, which is the primary market of the country. The Registrant will only embark on high-end projects if the study of a project location results to a demand for a high-end development.

In addition, certain properties of the Registrant are under study for redevelopment into hypermarkets and commercial buildings. As the demand for midrise and highrise condominiums arises, SLI is now on the stage of developing vertical projects after its first three towers in Quezon City, Tagaytay, and Cebu. Most of the future projects of the Registrant now focus on vertical projects since the demand for such classification arises.

Suppliers

The Registrant has a broad base of local suppliers and is not dependent on one or limited number of suppliers.

Customers

The Registrant has a broad market base including local and foreign individuals and does not have a customer who/which accounts for twenty percent (20%) or more of the Registrant's sales.

Government Approvals/Regulations

The Registrant, as part of the normal course of business, secures various government approvals such as licenses to sell, development permits and the like.

Environmental Compliance

The Registrant has made efforts to meet and exceed all statutory and regulatory standards on environmental compliance in its normal course of business. In keeping with the Registrant's commitment to sustainable development, all projects are assessed for their environmental impact and, where applicable, are covered by an Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources prior to construction or expansion. To date, the Registrant is compliant with relevant environmental regulations.

Transactions with Related Parties

On the transfer of SLEGM to the Registrant, the Registrant has retained the services of Sta. Lucia East Commercial Corp. in the management of SLEGM. The latter shall provide services such as general management functions in the operation of the mall.

In addition, Azkcon Construction and Dev't. Corp. (Azkcon), a joint venture partner of SLRDI in the Saddle & Clubs Leisure Park (Saddle & Clubs) project, has agreed on the repayment scheme of its outstanding loans to the Registrant by way of assigning the proceeds of the sales of Saddle & Clubs to the Registrant. The remittance of proceeds from SLRDI to the Registrant has already been agreed upon by the two parties.

On June of 2010, the Registrant has already purchased major assets for development of SLRDI in Santolan, Pasig, Consolacion, Cebu, Felix Avenue, Cainta and Marcos Highway-Cainta. These properties are located within the property of SLEGM, which are commercial lots that will have vertical developments. Balances have been offset to pay off due from related parties.

On January 11, 2011, the Company acquired shares of stocks from SLRDI through the execution of a deed of assignment. The transfer of shares partially paid for the advances of SLRDI from the Company. Also in 2011, the Company, SLRDI and Sta. Lucia East Commercial Corporation (SLECC) have identified certain real estate properties upon which the outstanding due from related parties will be applied.

To settle the intercompany advances, SLRDI and the Parent Company entered into a deed of assignment on July 8, 2014 rescinding the assignment of "Saddle and Clubs Leisure Park" and agreed to convey 3,000,000,000 shares out of SLRDI's shareholdings in the Company in two tranches as follows:
Tranche 1 – 2,250,000,000 shares at Php.40 per share to be transferred within 30 days from the signing of the Deed of Assignment
Tranche 2 – 750,000,000 shares at Php1.20 per share to be transferred within one year from the date of the Deed of Assignment, or when SLI accumulates more than P 901,107,601.00 in Unrestricted Retained Earnings, whichever is earlier

In September 2014, the Company successfully completed Tranche 1 involving the assignment of 2,250,000,000 shares from SLRDI to SLI.

On October 1, 2014, the Company amended this arrangement by entering into a management contract with SLECC whereby tenants of the mall will be required to settle their rental obligations directly to SLI by issuing a check in the account of SLI. SLI in turn, will compensate SLECC with a management fee.

<u>Present Employees</u>

As mentioned in Item 1 on Employees/Officers, the Registrant has 59 officers and employees. The Registrant has embarked to support the increasing demand of workforce for its increasing operations. Hence it anticipates to increase additional employees for the next ensuing year though no exact number of employees is assumed.

The Registrant provides annual salary increases based on the performance. This is made through regular performance assessment and feedback.

<u>Development Activities</u>

Currently, the Registrant is developing a number of vertical and horizontal projects. In addition, there are a lot of future projects that the Registrant has planned to compete to the market demand and real estate industry. The projects that presently have developmental activities are as follows:

Completed Projects:

Grand Villas, Batangas
La Mirada Tower, Cebu
Splendido Towers, Tagaytay
La Breza Tower
Villa Chiara, Tagaytay
Greenland Antipolo Phase II
Luxurre Residences
Green Meadows Tarlac
East Bel Air 1

On- Going Projects:

Sugarland Estates
South Grove Davao
Soto Grande Ph 2
Splendido Taal Tower 2
El Pueblo Verde
Greenland Newtown Ph2A
Ponte Verde Davao
Greenmeadows Iloilo
Greenwoods South Ph6
Greenwoods Executive Ph9E, 9F and 2L
Arterra Residences
Neopolitan Condominium 1
Sta. Lucia Residenze – Santorini
Mesilo Nueva Vida
La Huerta Calamba
Sta. Lucia Residenze – Monte Carlo
Greenwoods North Ph2
Summerhills Ph4
Valle Verde Davao
Colinas Verdes Ph3
Costa Del Sol Iloilo
Greenland Cainta Ph 9C and 3B
Nottingham Townhouse Villas
Althea Davao
East Bel Air 2
Sotogrande Davao

Future Projects:

Gerona Rivilla Property
General Milling Cebu Property 1
South Coast
General Milling Cebu Property 2
Manggahan Property Building 1
Manggahan Property Building 2
Discovery Bay Tower
Neopolitan Tower 2
Cebu Com Tower 1
Cebu Com Tower 2
Splendido Tower 3
Splendido Tower 4
La Mirada Tower 2
Sta. Lucia Residenze Tower 3
Sta. Lucia Residenze Tower 4
Sta. Lucia Residenze Tower 5
East Bel-Air 3
East Bel-Air 4
Manggahan Property Building 3
Manggahan Property Building 4
Neopolitan Tower 3
Neopolitan Tower 4
La Mirada Tower 3
East Bel-Air 5
East Bel-Air 6
Manggahan Property Building 5
Neopolitan Tower 5
Katipunan Building 1
Katipunan Building 2
Davao Riverfront Building 1
Davao Riverfront Building 2
Iloilo Building 1
Iloilo Building 2
JAKA Nasugbo Property

On January 19, 2009 at its Executive Committee Meeting, the Registrant resolved to enter into a joint venture agreement with Royale Homes Realty and Dev't., Inc. for the development of Antipolo Greenland Phase II, Mr. Antonio C. Rivilla for Greenmeadows Tarlac, Great Landho, Inc. for Sugarland, Darnoc Realty and Dev't. Corp. for South Coast and Surfield Dev't. Corp., Boyd Dev't. Corp., and Paretti Dev't. Corp. for La Panday Prime Property.

On February 12, 2010, the Registrant in its Executive Committee Meeting resolved to sign the joint venture agreement with Mr. John Gaisano et al. for the development of several parcels of land in Matina Crossing, Davao which has a total area of 162, 140 square meters known as the Costa Verde Subdivision.

On August 4, 2010, the Registrant, at its Executive Committee Meeting, resolved to approve the joint venture agreement with General Milling Corporation (GMC) with a 132,065 square meter property located in the old and new Bridge of Mactan Island to Cebu proper. Also, a second joint venture with spouses Gloria-Sulit-Lenon of a piece of property located in San Mateo, Rizal with an area of 34, 703 square meters. Lastly, the 3rd joint venture agreement with SJ properties, Joseph O. Li et al. to develop a 102, 477 square meter property in Kaytitinga, Alfonso, Cavite was approved.

On September 17, 2010 at the Special Meeting of the Board of Directors, the Registrant resolved to enter a joint venture agreement with San Ramon Holdings, Inc. for the development of a parcel of land located in Canlubang, Calamba, Laguna.

On February 07, 2011 at the meeting of the Executive Committee, the Registrant approved the joint venture agreement among Sept. Company Inc (SCI), Antonio Rivilla, and the Company, to develop parcel of land situated Barrio San Antonio Abagon & Poblacion Municipality of Gerona, Tarlac with a total area of 155, 153 sq m into a residential and commercial subdivision.

On February 09, 2011 at the meeting of the Executive Committee, the Company has entered into a joint venture agreement with Sta. Lucia Realty and Development, Inc. for a development of a commercial subdivision located in Barrio of Dumuclay, Batangas City. In addition, the Company also entered a joint venture agreement with Anamel Builders Corporation (ABC) to develop a parcel of land owned by ABC located in the City of Gapan Nueva Ecija, with an aggregate area of 136,059 square meters in a residential subdivision.

On March 16, 2011 at the meeting of the Executive Committee, the Registrant approve the joint venture agreement between First Batangas Industrial Park Inc. to develop several parcels of land situated in the Brgys. of Manghinao and Balayong Bauan, Batangas with an aggregate area of 538,138 sq m.

In the Executive Committee meeting held on October 20, 2011, the Registrant entered into a joint venture agreement with Rexlon Realty Group Inc. to develop a parcel of land in Brgy. Kaybiga, Caloocan City into a residential subdivision, with an aggregate area of 5,550 sq m.

In the Organizational Meeting of the Board of Directors of the Corporation held immediately after the Annual Stockholder's Meeting on June 29, 2012, the Board of Directors authorized the Registrant to enter into joint venture agreements with Royale Homes Realty and Development Corporation with respect to the development of certain properties located in Brgy. Pasong Matanda, Cainta Rizal and Brgy. Sta. Ana Taytay, Rizal, with Melissa Ann L. Hechanova, Maria Angela M. Labrador, and Vivian M. Labrador for the development of a parcel of land situated in Brgy. Cabangan, Subic, Zambales, with Rapid City Realty & Development Corporation with respect to the development of properties in Antipolo City and the Municipalities of Baras, Tanay, Teresa, Province of Rizal.

On October 4, 2012 at the Special Meeting of the Executive Committee, the Registrant was authorized to enter into joint venture agreements with the following:

a. Trillasun Realty and Development Corporation, with respect to the development of certain properties in Brgy. Dumoclay, Batangas City
b. Sta. Lucia Realty and Development, Inc., with respect to the development of certain parcels of land in Taytay, Rizal and Bario Mendez, Tagaytay City
c. Royale Homes Realty and Development, Inc., with respect to the development of properties in Imus, Cavite;
d. Carlos Antonio S. Tan and Mark Davies S. Santos, with respect to the development of certain properties in Cainta, Rizal
e. Irma SB. Ignacio-Tapan, with respect to the development of certain properties in Cainta, Rizal
f. MFC Holdings Corporation, with respect to the development of properties in Brgy. Tolotolo, Consolacion, Cebu.

At the special meeting of the Board of Directors held on December 12, 2012 at the principal office of the Company, the Registrant was authorized to enter into joint venture agreements with various parties with respect to the expansion of various existing projects, involving the following properties:

a. A parcel of land with an area of 29,950 sq m situated in Brgy. Ampid, San Mateo, Rizal;
b. A parcel of land with an area of 72,767 sq m situated in Barrio Lapit, Urdaneta City, Pangasinan;
c. A parcel of land with an area of 8,906 square meters situated in Barrio Muzon, Angono, Rizal;

Also, the registrant was authorized to acquire the following properties:

a. A parcel of land with an area of 1,230 sqm in Quezon City,
b. A parcel of land in Barrio Inosluban, Buclanin, Lipa, 7,895 sqm
c. A parcel of land in Mexico, Pampanga, 61,486 sqm

At the Special Meeting of the Registrant's Board of Directors held on 18 April 2013, the following resolutions on entering to Joint Ventures and acquiring parcels of land were discussed and approved:

a. For the development of a parcel of land located in Davao City owned by Greensphere Realty & Development Corp.;
b. For the expansion of the Registrant's project known as Palo Alto, located in Tanay, Rizal, involving parcels of land owned by Sta. Lucia Realty and Development, Inc. and Milestone Farms, Inc.;
c. For the expansion of the Registrant's project known as Rizal Techno Park, located in Taytay, Rizal, involving parcels of land owned by Royal Homes Realty & Development Corporation and JFG Construction and Development Services with an aggregate area of 10,100 square meters;
d. For the expansion of the Registrant's project known as Greenwoods Executive Village, located in Pasig City, involving a parcel of land owned by St. Botolph Development Corp. with an area of 5,558 square meters;
e. For the expansion of the Registrant's project known as Cainta Greenland, located in Cainta, Rizal, involving a parcel of land owned by Sta. Lucia Realty and Development, Inc. with an area of 5,019.5 square meters;
f. Seven parcels of land located at Barangay San Juan, Taytay, Rizal, with an aggregate area of 4,865.49 square meters, owned by Carmencita M. Estacio, Adela O. Leyca, Manuel Medina, Lucia M. Del Rosario, Ireneo O. Medina, Leopoldo O. Medina, and Bonifacio O. Medina; and
g. A parcel of land located in Lipa, Batangas with an area of 7,895 square meters, owned by Benito Magaling and Divina Tupaz.

On April 1, 2014, the Board approves a resolution authorizing the Registrant to enter into joint ventures involving the development of a new project located in Cebu with an area of 537,011 sq.m and to amend the Articles of Incorporation of the Company to extend the corporate term by 50 years together with the following:

Resolutions authorizing the Registrant to acquire the following:

a. Parcel of land at Sun City Expansion, Davao, 24,578 sqm
b. Parcel of land in Golden Meadows Sta. Rosa, 51,500 sqm
c. Parcel of land located in Greenwoods Batangas, 32,312sqm
d. Parcel of land in Lipa Royale Batangas, 9,421 sqm

Resolutions authorizing the Registrant to enter in joint ventures involving the following:

a. Development of Rizal Techno Park Taytay, 10,100sqm
b. Development of a new project in Puerto Princesa, 20,000 sqm
c. Development of land in Palawan, 61,315sqm
d. Development of parcel of land located in Greenwoods South , 32,314sqm
e. Expansion in Davao, 9,841sqm
f. Development of new project in Cebu, 537,011sqm
g. Development of project in Davao, 36,913sqm
h. Development of project on Ponte Verde, Davao, 28,000sqm

On July 1, 2014, the following were resolved by the Board to acquire:

a. Parcel of land in Batangas City, 9315.5 sqm
b. Parcel of land in Batangas City, 3,087 sqm
c. Parcel of land in Taytay, 6,302 sqm

And a resolution was made to authorize the Registrant to enter into a joint venture for the development of a new project in Dagupan Pangasinan, 77,001 sqm

The following table shows the expenditures spent on development activities and its percentage to revenues:

## ITEM 2: PROPERTIES

| Year | PROJECT EXPENDITURES | PERCENTAGE TO REVENUES |
|---|---|---|
| **2014** | 1,472,865,907 | 65% |
| **2013** | 1,354,380,768 | 102% |
| **2012** | 1,260,833,129 | 70% |
| **2011** | 798,042,139 | 55% |
| **2010** | 464,512,282 | 36% |
| **2009** | 470,247,597 | 57% |

**Real Properties**

The following table provides summary information on the Registrant's land and other real properties as of December 31, 2014. Properties listed below are wholly owned and free of liens and encumbrances unless otherwise noted.

| NO. | LOCATION | AREA IN SQM | LAND USE | REMARKS |
|---|---|---|---|---|
| 1 | Amang Rodriguez, Pasig City | 10,156.00 | RESIDENTIAL / COMMERCIAL | |
| 2 | Bacolod City, Bacolod | 52,669.00 | RESIDENTIAL / COMMERCIAL | |
| 3 | Baguio City, Benguet | 35,887.00 | RESIDENTIAL | |
| 4 | Batangas City, Batangas | 23,976.00 | RESIDENTIAL / COMMERCIAL | |
| 5 | Cabanatuan City | 94,417.00 | RESIDENTIAL / COMMERCIAL | |
| 6 | Cainta, Rizal | 251,856.00 | RESIDENTIAL / COMMERCIAL | Mall area covering 98,705 SQM was mortgaged to BDO & CHINA BANK |
| 7 | Carcar Cebu | 4,547.00 | RESIDENTIAL | |
| 8 | Cavinti, Laguna | 84,980.00 | RESIDENTIAL | |
| 9 | Cebu City, Cebu | 19,263.00 | RESIDENTIAL | |
| 10 | Consolacion, Cebu | 15,923.00 | RESIDENTIAL | |
| 11 | Dasmarinas, Cavite | 24,498.00 | RESIDENTIAL | |
| 12 | Davao City, Davao | 197,373.00 | RESIDENTIAL / COMMERCIAL | |
| 13 | Dumuclay, Batangas City | 71,991.00 | RESIDENTIAL | Residential/ Commercial area covering 37,382 SQM |

| | | | | |
|---|---|---|---|---|
| | | | | was mortgaged to BPI & BDO |
| **14** | Fairview, Quezon City | 69,543.00 | RESIDENTIAL / COMMERCIAL | |
| **15** | General Trias, Cavite | 85,178.00 | RESIDENTIAL | |
| **16** | Ilo-Ilo City, Ilo-Ilo | 2,000.00 | RESIDENTIAL / COMMERCIAL | |
| **17** | Katipunan, Quezon City | 2,000.00 | RESIDENTIAL / COMMERCIAL | |
| **18** | Lapu-Lapu City, Cebu | 48,261.00 | RESIDENTIAL / COMMERCIAL | |
| **19** | Libis, Quezon City | 11,335.00 | RESIDENTIAL / COMMERCIAL | |
| **20** | Rosario, Cavite | 4,897.00 | RESIDENTIAL / COMMERCIAL | |
| **21** | Roxas Blvd, Pasay City | 2,571.00 | RESIDENTIAL / COMMERCIAL | |
| **22** | Subic, Zambales | 15,685.00 | RESIDENTIAL | |
| **23** | Tagaytay City, Cavite | 46,288.03 | RESIDENTIAL | |
| **24** | Tanay, Rizal | 672,934.00 | RESIDENTIAL | |
| **25** | Taytay, Rizal | 45,275.00 | RESIDENTIAL | |
| **26** | Tanuan, Batangas | 7,374.00 | RESIDENTIAL | |
| **27** | Salitran, Dasmariñas Cavite | 17,346.00 | RESIDENTIAL | |
| **28** | Imus, Cavite | 34,690.00 | RESIDENTIAL | |
| **29** | Lipa, Batangas | 7,895.00 | RESIDENTIAL | |
| **30** | San Andres, Cainta, Rizal | 1,000.00 | RESIDENTIAL | |
| **31** | Bulacnin and Inosluban, Municipality of Lipa | 9,421.00 | RESIDENTIAL | |
| **TOTAL** | | **1,971,229.03** | | |

## ITEM 3: LEGAL PROCEEDINGS

Itemized below are the list of cases and its status involving the Registrant.

| CASE TITLE | NATURE OF CASES | PROPERTY INVOLVED | COURT | CASE NO. | AMOUNT INVOLVE | STATUS |
|---|---|---|---|---|---|---|
| **SAMAHANG MAGBUBUKID NG KAPDULA INC. VS. STA. LUCIA LAND, SLRDI, and SOUTH CAVITE LAND CO,** | OPERATING SUBDIVISION WITHOUT A CERTIFICATE OF REGISTRATION, SELLING SUBDIVISION LOTS WITHOUT A LICENSE TO SELL AND ENGAGING IN ILLEGAL ACTS AND FRADULENT SALES | **MESILO SUBDIVISION TCT NOS. T-1307454 and T-1307453** | HLURB CALAMBA, LAGUNA | HLURB CASE NO. R-IV-020312-3569 | **8,000,000.00 – actual damages 700,000 – exemplary 200,000 – attorney's fee 300,000 – litigation fee** | **COMPLAINANT'S PENDING APPEAL** |
| **SPS. ERNESTO TATLONGHARI VS. STA. LUCIA LAND, FIRST BATANGAS, and ROYALE HOMES** | RESCISSION OF DEED OF ABSOLUTE SALE | **GRAND VILLA BAUN (PORTION)<br><br>16,832 SQ.M.** | RTC BR. 2, BATANGAS | CIVIL CASE NO. 9246 | **300,000 – EXEMPLARY 300,000 – ATTORNEY'S FEE 500 – VALUE OF ENTIRE AREA PER SQUARE METERS** | **FOR SCHEDULED PRE-TRIAL** |
| **CONRADO ASEO VS. STA. LUCIA LAND** | SPECIFIC PERFORMANCE WITH DAMAGES | **ANTIPOLO GREENLAND P2 B7 L10** | HLURB Q.C. | HLURB 092013-15197 | **45,227.00 - REGISTRATION FEE 100,000 – MORAL 50,000 – EXEMPLARY 30,000 – ATTORNEY'S FEE 4,000 –PER HEARING COST OF SUIT** | **FILED POSITION PAPER (JULY 22, 2014)<br><br>STILL BEING HEARD** |
| **STA. LUCIA LAND, INC. VS. JOCELYN MENDOZA AND/OR GAZLINK ENTERPRISES** | | | RTC QUEZON CITY | | | |
| **PETITION<br><br>ROWENA DE GUZMAN - PETITIONER** | PETITION FOR ISSUANCE OF NEW TRANSFER CERTIFICATE OF TITLE NO. M-143702 OF THE REGISTRY OF DEEDS OF MORONG, RIZAL | | RTC, MORONG, RIZAL | | | |
| **PETITION<br><br>CTC NO. 004-2011011866<br><br>APOLINARU. CARMEN and ELEANOR G. CARMEN** | CANCELLATION S7 RA 26 | **LA BREZA TOWER** | REGIONAL TRIAL COURT QUEZON CITY BRANCH 224 | LRC CASE NO. Q-33825 (12) | | **Waiting for decision** |
| **PETITION** | CANCELLATION S7 RA 26 | **LA BREZA TOWER** | REGIONAL | LRC CASE NO. | | **pending** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **CTC NO. 004-2012006975**<br><br>**SPS. GINA F. CASTRO and FIDEL L. CASTRO Represented by ERIC B. TAURO** | | | TRIAL COURT Quezon City | | | |
| **PETITION**<br><br>**CTC NOS. N-78407, N-78442, N-78443, N-78450, N-78453, N-78460, N-78462, N-78482, N-78535, N-78545, N-78548, N-78558, N-78563, N-78567, N-78572, N-78601, N-78627,**<br><br>**STA. LUCIA LAND, INC.,** | CANCELLATION S7 RA 26 | **LA BREZA TOWER** | REGION AL TRIAL COURT Quezon City | LRC CASE NO. | | **pending** |
| **PETITION**<br><br>**CTC NO. 004-2012006974**<br><br>**NENITA C. VELEZ Represented by ERIC B. TAURO,** | CANCELLATION S7 RA 26 | **LA BREZA TOWER** | REGION AL TRIAL COURT Branch 216, Quezon City | LRC CASE NO. 13-01851-LR | | **pending** |
| **PETITION**<br><br>**CTC NO. 004-2013019550**<br><br>**SHEALTHIEL JECH OCZON Represented by ERIC B. TAURO** | CANCELLATION S7 RA 26 | **LA BREZA TOWER** | REGION AL TRIAL COURT Quezon City | LRC CASE NO. 14-01686-LR | | **pending** |
| **SPS. VINCENT ORTIZ AND AUBREY ORTIZ VS. STA. LUCIA LAND** | REFUND | **NEOPOLITAN CONDO ST1 OUG P1** | HLURB QUEZON CITY | HLURB CON-LSG-060613-8177 | | **TERMINATED** |
| **ELECTRICOM NETWORK TRADING VS. STA. LUCIA LAND** | SPECIFIC PERFORMANCE (SURRENDER OF TCT) | **METROPOLI LIBIS B2 L4** | RTC BR. 222 QUEZON CITY | CIVIL CASE NO. R-QZN-13-05521-CV | | **DISMISSED** |
| **FOR FILING OF CANCELLATION S7 RA26**<br><br>**- CTC NO. N-78592**<br>**- CTC NO. N-78599**<br>**- CTC NO. 004-2014005842**<br>**- CTC NO. N-78428**<br>**- CTC NO. N-78592** | | | | | | |

The following investigations involve the Registrant's directors and officers:

| | CASE TITLE | NATURE OF CASES | PROPERTY INVOLVED | COURT | CASE NO. | STATUS |
|---|---|---|---|---|---|---|
| 1 | **PELAGIO V. SORONGON VS. EXEQUIEL D. ROBLES VICENTE R. SANTOS MARIZA SANTOS-TAN EXALTACION R. JOSEPH LIBERATO D. ROBLES AURORA D. ROBLES WINIFREDO G. GOB et., al.** | Estafa<br>***Complaint received on: Nov. 25, 2014*** | SUN CITY Phase 01 Block 19 Lot 04 | DOJ Davao City | XI-02-INV-14-J-5793 | **FILED COUNTER-AFFIDAVIT** |
| 2 | **ROSALINA HONRADO VS. EXEQUIEL D. ROBLES, et., al. AND SLRDI** | Estafa & Falsification And/or Estafa through Falsification<br>***Complaint received on: Oct. 13, 2014*** | ORCHARD RES. Phase 02 Block 12 Lot 60 | DOJ Imus, Cavite | NPS-IV-28-INV-14H-0707 | **FILED COUNTER-AFFIDAVIT** |
| 3 | **ROSALINA HONRADO VS. EXEQUIEL D. ROBLES, et., al. AND SLRDI** | Pay the decreased in area and/or lot replacement<br>***Summons received on: Sept. 04, 2014*** | ORCHARD RES. Phase 02 Block 12 Lot 60 | HLURB Calamba, Laguna | RIV-081214-4114 | **FILED ANSWER** |
| 4 | **CLEOFAS KHOO VS. EXEQUIEL D. ROBLES, MARIZA SANTOS-TAN, et., al. AND SLRDI** | Delivery of Title and/or refund<br>***Summons received on: July 17, 2014*** | ROYALE TAGAYTAY Phase 03 Block 02 Lot 03 | HLURB Calamba, Laguna | RIV-063014-4076 | **FILED POSITION PAPER** |
| 5 | **PP VS. EXEQUIEL D. ROBLES VICENTE R. SANTOS MARIZA SANTOS-TAN EXALTACION R. JOSEPH LIBERATO D. ROBLES AURORA D. ROBLES WINIFREDO G. GOB** | Estafa | PINEWOODS BAGUIO P1 B6 L8 P1 B6 L19 P1 B6 L20 P1 B6 L21 P1 B6 L22 | RTC Br. 6 Baguio City | Crim Case No. 36049-R | **FOR ARRAIGNMENT ON JAN. 30, 2015** |
| 6 | **DOMINADOR TAN VS. EXEQUIEL D. ROBLES AND SLRDI** | Recovery of ownership and possession with application for the issuance of a temporary order and/or preliminary injunction<br>***Order received on: March 26, 2013*** | Portion of SOUTH SPRING | RTC, Binan, Laguna | Civil Case No. B-9022 | **STIILL BEING HEARD** |
| 7 | **SSS VS. EXEQUIEL D. ROBLES AND STA. LUCIA WATERWORKS** | Violation of Sec. 22(a) & Sec. 22(d) In relation to Sec. 22(c) of R.A. 8282<br>***Order received on: Aug. 02, 2006*** | | SSS Makati | SSC CASE NO. 1-16266-05 | **FILED PETITION FOR ANNULMENT OF JUDGMENT AT COURT OF APPEALS** |

Other than in the above-mentioned cases, the Registrant, its directors, officers or affiliates, any owner of record of more than 10% of its securities, or any associate of any such director, officer or affiliate, or security holder are not, to the knowledge of the Registrant, parties to any material legal proceeding during the past five (5) years up to date, including and/or involving any bankruptcy petition, conviction by final judgment, subject of an order, judgment or decree, and violation of a Securities or Commodities Law.

## ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for the matters taken up during the Annual Meeting Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The principal market of the common equity of the Registrant is the Philippine Stock Exchange, Inc. (PSE). Provided below is a table indicating the high and low sale prices of the common equity of the Registrant in the PSE for each quarter within the last two fiscal years and subsequent periods:

**2014**

| | 1st Quarter Date/Price | 2nd Quarter Date/Price | 3rd Quarter Date/Price | 4th Quarter Date/Price |
|---|---|---|---|---|
| HIGH | 17 Mar./P.66 | 27 June/P.98 | 09 Jul./P1.2 | 16 Nov./P0.84 |
| LOW | 14 Feb./P.58 | 04 Apr/P0.66 | 31 July/P.85 | 20 Nov./P0.80 |

**2013**

| | 1st Quarter Date/Price | 2nd Quarter Date/Price | 3rd Quarter Date/Price | 4th Quarter Date/Price |
|---|---|---|---|---|
| HIGH | 6 March/P1.35 | 19 April/P1.05 | 23 Jul / P0.71 | 11 Nov / P0.71 |
| LOW | 2 January/P0.66 | 25 June/P0.58 | 28 Aug / P0.60 | 17 Dec / P.58 |

**2012**

| | 1st Quarter Date/Price | 2nd Quarter Date/Price | 3rd Quarter Date/Price | 4th Quarter Date/Price |
|---|---|---|---|---|
| HIGH | 9 March/P0.84 | 18 April/P0.79 | 6 Aug / P0.76 | 6 Dec / P0.74 |
| LOW | 2 January/P0.70 | 19 June/P0.66 | 27 Sep / P0.65 | 29 Nov / P.65 |

**2011**

| | 1st Quarter Date/Price | 2nd Quarter Date/Price | 3rd Quarter Date/Price | 4th Quarter Date/Price |
|---|---|---|---|---|
| HIGH | 06 Jan /P1.88 | 04 Apr/P1.15 | 01 July/P0.98 | 18 Nov/P0.83 |
| LOW | 28 March/P1.01 | 21 Jun/P0.80 | 26 Sept/P0.64 | 04 Oct /P0.67 |

As of December 29, 2014, the Registrant's shares stood at closing price of P0.80.

Holders

Based on the 31 December 2014 List of Stockholders prepared by the Registrant's Stock and Transfer Agent, PROFESSIONAL STOCK TRANSFER, INC., the Registrant has two hundred sixty nine (269) shareholders of common shares, of which the top 20 shareholders are as follows:

## TOP TWENTY STOCKHOLDERS
## As of 31 December 2014

| RANK | STOCKHOLDER | NO. OF STOCKS | PERCENTAGE |
|---|---|---|---|
| 1 | Sta. Lucia Realty & Development, Inc. | 7,451,005,767 | 87.18% |
| 2 | PCD Nomination | 1,039,748,338 | 12.17% |
| 3 | WILLY TAN LIM AND JOCELYN LIM, KENNEDY CO and KATHERINE CHUA | 19,237,269 | 0.23% |
| 4 | LUGOD, BERNARD D. | 10,000,000 | 0.12% |
| 5 | Thomas Dela Cruz | 10,000,000 | 0.12% |
| 6 | PCD NOMINEE CORPORATION | 6,706,000 | 0.08% |
| 7 | Citisecurities, Inc. | 3,250,000 | 0.04% |
| 8 | EBE Capital Holdings, Inc. | 1,535,000 | 0.02% |
| 9 | Robles, Exequiel | 712,500 | 0.01% |
| 10 | Santos, Vicente | 712,494 | 0.01% |
| 11 | Limtong, Julie H. | 400,000 | 0.00% |
| 12 | Francisco Ortigas Sec., Inc | 365,000 | 0.00% |
| 13 | Cua, Santiago | 285,000 | 0.00% |
| 14 | Cua, Jr., Santiago S. | 285,000 | 0.00% |
| 15 | Cua, Solomon S. | 285,000 | 0.00% |
| 16 | Cualoping, Henry | 285,000 | 0.00% |
| 17 | Cualoping, Vicente | 285,000 | 0.00% |
| 18 | Tan, Pedro O | 278,050 | 0.00% |
| 19 | ASA Color & Chemical Industries, Inc | 182,774 | 0.00% |
| 20 | G & L Securities Co., Inc. | 70,000 | 0.00% |

Total Outstanding Shares-8,546,450,000

Dividends

No cash dividends were declared for the year 2014. The payment of dividends in the future will depend upon the earnings, cash flow, project expenditures and financial condition of the Registrant and other considerations.

Cash and property dividends, if any, are subject to approval by the Registrant's Board of Directors and stockholders. Property dividends are likewise subject to the approval of the SEC and PSE.

Recent Sale of Unregistered Securities

None.

## ITEM 6: MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

**COMPARISON: YEAR END 2014 VS. YEAR END 2013**

### RESULTS OF OPERATIONS

Overview of Operations

SLI generated net income after tax of P549 million for the year 2014, 83% higher than the P300 million reported in 2013. Consolidated revenues posted at P2,296 million compared to P1,327 million of last year, 73% higher year on year. Bulk of the revenues was recognized under real estate sales for an increase of P644 million from that of last year followed by the 42% increase in rental income from P355 million to P504 million which was due to the change in internal operations. Increase in real estate sales was driven by strong performance in SLI's property segment.

Cost and expenses increased to P1,029 million from P529 million this year. Administrative and selling costs to revenues improved during the year by 6%. Earnings before tax generated is P783 million, 80% increase from last year.

Revenue

Revenue from real estate sales reached P1,445 million in 2014, 80% higher than 2013. This is driven by strong bookings and project completion across all real estate segment of the Company. Revenue from rental income posted a P149 million increase due to change in internal operations. A management services agreement was executed on lieu of the Lease contract which lets SLI books the gross revenue starting October 2014. Commission income during the year was generated by the Group's marketing unit Santalucia Ventures, Inc.

Also, a 173% increase in other income or  equivalent to P99 million was booked during the year. This was mainly due to the management income booked by the Company from a sale of property of its parent, SLRDI.

Cost and Expense

Total expenses for the year amounted to P1,513 million , 70% higher than P892 million posted in 2013. Cost of sales from real estate sales accounted the P340 million increase together with the in cost of rental income at P140 million. During the year 2014, the a 33% increase in selling and administrative expenses was recognized due to the related increase in commission expense driven by the increase in revenue from real estate sales.

Net Income

The Registrant's net income increase by 83% from P300 Million in 2013 to P548 Million in 2014. This increase was due to the sales take up in real estate sales and rental income,.

### PROJECT AND CAPITAL EXPENDITURES

The Registrant spent P1,473 Million for project and capital expenditures during the year 2014, which is 8% higher than that spent in 2013. P1,423 Million of this amount is accounted for by the development of the Registrant's residential and commercial projects while the remaining was utilized for landbanking purposes. For 2015, the Registrant earmarked less than P2,000 Million for its project and capital expenditures, largely for the development of its ongoing projects and launching of new projects.

## FINANCIAL CONDITION

Assets

Total Assets as of December 31, 2014 amounted to P17,838 Million, 4% higher than the P17,185 Million as of December 31, 2014. The significant increase was due to the booking of installment contracts receivable from the sales take up made during the year. Prepayments in construction and commissions also contributed to the growth of company financial condition. 7% increase in investment properties is accounted for the increase in assets.

Liabilities

The Registrant's availment of loans during the attributed to the P525 million increase in liabilities . Also, the continued constructions of projects and acquisitions of various lands for future expansions required a significant increase in its liabilities, including those related to construction contracts, supplies of materials, retentions, loans, taxes, land acquisitions and promotions, by 18% from the amount of P1,694 million as of December 31, 2014.

Equity

Total stockholders' equity decreased by 3% from the amount of P352 million as of December 31, 2014. This is due the buyback of shares amounting to P900 million was executed between SLI and SLRDI to settle intercompany advances.

Key Performance Indicators

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| **Current Ratio** | **2.08** | **2.38** |
| **Debt to Equity** | **0.28** | **0.22** |
| **Interest Coverage Ratio** | **691.39%** | **354.51%** |
| **Return on Asset** | **3.08%** | **1.75%** |
| **Return on Equity** | **4.68%** | **2.48%** |

*Notes to Key Performance Indicators:

1. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans, income tax payable, and deferred tax liabilities*).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio = Earnings before tax over Interest expense.
4. Return on Asset = Net Income over Total Assets.
5. Return on Equity = Net Income over shareholder's equity.

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Registrant and unconsolidated entities were created during 2014.

**Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2014 versus the Balance Sheet as of December 31, 2013**

281% Increase in cash
*This is mainly due to the improved collections of the company and rental operations of the mall as the tenants now pay directly to the Company starting October 2014.*

121% increase in receivables
*Higher sales take up during the year and intercompany transactions within the group drove the increase*

67% increase in other current assets
*The increase primarily was due to the increase in prepaid commissions and contractor advances as an effect of the Company's aggressive marketing and developing activities.*

63% increase in property and equipment
*Mainly due to the  purchase of transportation vehicles to be used in operations*

8% increase in investment properties
*Mainly due to the refurbishment of the mall,*

11% increase in other non-current assets
*Mainly due to long term deposits made relative mainly to project developments.*

18% increase in accounts payable
*Driven by the ongoing development of various projects of the company.*

10% increase in customer's deposits
*Due to the prolonged down payment terms of various projects and also increase in customers' reservation applications.*

36% increase in income tax payable
*Due the taxable operations of the Company.*

20% increase in loans payable
*This is due to loan availments of the Company to finance the working capital requirements*

46% increase in deferred tax liabilities-net
*Mainly due to the recognition of the difference between tax and book basis of accounting for real estate transactions and other temporary differences.*

94% increase in pension liability
*Attributed to the increase in actuarial valuations.*

80% increase in retained earnings
*Attributed to the profitable operations, gains on investment properties, and revenues from real estate business operations.*

100% increase in treasury shares
*Due to the settlement of intercompany advances between SLI and SLRDI which provides assignment of certain number of shareholding of SLRDI to SLI be assigned to the latter.*

**Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2014 versus the Income Statement for the year ended December 31, 2013**

80% Increase in real estate sales
*Driven by sales take up of previous years' deferred revenue recognition as a result of longer down payment schemes for some of its projects.*

42% increase in rental income
*Due to the change in internal operations of the Company whereby a management services agreement was executed in place of the lease agreement.*

6% decrease in interest income
*Due to the mix of interest bearing buyers of the Company*

173% increase in other income
*Mainly due to the management income booked during the year for the sale of property by SLRDI. Also, it's due to the increase in other operational income such as penalties and surcharges, processing fees, and income related to defaults of various buyers and cancelled sales.*

285% increase in commission income
*Aggressive sales and marketing activities of the marketing vehicle of the Group*

81% increase in cost and expenses
*Mainly due to the related increase in sales during the period.*

134% increase in commissions
*Mainly due to directly proportional relation of real estate sales which increased during the year.*

11% increase in interest expense
*Due to the additional loans granted by various banks to the Registrant and partial recognition of capitalized interest from previous years.*

41% increase in salaries and wages
*Mainly due to the hiring of additional employees to cater to the increased volume of transactions and the release of employees' benefits for the whole year.*

39% decrease in advertising
*Attributable to the cost efficiency measures of the Company and transfer of some marketing expenses to the marketing arms of the Company.*

74% decrease in provision for income tax
*Due to the increase of realized taxable sales and other taxable income of the Registrant*

## COMPARISON: YEAR END 2013 VS. YEAR END 2012

### RESULTS OF OPERATIONS

Overview of Operations

For the year ended December 31, 2013, SLI net income registered a year on year decrease of 4%from P311 Million in 2012 to P300 Million in 2013. The Registrant declared total comprehensive income of P302 Million for the year 2012, 42% lower than the P519 Million generated in the year 2012. Percentage of real estate sales is 62% and 72% from the total revenues in 2013 and 2012, respectively. The Company showed a flat performance during the year.

Rental income and other income decreased from 2012 to 2013 by 8%. Operating income decreased by P33 Million, or by 7%, from 2012 to 2013. Although the percentage of the Registrant's general and administrative expenses to total revenue increased by 36% from 2012 to 2013, said increase is reasonable considering the expanding operations of the Registrant.

Revenue

For the year 2012, the Registrant registered a 26% decline in its overall revenues attributed to the decline in commercial lot sales as the Company moves towards increasing its lease income from commercial lots. The deferred revenue recognition as a result of longer down payment schemes for some of its projects also contributed to the decline. The deferred revenues recognition led to a 139% increase in customers' deposits from P 282 Million to P673 Million. Revenues from rental operations, in particular, decreased due to decrease in mall occupancy due to various space renovations. Though the real estate revenue decreased, there was noted an increase in interest income and other income. This comprises mostly of interest income from interest bearing accounts receivables and surcharges and penalties of late buyers. The Registrant's overall revenues for the year 2013 amounted to P1,327 Million compared to P 1,793 Million for the year 2012.

Cost and Expense

Overall cost and expense decreased by 33% from P1,325 Million in 2012 to P892 Million in 2013. This is due to the decrease in real estate sales, which have corresponding costs of sales. There were also decreases in administrative expenses such as commissions, professional fees, taxes and licenses. During the year 2013, the Registrant increased its administrative staff, consultants, and development personnel to cope with the increase in the number of its development projects hence the increase in salaries and wages.

Net Income

The Registrant's net income decreased by 4% from P311 Million in 2012 to P300 Million in 2013. This decrease was due to decrease in real estate sales, rental income, increase in interest expense and additional manpower costs of the company to compete in the real estate market.

**PROJECT AND CAPITAL EXPENDITURES**

The Registrant spent P1,354 Million for project and capital expenditures during the year 2013, which is 7% higher than that spent in 2011. P1,306 Million of this amount is accounted for by the development of the Registrant's residential and commercial projects while the remaining was utilized for landbanking purposes. For 2014, the Registrant earmarked less than P2,000 Million for its project and capital expenditures, largely for the development of its ongoing projects and launching of new projects.

**FINANCIAL CONDITION**

Assets

Total Assets as of December 31, 2013 amounted to P17,185 Million, 6% higher than the P16,236 Million as of December 31, 2012. The significant increase was due to continued construction development of various projects and various land acquisitions for future developments increased the total real estate inventory. Prepayments in construction and commissions also contributed to the growth of company financial condition.

Liabilities

The Registrant's continued sales and marketing efforts led to the significant increase of customer's deposit from P282 Million in 2012 to P673 Million in 2013. Also, the continued constructions of projects and acquisitions of various lands for future expansions required a significant increase in its liabilities, including those related to construction contracts, supplies of materials, retentions, loans, taxes, land acquisitions and promotions, by 2% from the amount of P1,399 million as of December 31, 2012 to P1,431 million as of December 31, 2013.

Equity

Total stockholders' equity increased by 3% from the amount of P11,782 million as of December 31, 2012 to P12, 085 million as of December 31. 2013. This was the result of the growth of Registrant's retained earnings by 77%.

Key Performance Indicators

| | **31-Dec-13** | **31-Dec-12** |
|---|---|---|
| **Current Ratio** | **2.38** | **2.70** |
| **Debt to Equity** | **0.22** | **0.22** |
| **Interest Coverage Ratio** | **354.51%** | **491.13%** |
| **Return on Asset** | **1.75%** | **1.92%** |
| **Return on Equity** | **2.48%** | **2.64%** |

*Notes to Key Performance Indicators:

6. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans, income tax payable, and deferred tax liabilities*).
7. Debt to Equity = Total debt over shareholder's equity.
8. Interest Coverage Ratio = Earnings before tax over Interest expense.
9. Return on Asset = Net Income over Total Assets.
10. Return on Equity = Net Income over shareholder's equity.

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Registrant and unconsolidated entities were created during 2013.

**Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2013 versus the Balance Sheet as of December 31, 2012**

53% Decrease in cash
*Was required in having additional portfolio of project developments and expenditures during the year.*

6% increased in real estate inventories
*Direct effect of the Company's continuous developments of subdivision and condominium projects.*

66% increase in other current assets
*The increase primarily was due to the increase in prepaid commissions and contractor advances as an effect of the Company's aggressive marketing and developing activities.*

149% increase in property and equipment
*Mainly due to purchase of an ERP system that will cater the computerized accounting system requirements of the Company.*

54% increase in other non-current assets
*Mainly due to long term deposits made relative mainly to project developments.*

139% increase in customer's deposits
*Due to the prolonged down payment terms of various projects and also increase in customers' reservation applications.*

100% increase in income tax payable
*Due the taxable operations of the Company.*

35% increase in deferred tax liabilities-net
*Mainly due to the recognition of the difference between tax and book basis of accounting for real estate transactions and other temporary differences.*

106% increase in pension liability
*Attributed to the increase in man power element in the year 2013.*

77% increase in retained earnings
*Attributed to the profitable operations, gains on investment properties, and revenues from real estate business operations.*

**Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2013 versus the Income Statement for the year ended December 31, 2012**

37% decrease in real estate sales
*Attributed to the decline in commercial lot sales as the Company moves towards increasing its lease income from commercial lots. The deferred revenue recognition as a result of longer down payment schemes for some of its projects also contributed to the decline. The deferred revenues recognition led to a 139% increase in customers' deposits from P 282 Million to P673 Million.*

8% decrease in rental income
*Mainly due to the lower rental collection of the mall led by various space renovations.*

36% increase in interest income
*Due to the recognition of day 1 loss of non interest bearing receivables.*

55% increase in other income
*Mainly due to the increase in other operational income such as penalties and surcharges, processing fees, and income related to defaults of various buyers and cancelled sales*.

48% decrease in cost of real estate
*Mainly due to the decrease in sales which have corresponding costs.*

38% decrease in commissions
*Mainly due to directly proportional relation of real estate sales which decreased during the year.*

8% increase in interest expense
*Due to the additional loans granted by various banks to the Registrant and partial recognition of capitalized interest from previous years.*

21% decrease in taxes, licenses and fees
*Mainly due the cost efficiency measures of the Company.*

45% decrease in professional fee
*The decrease was due to the termination of contract from various consultant and professionals for the continuous project developments.*

61% increase in salaries and wages
*Mainly due to the hiring of additional employees to cater to the increased volume of transactions and the release of employees' benefits for the whole year.*

9% decrease in advertising
*Attributable to the cost efficiency measures of the Company.*

12% decrease in repairs and maintenance
*Due to the capitalization of maintenance to inventory accounts and lessened costs for the administration.*

*48% decrease in utilities expense*
*This was due to the decrease in costs in maintenance and utilities of subdivision projects.*

19% increase in miscellaneous expenses
*Mainly due to the increase in other expenses other than those detailed above.*

61% increase in provision for doubtful accounts
*Due to the identification of receivables that are unlikely to be collected*.

*99*% decrease in other comprehensive income
*Mainly to the minimal market appreciation of PRCI and MJCI stocks*.

14% decrease in provision for income tax
*Due to the decrease of realized taxable sales and other taxable income of the Registrant*

## COMPARISON: YEAR END 2012 VS. YEAR END 2011

### RESULTS OF OPERATIONS

Overview of Operations

The Registrant declared total comprehensive income of P520 Million for the year 2012, 6% lower than the P555 Million generated in the year 2011. Net income amounted to P312 Million and P359 Million in 2012 and 2011, respectively, which represents a 13% decrease from 2011 to 2012. Bulk of the revenues is generated from real estate sales which comprised 72% and 65% of the total revenues in 2012 and 2011, respectively. The Company showed great performance in its real estate business.

Rental income and other income decreased from 2011 to 2012 by 7%. Operating income decreased by P37 Million, or by 5%, from 2011 to 2012. Although the percentage of the Registrant's general and administrative expenses to total revenue increased by 10% from 2011 to 2012, said increase is reasonable considering the expanding operations of the Registrant.

Revenue

For the year 2012, the Registrant registered a 39% growth in its overall revenues driven by higher bookings and steady progress on construction across the projects. Revenues from rental operations, in particular, decreased due to decrease in mall occupancy. Increases in interest income and other income also contributed to the increase of revenue. This comprises mostly of interest income from interest bearing accounts receivables and surcharges and penalties of late buyers. The Registrant's overall revenues for the year 2012 amounted to P1,793 Million compared to P 1,442 Million for the year 2011.

Cost and Expense

Overall cost and expense increased by 46% from P909 Million in 2011 to P1,325 Million in 2012. This is due to the increase in real estate sales, which have corresponding costs of sales. There were also increases in administrative expenses such as commissions, professional fees, salaries and wages, taxes and licenses, consistent with the continued growth and development of the company. During the year 2012, the Registrant increased its administrative staff, consultants, and development personnel to cope with the increase in the number of its development projects.

Net Income

The Registrant's total comprehensive income decreased by 6% from P555 Million in 2010 to P520 Million in 2012. This decrease was due to decrease in rental income, increase in advertising and promotions and additional manpower costs of the company to compete in the real estate market.

### PROJECT AND CAPITAL EXPENDITURES

The Registrant spent P1,260 Million for project and capital expenditures during the year 2012, which is 58% higher than that spent in 2011. P1,197 Million of this amount is accounted for by the development of the Registrant's residential and commercial projects while the remaining P63 Million was utilized for landbanking purposes. For 2013, the Registrant earmarked less than P2,000 Million for its project and capital expenditures, largely for the development of its ongoing projects and launching of new projects.

**FINANCIAL CONDITION**

Assets

Total Assets as of December 31, 2012 amounted to P16,236 Million, 9% higher than the P14,849 Million as of December 31, 2011. The significant increase was due to the continued sales of infused and ongoing projects resulting in the increase of receivables. The continued construction development of various projects and various land acquisitions for future developments increased the total real estate inventory. Investments in financial assets and prepayments also contributed to the growth of company financial condition.

Liabilities

The Registrant's continued constructions of projects and acquisitions of various lands for future expansions required a significant increase in its liabilities, including those related to construction contracts, supplies of materials, retentions, loans, taxes, land acquisitions and promotions, by 17% from the amount of P1,194 million as of December 31, 2011 to P1,400 million as of December 31, 2012.

Equity

Total stockholders' equity increased by 5% from the amount of P11,263 million as of December 31, 2011 to P11,782 million as of December 31. 2012. This was the result of the growth of Registrant's retained earnings by 400%.

Key Performance Indicators

| | **31-Dec-12** | **31-Dec-11** |
|---|---|---|
| **Current Ratio** | **2.53** | **2.75** |
| **Debt to Equity** | **0.22** | **0.19** |
| **Interest Coverage Ratio** | **491.13%** | **771.61%** |
| **Return on Asset** | **1.92%** | **2.42%** |
| **Return on Equity** | **2.64%** | **3.19%** |

*Notes to Key Performance Indicators:

11. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans, income tax payable, and deferred tax liabilities*).
12. Debt to Equity = Total debt over shareholder's equity.
13. Interest Coverage Ratio = Earnings before tax over Interest expense.
14. Return on Asset = Net Income over Total Assets.
15. Return on Equity = Net Income over shareholder's equity.

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Registrant and unconsolidated entities were created during 2012.

**Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2012 versus the Balance Sheet as of December 31, 2011**

34% Decrease in cash
*Was required in having additional portfolio of project developments and expenditures during the year.*

53% increase in receivables
*Mainly due to the increase in real estate sales driven by the new projects sold.*

7% increased in real estate inventories
*Mainly due to the increase in percentage of completed projects, acquisitions of prime properties and raw land for future development.*

24% increase in other current assets
*Mainly due to increase in input tax, prepaid commissions and revolving funds.*

47% increase in available for sale financial assets
*Mainly due to market appreciation of PRC and MJCI stocks.*

24% increase in property and equipment
*Mainly due to additional purchase of transportation equipments for sales and marketing activities.*

48% increase in other non-current assets
*Mainly due to the booking of various recoverable deposits and advances.*

17% increase in accounts and other payables
*Due to the continued constructions of vertical & horizontal projects.*

120% increase in customer's deposits
*Due to the increase in customers' reservation applications and low amount of payments received.*

21% increase in loans payable
*Mainly due to additional loan availments to finance the constructions of ongoing vertical and horizontal projects.*

100% decrease in income tax payable
*Due to the application of creditable tax withheld during the year.*

80% increase in deferred tax liabilities-net
*Mainly due to the recognition of the difference between tax and book basis of accounting for real estate transactions and other temporary differences.*

106% increase in unrealized gain on AFS
*Due to the market appreciation of PRCI and MJCI stocks*

400% increase in retained earnings
*Attributed to the profitable operations, gains on investment properties, and revenues from real estate business operations.*

**Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2012 versus the Income Statement for the year ended December 31, 2011**

39% increase in real estate sales
*Due to the increase in advertising and promotion activities especially to the new projects of the Registrant.*

7% decrease in rental income
*Mainly due to the lower occupancy rate of the mall.*

11% decrease in interest income
*Due to the recognition of day 1 loss of non interest bearing receivables.*

105% increase in other income
*Mainly due to the increase in other operational income such as penalties and surcharges, processing fees, and income related to defaults of various buyers and cancelled sales.*

82% increase in dividend income
*Result of Registrant's investments in various securities.*

67% increase in cost of real estate
*Mainly due to the increase in sales which have corresponding costs.*

54% increase in commissions
*Mainly due to increased efforts in selling activities by the Registrant's brokers and agents.*

38% increase in interest expense
*Due to the additional loans granted by various banks to the Registrant and partial recognition of capitalized interest from previous years.*

74% increase in advertising
*Due to the more aggressive marketing approach adopted in 2012 by the Registrant to meet its sales target*

10% decrease in taxes, licenses and fees
*Mainly due to amortization of taxes and licenses incurred in loan availments over its term.*

40% decrease in professional fee
*Due to the reduction of hiring of various consultants in the development of the projects and administrative functions.*

77% increase in salaries and wages
*Mainly due to the hiring of additional employees to cater to the increased volume of transactions and the release of employees' benefits for the whole year.*

20% decrease in repairs and maintenance
*Due to the capitalization of maintenance to inventory accounts and lessened costs for the administration.*

50% increase in miscellaneous expenses
*Mainly due to the increase in other expenses other than those detailed above.*

100% increase in provision for doubtful accounts
*Due to the identification of receivables that are unlikely to be collected*.

6% increase in other comprehensive income
*Mainly to the market appreciation of PRCI and MJCI stocks*.

10% decrease in provision for income tax
*Due to the decrease of realized taxable sales and other taxable income of the Registrant*

## COMPARISON: YEAR END 2011 VS YEAR END 2010

### RESULTS OF OPERATIONS

Overview of Operations

The Registrant declared a total comprehensive income of P555 Million for the year 2011, 280% higher than the P146 Million generated in the year 2010. Net income amounted to P359 Million and P146 Million in 2011 and 2010, respectively, which represents a 149% increase from 2010 to 2011. Bulk of the revenues is generated from real estate sales which comprised 65% and 80% of the total revenues in 2011 and 2010 respectively.

Rental income and other income increased from 2010 to 2011 by 122% and 124%, respectively. Operating income increased by P289 Million, or by 18% increase, from 2010 to 2011. Although the percentage of the Registrant's general and administrative expenses to total revenue increased by 1% from 2010 to 2011, this represents a minimal increase considering the expanding operations of the Registrant.

Revenue

For the year 2011,the Registrant registered a 13% growth in its overall revenues despite the increased competition in the residential real estate market. Revenues from rental operations in particular increased greatly due to a shift in accounting policy from cash basis to the accrual basis coupled with an increase in mall occupancy. Increases in interest income and other income also contributed to the increase of revenue. The Registrant's overall revenues for the year 2011 amounted to P1,441 Million compared to P 1,275 Million for the year 2010.

Cost and Expense

Overall cost and expense decreased by 12% from P1,031 Million in 2010 to P908 Million in 2011. This is due to the decrease in real estate sales, which have corresponding costs of sales. On the other hand, administrative expenses such as commissions, professional fees, salaries and wages, taxes and licenses increased with the continued growth and development of the company. During the year 2011, the Registrant increased its administrative staff, consultants, and development personnel to cope with the increase in the number of development projects.

Net Income

The Registrant's total comprehensive income increased by 280% from P146 Million in 2010 to P554 Million in 2011. This increase was due to effective management of costs and expenses, stable growth in sales, the substantial increase in net revenues from commercial operations of its investment properties, dividends received and gains from investment in Philippine Racing Club (PRC) shares.

**PROJECT AND CAPITAL EXPENDITURES**

The Registrant spent P821 Million for project and capital expenditures during the year 2011, which is 69% higher than that spent in 2010. P798 Million of this amount is accounted for by the development of the Registrant's residential and commercial projects while the remaining P23 Million was utilized for landbanking purposes. For 2012, the Registrant earmarked less than P1,500 Million for its project and capital expenditures, largely for the development of its ongoing projects and launching of new projects.

**FINANCIAL CONDITION**

Assets

Total Assets as of December 31, 2011 amounted to P14,849 Million, 15% higher than the P12,877 Million as of December 31, 2010. The significant increase was due to the continued sales of infused and ongoing projects resulting in the increase of receivables. The continued construction development of various projects and various land acquisitions for future developments increased the total real estate inventory. Investments in financial assets also contributed to the growth of company financial condition.

Liabilities

The Registrant's continued constructions of projects and acquisitions of various lands for future expansions significantly increased its liabilities, including those related to construction contracts, supplies of materials, retentions, loans, taxes, land acquisitions and promotions, by 65% from the amount of P2,170 million as of December 31, 2010 to P3,586 million as of December 31, 2011.

Equity

Total stockholders' equity increased by 5% from the amount of P10,707 million as of December 31, 2010 to P11,262 million as of December 31. 2011. This was the result of the growth of Registrant's total comprehensive income by 280%.

Key Performance Indicators

| | 31-Dec-11 | 31-Dec-10 |
|---|---|---|
| **Current Ratio** | **2.75** | **3.76** |
| **Debt to Equity** | **0.19** | **0.11** |
| **Interest Coverage Ratio** | **771.61%** | **428.04%** |
| **Return on Asset** | **4.20%** | **1.58%** |
| **Return on Equity** | **4.93%** | **1.36%** |

*Notes to Key Performance Indicator:

1. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans, income tax payable, and deferred tax liabilities*).
2. Debt to Equity = Total Debt over shareholder's equity.
3. Interest Coverage Ratio = Earnings before tax over Interest expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Registrant and unconsolidated entities were created during 2011.

**Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2011 versus the Balance Sheet as of December 31, 2010**

103% increase in cash
*Was the result of improved collections of receivables from buyers, increase in customer reservations and deposits, availments of bank loans and dividends received.*

42% decrease in receivables
*Mainly due to the improved collections of receivables from various customers and the shifting of current receivables to non-current portion.*

9% increased in real estate inventories
*Mainly due to the increase of percentage of completed projects, acquisitions of prime properties and raw land for future development.*

424% increase in other current assets
*Mainly due to increase in prepaid assets, input tax, prepaid commissions and revolving funds.*

45% increase in noncurrent installment contracts receivables
*Mainly due to shifting of receivables from current to non-current portion.*

100% increase in available for sale financial assets
*Mainly due to market appreciation of PRC stocks, of which the Registrant is the holder of more than 10% of the total number of outstanding shares.*

317% increase in property and equipment
*Mainly due to retirement of various equipment and software and acquisitions of various transportation equipment during the year.*

100% increase in other non-current assets
*Mainly due to the booking of various recoverable deposits and advances.*

51% increase in accounts and other payables
*Due to the continued constructions of vertical & horizontal projects.*

17% increase in customer's deposits
*Due to the increase in customers' reservation applications and low amount of payments received.*

75% increase in loans payable
*Mainly due to additional loan availments to finance the constructions of ongoing vertical and horizontal projects.*

31% decrease in income tax payable
*Due to the early payment of income tax due and utilization of creditable tax withheld during the year.*

876% increase in deferred tax liabilities-net
*Mainly due to the recognition of the difference between tax and book basis of accounting for real estate transactions.*

128% decrease in deficit
*Attributed to the profitable operations, gains on investment properties, and revenues from real estate business operations*

**Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2011 versus the Income Statement for the year ended December 31, 2010**

122% increase in rental income
*Mainly due to the shift in accounting policy on recognition of rental revenue from cash to accrual method.*

18% increase in interest income
*Due to the recognition of interest on sales on installment and the recognized accretion of discount from previous & current years' revenues.*

90% increase in other income
*Mainly due to the increase in other operational income such as penalties and surcharges, processing fees, sales of scrap materials, and income related to defaults of various buyers and cancelled sales.*

100% increase in dividend income
*Result of Registrant's investments in various securities*

28% decrease in cost of real estate
*Mainly due to the decrease in sales which have corresponding costs.*

7% decrease in depreciation and amortization
*Mainly due to the retirement of various equipment and software*.

5% increase in commissions
*Mainly due to reclassification of prepaid commission from prior years to commission expenses in 2011.*

21% increase in interest expense
*Due to the additional loans granted by various banks to the Registrant and partial recognition of capitalized interest from previous years.*

26% decrease in advertising
*Due to the more conservative marketing approach adopted in 2011 by the Registrant to meet its sales target.*

324% increase in taxes, licenses and fees
*Mainly due to the additional acquisitions of properties, securing of permits from various government agencies for the new projects and development, loans, and the increase of real estate property tax.*

184% increase in professional fee
*Due to the hiring of various consultants in the development of the projects, land acquisition and reclassification of various advances to professional fee.*

62% increase in salaries and wages
*Mainly due to the hiring of additional employees to cater to the increased volume of transactions and the release of employees' benefits for the whole year.*

16% increase in repairs and maintenance
*Due to the ordinary maintenance of various finished projects of the Registrant wherein maintenance and other repairs were necessary.*

25% increase in utilities expense
*The increase was due to the additional requirement of various subdivisions' maintenance, administrative, and other expenses.*

92% increase in miscellaneous expenses
*Mainly due to the increase in other expenses such as administrative and selling expenses for 2011.*

78% increase in provision for income tax
*Due to the increase of realized taxable sales and other taxable income of the Registrant.*

**Five (5) Key Performance Indicators**

<u>On Sales</u>

The Registrant's marketing arms include:

1. Orchard Property
2. Royal Homes
3. Asian Pacific
4. Fil-Estate Marketing
5. Mega East
6. SantaLucia Ventures, Inc.

These marketing companies have been proven to be effective in carrying out the business plans of the Sta. Lucia Group. The combined sales force of these marketing units totals over 150,000, catering to clients all over the Philippines.

The Registrant is still looking into other marketing units that may supplement its growth. The Registrant is specifically looking for marketing firms that will accommodate its requirements and its marketing framework. With so many projects in sight and a diversified product line, there will always be opportunities for other marketing units.

<u>On Technology Exploitation</u>

The Registrant has made use of the expertise of NOAH Galleries software that is aimed at reducing costs, improving the quality of all processes involved in development, as well achieving accuracy involving all of its business operations. This software covers the following modules: Project Development; Accounts Payable ; Real Estate Sales; and Financials which comprise the complete operation of the Registrant, namely property development. This software is expected to increase the efficiency and productivity of the Registrant, as well as the quality of the processes involved in property development. The migration of data to the SAP software started in June 2013 and adjustments are continuously being made to further improve the system and cater to the Registrant's needs.
.
In addition to the software, the Registrant's website, developed by CETT Computer Education Network can now be accessed by prospective buyers and investors through the web address <u>www.stalucialand.com.ph.</u> The

website contains the list of lots for sale, a lot map, and a reservation system, which will enable clients to make on-line reservations. This website is expected to improve client convenience and also serve as a marketing tool.

On Inventory Optimization

The Registrant has in its portfolio a total of 1,773,943 square meters of residential, commercial and mixed use properties from the 26 properties infused by SLRDI. Moreover, there are additional joint venture projects that are executed during the year by the Registrant.

Plans have been discussed and are currently being implemented on the disposal of the said properties, which will enhance the sales figure and bottom line of the Registrant. On average, most of these projects have to be sold over a period of three to four years. Developments shall also take two to three years.

On Organization Design

Please refer to Employees/Officers in Item I

On Managing Change

The Registrant now has the assistance of professionals leading its reorganization and is still in the process of hiring highly-skilled professionals who will be involved in the daily operations of the company.

In addition, the creation of the Executive Committee and Management Committee will make decision making more responsive to the needs of the business.

**Liquidity and Capital Resources**

The Registrant was able to meet its capital requirements from its capital resources, including those obtained from borrowings and prepaid sales and internally generated cash.

Along with the cash that will be generated from the possible follow-on offer of shares, the Registrant is expected to have a sustainable level of liquidity in the following years.

The Registrant has a long line up of developmental activities in 2014, which it started in 2008 and this assures its solvency and profitability for the years to come. The infused assets continue to increase the expected cash flow of the Registrant from the sale of residential and commercial properties combined with the lease payments from SLEGM.

As shown in the balance sheet of the Registrant as of December 31, 2014, its debt-equity ratio amounts to 0.22.

The increased liquidity and the projected sustainability of the Registrant have given it the capacity to generate cash through other types of funding.

**Factors that may have material effect on the Operations**

Effects of Economic Conditions

The results of the Registrant’s operations and financial condition are affected by the general economic condition in the Philippines, including inflation rates, interest rate levels and currency exchange rate movements. For instance, the general performance of the Philippine economy affects demand for residential and commercial products, and inflation affects the Registrant’s costs and its margins.

**Capital Expenditures**

The Registrant’s cash disbursement for project development and land banking amounted to P1,473 Million in 2014. For 2015, the Registrant allocated less than P2,000 Million for its capital expenditures, including P1,500 Million for project development and P500 Million for land acquisitions.

This will be funded by the Registrant's capital resources as mentioned above.

## ITEM 7: FINANCIAL STATEMENTS

The audited consolidated financial statements are submitted herewith and can be found in the index portion.

## ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On June 20, 2014, at the Annual Stockholders' Meeting, the Board agreed to retain SGV and Co. as the external auditor of the Registrant for the year 2014-2015. There are no disagreements with SGV & Co. on accounting and financial disclosure.

The following table shows the fees paid by the Registrant to its external auditor for the past three years: (VAT inclusive)

| | **Audit and Audit related fees** | **Tax Fees** | **Other Fees** |
|---|---|---|---|
| **2014** | 1,232,000* | | |
| **2013** | 1,041,600* | | |
| **2012** | 985,600* | | |
| **2011** | 896,000* | - | - |

*Relates only to audit fees; no other assurance and related services.

The Registrant's Audit Committee recommends the appointment of the external auditor to the Board of Directors which, in turn, recommends to the stockholders for their approval.

## PART III - CONTROL AND COMPENSATION INFORMATION

## ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

| | |
|---|---|
| VICENTE R. SANTOS | Chairman |
| EXEQUIEL D. ROBLES | Director |
| MARIZA R. SANTOS-TAN | Director |
| ANTONIO D. ROBLES | Director |
| AURORA D. ROBLES | Director |
| ORESTES R. SANTOS | Director |
| SANTIAGO CUA | Director |
| JOSE FERDINAND R. GUIANG | Independent Director |
| OSMUNDO C. DE GUZMAN | Independent Director |

Executive/Corporate Officers

| | |
|---|---|
| VICENTE R. SANTOS | Chairman |
| EXEQUIEL D. ROBLES | President |
| MARIZA R. SANTOS TAN | Treasurer |
| AURORA D. ROBLES | Assistant Treasurer |
| DAVID M. DE LA CRUZ | Executive Vice-President |
| PATRICIA A. O. BUNYE | Corporate Secretary |
| PANCHO G. UMALI | Assistant Corporate Secretary |

Resume of Directors/Executive Officers (covering the past five (5) years)

**VICENTE R. SANTOS –** Chairman

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | Evangelista St., Brgy. Santolan, Pasig City |
| Age | 54 |
| **Positions Held** | Executive Vice President, Sta. Lucia Realty & Development, Inc.; EVP, Valley View Realty Dev't Corp.; EVP, RS Maintenance & Services Corp.; EVP, Sta. Lucia East Cinema Corp.; EVP, Sta. Lucia Waterworks Corp.; EVP Rob-San East Trading Corp.; EVP, Sta. East Commercial Corp.; EVP, RS Night Hawk Security & Investigation Agency; EVP, Sta. Lucia East Bowling Center, Inc.; EVP, Sta. Lucia East Department Store, Inc.;Acropolis North, President; Lakewood Cabanatuan, Corporate Secretary Chairman, Orchard Golf& Country Club |
| **Directorships held** | Orchard Golf & Country Club; Eagle Ridge Golf & Country Club; Sta. Lucia Land, Inc. |

**EXEQUIEL D. ROBLES** – President/Director

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | F. Pasco Avenue, Dumandan Compound, Santolan, Pasig City |
| Age | 56 |
| Citizenship | Filipino |
| Positions Held | President and General Manager, Sta. Lucia Realty & Development, Inc.; President, Sta. Lucia East Cinema Corporation; President, Sta. Lucia East Commercial Corporation; President, Sta. Lucia East Bowling Center, Inc.; President, Sta. Lucia East Department Store; President, Valley View Realty and Development Corporation; President, RS Maintenance & Services, Inc.; President, Rob-San East Trading Corporation; President, RS Night Hawk Security & Investigation Agency |
| Directorships Held | Sta. Lucia Realty & Development, Inc., Sta. Lucia East Cinema Corporation, Sta. Lucia Waterworks Corporation, Sta. Lucia East Commercial Corporation, Sta. Lucia East Department Store, Sta.Lucia East Bowling Center, Inc. Valley View Realty Development Corporation, RS Maintenance & Services, Inc. |

**MARIZA R. SANTOS-TAN** – Treasurer

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | G/F, State Center II, Ortigas Avenue, Mandaluyong City |
| Age | 53 |
| Citizenship | Filipino |
| Positions Held | Vice President for Sales, Sta. Lucia Realty & Development, Inc.; Vice President, Valley View Realty Development, Inc.; Corporate Secretary, RS Maintenance & Services Corporation; Corporate Secretary, Sta. Lucia East Cinema Corporation; Corporate Secretary, Sta. Lucia Waterworks Corporation; Corporate Secretary, Rob-San East Trading Corporation; Corporate Secretary, Sta. Lucia East Commercial Corporation; Corporate Secretary, RS Night Hawk Security & Investigation Agency; Corporate Secretary, Sta. Lucia East Bowling Center, Inc.; Corporate Secretary, Sta. Lucia East Department Store, Inc.; President, Royale Tagaytay Golf& Country Club; Assistant Corporate Secretary, Alta Vista Golf & Country Club; Treasurer, Manila Jockey Club; Corporate Secretary, Worlds of Fun; Corporate Secretary, Eagle Ridge Golf & Country Club |
| Directorships Held | Sta. Lucia Realty & Development, Inc., Valley View Realty Development, Inc., Orchard Golf & Country Club, Alta Vista Golf & Country Club, Manila Jockey Club, True Value Workshop, Consolidated Insurance Company, Unioil Resources Holdings, Inc.; Ebedev |

**AURORA D. ROBLES** – Assistant Treasurer/Director

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | The Alexandra Condominiums, Meralco Avenue, Pasig City |
| Age | 45 |
| Citizenship | Filipino |
| Positions Held | Purchasing Manager, Sta. Lucia Realty & Development, Inc.; Stockholder, Valley View Realty Dev't Corp.; Stockholder, RS Maintenance & Services Corp.; Chief Administrative, Sta. Lucia East Cinema Corp.; Chief Administrative, Sta. Lucia Waterworks Corp.; Chief Administrative, Rob-San East Trading Corp.; Stockholder, Sta. East Commercial Corp.; Stockholder, RS Night Hawk Security & Investigation Agency |
| Directorships Held | CICI General Insurance Corp. |

**ORESTES R. SANTOS** – Director

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | Odyssey St., Acropolis, Quezon City |
| Age | 50 |
| Positions Held | Project Manager, Sta. Lucia Realty & Development, Inc.; President, RS Superbatch, Inc. |
| Directorships held | City Chain Realty |

**ANTONIO D. ROBLES** – Director

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | Odyssey, Acropolis, Quezon City |
| Age | 47 |
| Positions Held | Stockholder, Sta. Lucia Realty & Development, Inc.; Stockholder, Valley View Realty Dev't Corp.; Stockholder, RS Maintenance & Services Corp.;Treasurer, Orchard Marketing Corporation; Stockholder, Sta. Lucia East Commercial Corp.; Stockholder, RS Night Hawk Security & Investigation Agency; Stockholder, Exan Builders Corp.; Owner, Figaro Coffee; Owner, Cabalen |
| Directorships held | Exan Builders Corp. |

**SANTIAGO CUA** – Director

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | 36 Roosevelt Street, San Juan, Metro Manila |
| Age | 90 |
| Citizenship | Filipino |
| Positions Held | Chairman and President, ACL Development Corporation; Chairman and President, Cualoping Securities, Inc.; Chairman and President, Filpak Industries, Inc.; Honorary Chairman, Philippine Racing Club; |
| Directorships held | ACL Development Corporation, Cualoping Securities, Inc., Filpak Industries, Inc., Philippine Racing Club, Inc., Ebedev |

**DAVID M. DE LA CRUZ –** Executive Vice President

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | #31, La Naval Street Remmanville Subdivision Better Living, Paranaque |
| Age | 45 |
| Citizenship | Filipino |
| Positions Held | VP and CFO – Atlas Consolidated Mining and Development Corp., SAVP - Corporate Credit Risk Management - BDO – AC&D Corporate Partners; President / CFO – Geograce Resources Phils. Inc.; Vice President / Head of Sales Amsteel Securities Philippines Inc; Senior Manager – Investment Banking Deutsche Morgan Grenfell Hong Kong Limited; Acting General Manager & Marketing Head – UBP |

Securities / Manager - Investment Banking - UBP Capital Corporation; Senior Auditor, SGV & Co.

**ATTY. PATRICIA A. O. BUNYE** – Corporate Secretary

| | |
|---|---|
| Term of Office | One (1) year (2013-2014) |
| Address | CVCLAW CENTER, 11th Avenue cor. 39th Street, Bonifacio Global City, Metro Manila |
| Age | 43 |
| Citizenship | Filipino |
| Positions Held | Senior Partner, Villaraza Cruz Marcelo & Angangco; Past President, Integrated Bar of the Philippines (Pasay, Parañaque, Las Piñas & Muntinlupa Chapter); Secretary, 15th House of Delegates National Convention, IBP; Past President, Licensing Executives Society Philippines |
| Directorships Held | Arromanche, Inc.; Baskerville Trading Corporation; Bay Area Holdings, Inc.; Belmont Equities, Inc.; Foundasco Philippines, Inc.; Go Home Bay Holdings, Inc.; Honfeur, Inc.; Kids Stuff Manufacturing, Inc.; Lawphil Investments, Inc.; Liberty Cap Properties, Inc.; Mianstal Holdings, Inc.; Quaestor Holdings, Inc.; Recruitment Center Philippines, Inc.; Westminster Trading Corporation; Winchester Trading Corporation; Windermere Marketing Corporation. |

**Independent Directors**

**JOSE FERDINAND R. GUIANG**

| | |
|---|---|
| Term of office | One (1) year (2013-2014) |
| Address | Unit 4 Cornhill Villas, Kaimito Ave. Town & Country Exec. Vill., Antipolo |
| Age | 46 |
| Citizenship | Filipino |
| Positions Held | President, Pharmazel Incorporated; Member, Filipino Drug Association, Inc.; Area Sales Supervisor, Elin Pharmaceuticals, Inc. |

**OSMUNDO C. DE GUZMAN, JR.**

| | |
|---|---|
| Term of office | One (1) year (2013-2014) |
| Address | Walnut cor. Redwood St. New Marikina Subd., San Roque, Marikina City |
| Age | 56 |
| Citizenship | Filipino |
| Positions Held | Treasurer, Sunflower Circle Corp. |

Significant Employees

The entire workforce of the Registrant is considered significant as each of its employees has his own responsibilities which are supposed to achieve the Registrant's goals and objectives.

Family Relationships

EXEQUIEL D. ROBLES, ANTONIO D. ROBLES, AND AURORA D. ROBLES are siblings and they are first cousins with VICENTE R. SANTOS, MARIZA R. SANTOS-TAN, and ORESTES R. SANTOS, who are likewise siblings.

Involvement in Certain Legal Proceedings

1. During the Meeting of the Registrant's Executive Committee held on 09 May 2010, the Registrant approved the filing of a criminal complaint against Ms. Madelyn Felipe Maglalang for the crime of Estafa, punishable under Article 351 of the Revised Penal Code.

2. On 07 March 2002, the Registrant received summons for Civil Case Q-01-43548 entitled ***"P.I. HARDWARE & MILL SUPPLY INC. vs. WESTMONT INVESTMENT CORP., ET AL."*** The case is for recovery of sum of money and damages with urgent application for the issuance of a writ of preliminary attachment filed against the Registrant and its directors. The Registrant then engaged the services of the law firm of Reyno Tiu Domingo & Santos Law Offices as its counsel in said case. Per the law firm Reyno Tiu Domingo & Santos, a decision was rendered in 2005 to proceed to pre-trial. Defendants WINCORP and POWERMERGE through their respective representatives met with the plaintiffs to discuss the POWERMERGE settlement proposal. Plaintiffs requested for a detailed break down of the amount due them should they accept the POWERMERGE proposal. On 26 February 2008, a "Joint motion to dismiss with prejudice as against Zipporah Realty Hldgs., Inc. (now Sta. Lucia Land, Inc.) and its officers" was submitted by P.I. Hardware and the Registrant and its officers. It was approved by the Regional Trial Court of the National Capital Judicial Region Branch 80 in Quezon City. Upon execution, the Notice of Levy on Attachment identified as Entry No. 2112/206431 dated 06 August 2004 and inscribed on 10 August 2004 and annotated at the back of Transfer Certificate of Title ("TCT") No. 206431 and TCT No. 206432 of the Register of Deeds of Makati City has been cancelled and dissolved. Thus, at the Special Meeting of the Stockholders held on 04 March 2008, the Board of Directors authorized the Registrant, among others, to enter into the Deed of Assignment of Credit with P.I. Hardware & Mill Supply Inc., Westmont Investment Corporation, and SLRDI. Upon execution of the said Deed of Assignment of Credit, the Board of Directors authorized the Registrant, among others, to enter into and execute a Joint Motion to Dismiss with Prejudice as against the Registrant and its former officers, involving the dismissal of the counterclaim interposed by the Registrant. Thus, the case has been settled via amicable settlement.

3. As previously disclosed on 01 June 2007, pursuant to the sale and purchase agreement between the Registrant and Beziers, the responsibility for all legal proceedings involving EBEDEV has been transferred to Beziers.

4. Pending before the Housing And Land Use Regulatory Board Regional Office ('HLURB'), Southern Tagalog Region (Region IV) at Dencris Business Center, National Highway, Brgy. Halang, Calamba City, is HLURB Case No. R-IV-020312-3569, entitled "Samahang Magbubukid Ng Kapdula, Inc., et. al., complainants are represented by Felix Rodis, Rodolfo Jorda, Felicisma Galleno, Felipe Mojica and Mario Mojica vs. South Cavite Land Co. Inc., Sta. Lucia Realty & Dev., Inc., Sta. Lucia Land, Inc., Orchard Property Marketing Corp., Erlinda Panganiban and Catalina S. Manarin".

5. Pending before the Municipal Trial Courts in Cities, Branch 1, Davao City is Civil Case No. 22-434-A-2012 entitled "Sixto and Olivia Palomar vs. Sta. Lucia Land, Inc."

6. The following investigations involve the Registrant's directors and officers:

*SALVACION PALANAS VS. RS NIGHTHAWK, SLRDI, EXEQUIEL D. ROBLES, VICENTE R. SANTOS et.al.*

This is a complaint for arbitrary coercion, malicious mischief, robbery, violation of human rights and usurpation filed by members of the Christian Campsite Neighborhood Association, alleged assignees and claimants of a parcel of land located at Barangay Sta. Monica, Quezon City, which is part of PIADECO compound bounded by concrete walls along Commonwealth Avenue and Mindanao Avenue. The complaint stemmed from the alleged unlawful ejectment and demolition of the complainant and their effects from the property owned by SLRDI. In the said complaint, they implicated Exequiel D. Robles and Vicente R. Santos for being the President and Executive Vice-President of SLRDI and as officers of RS Knight Hawk Security Agency.

The said complaint was filed in the Office of the City Prosecutor in Quezon City and with docket number I.S. NO. 07-10932. To date, no resolution has been received by the said respondents.

*ROMEO G. CORDERO VS. EXEQUIEL D. ROBLES and VICENTE R. SANTOS*

This is a complaint for alleged violation of Article 315 of the Revised Penal Code filed by the then President of the Royale Tagaytay Residential Estates Phase 1 Homeowners Association against Vicente R. Santos as President of RS Property Management Corporation and Exequiel D. Robles as President of SLRDI. The complaint stemmed from the alleged collection of fees from lot owners of Royale Tagaytay Residential Estates Phase 1 to finance community comfort, security and maintenance of the said subdivision project. Despite demand to turn-over the collection to the complainant, the respondents failed to do so.

The said complaint was filed in the Office of the City Prosecutor in Tagaytay City and with docket number I.S. NO. TG-07-4273. The case had already been submitted for resolution in 2008. To date, no resolution has been issued by the said Office.

*SPECIAL TASK FORCE VS. MARIZA SANTOS-TAN et., al*

This is a complaint for alleged Violation of Section 3 (e) of the Anti-Graft & Corrupt Practices Act, Violations of Sections 254, 255, 269 (d) of Tax Code of 1997 and Estafa thru Falsification of Public Documents. This is a complaint filed by the Special Task Force created under Executive Order No. 525 to ensure proper payment of taxes in the transfer of title of real property and to investigate and prosecute any corruption or irregularities committed in relation thereto. The complaint stemmed from the registration and issuance of Transfer Certificate of Title No. 434738. Upon verification with the BIR National Office, no payment of taxes was made for the registration and no Certificate Authority of Registration (CAR) was issued.

The said complaint was filed with the Department of Justice in Manila and with docket number I.S. No. 2007-007 to 009. The case was already submitted for resolution. However, upon motion of one of the respondent, the said case was ordered re-opened for preliminary investigation. Subsequently, the case was dismissed.

*SPS. MARK ELLIOT GODFREY ET AL. VS. GERARDO D. QUINTOS ET AL.*

This is a complaint filed by Sps. Mark Elliot Godfrey and Mevalyn Custan-Godfrey against Gerardo D. Quintos, Mariza Santos-Tan and Carmino S. Ferandos for Falsification of Public Documents before the Office of the City Prosecutor, Cebu City, docketed as NPS Docket No. VII-09-INV-09J-02425.

The case was dismissed by virtue of a Resolution of the City Prosecutor of Cebu City dated 16 December 2009. Complainant filed a Motion for Reconsideration of the said Resolution and the Office of the City Prosecutor reversed its ruling and recommended the filing of information. Respondents filed their own Motion for Reconsideration of the latter resolution and the same was granted by the City Prosecutor, resulting to the dismissal of the said case.

7. Other than in the above-mentioned cases, the Registrant, its directors, officers or affiliates, any owner of record of more than 10% of its securities, or any associate of any such director, officer or affiliate, or security holder are not, to the knowledge of the Registrant, parties to any material legal proceeding during the past five (5) years up to date, including and/or involving any bankruptcy petition, conviction by final judgment, subject of an order, judgment or decree, and violation of a Securities or Commodities Law.

## ITEM 9: EXECUTIVE COMPENSATION

Summary Compensation Table

The Directors and Officers do not receive any form of compensation except for a per diem of Fifteen Thousand Pesos (Php15,000) per meeting of the Board of Directors.

Apart from the per diem, there are no standard arrangements or other arrangements between the Registrant and the directors and executive officers.

**Executive Officers**

**Annual Compensation 2014**

| **Name and Principal Position** | | **Salary*** | **Bonus*** | **Other Annual Compensation*** |
|---|---|---|---|---|
| **Executive Officers** | | | | |
| Vicente R. Santos – Chairman | | XXX | XXX | XXX |
| Exequiel D. Robles – President/Director | | XXX | XXX | XXX |
| Mariza Santos-Tan – Treasurer/Director | | XXX | XXX | XXX |
| Aurora D. Robles – Assistant Treasurer/Director | | XXX | XXX | XXX |
| David M. Dela Cruz – Executive Vice President | | XXX | XXX | XXX |
| Patricia A.O. Bunye – Corporate Secretary | | XXX | XXX | XXX |
| Total for Above | Estimated | 7,500 | 2,475 | XXX |
| | Actual | 7,450 | 2,580 | XXX |
| All other officers** as a group unnamed | | | | |
| | Estimated | 2,500 | 500 | XXX |
| | Actual | 2,130 | 365 | XXX |

**Annual Compensation 2013**

| **Name and Principal Position** | | **Salary*** | **Bonus*** | **Other Annual Compensation*** |
|---|---|---|---|---|
| **Executive Officers** | | | | |
| Vicente R. Santos – Chairman | | XXX | XXX | XXX |
| Exequiel D. Robles – President/Director | | XXX | XXX | XXX |
| Mariza Santos-Tan – Treasurer/Director | | XXX | XXX | XXX |
| Aurora D. Robles – Assistant Treasurer/Director | | XXX | XXX | XXX |
| David M. Dela Cruz – Executive Vice President | | XXX | XXX | XXX |
| Patricia A.O. Bunye – Corporate Secretary | | XXX | XXX | XXX |
| Total for Above | Estimated | 7,500 | 2,475 | XXX |
| | Actual | 7,450 | 2,580 | XXX |
| All other officers** as a group unnamed | | | | |
| | Estimated | 2,500 | 500 | XXX |
| | Actual | 2,130 | 365 | XXX |

## ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Stockholders who/which are directly/indirectly the record/beneficial owners of more than 5% of the Registrant's voting securities as of 31 December 2014:

| Title of class | Name and address of record owner and h relationship with issuer | Name of beneficial owner owner and relationship with record owner | Citizenship | No. of Shares | Percent |
|---|---|---|---|---|---|
| Common | Sta. Lucia Realty & Dev't., Inc.<br>Ground Flr., State Center Bldg. II,<br>Ortigas Avenue cor. EDSA<br>Mandaluyong City | -same- | Domestic | 7,451,005,767 | 87.18% |

Security Ownership of Management

Directors/Officers & Nominees as of December 31, 2014

| Title of class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percentage of Class |
|---|---|---|---|---|
| Common | VICENTE R. SANTOS<br>Chairman | 712,494 | Filipino | 0.01% |
| | Evangelista St., Brngy. Santolan,<br>Pasig City | 233,000 | | 0.00% |
| Common | EXEQUIEL D. ROBLES<br>President and Director | 712,500 | Filipino | 0.01% |
| | F. Pasco Ave., Dumandan<br>Compound, Santolan, Pasig City | 230,000 | | 0.00% |
| Common | MARIZA R. SANTOS-TAN<br>Treasurer and Director<br>G/F, State Centre II<br>Ortigas Avenue, Mandaluyong City | 1 | Filipino | 0.00% |
| Common | AURORA D. ROBLES<br>Assistant Treasurer and Director<br>Alexandra Condominium, Meralco Ave.,<br>Pasig City | 1 | Filipino | 0.00% |
| Common | ATTY. PATRICIA A.O. BUNYE<br>Corporate Secretary<br>11th Avenue cor. 39th Street<br>Bonifacio Global City, Metro Manila<br>Makati City | 0 | Filipino | 0.00% |
| Common | DAVID M. DE LA CRUZ<br>Executive Vice President<br>31 La Naval Street Remmanville<br>Subdivision, Better Living Paranaque | 0 | Filipino | 0.00% |

| | | | | |
|---|---|---|---|---|
| Common | SANTIAGO CUA<br>Makati City<br>Director<br>36 Roosevelt Street<br>San Juan, Metro Manila | 285,000 | Filipino | 0.003% |
| Common | ANTONIO D. ROBLES<br>Director<br>Odyssey St., cropolis, Quezon City | 1 | Filipino | 0.00% |
| Common | ORESTES R. SANTOS<br>Director<br>Odyssey St., Acropolis, Quezon City | 1 | Filipino | 0.00% |
| Common | JOSE FERDINAND R. GUIANG<br>Independent Director<br>#71 K-6 St., Camias Road,<br>Quezon City | 1 | Filipino | 0.00% |
| Common | OSMUNDO C. DE GUZMAN, JR.<br>Independent Director<br>Walnut cor. Redwood St., New Marikina Subd.<br>San Roque, Marikina City | 1 | Filipino | 0.00% |

| **Title of class** | **Name of Beneficial Owner** | **Amount of Ownership as Director & Officers** | **Percent of Class** |
|---|---|---|---|
| Common | DIRECTORS & EXECUTIVE OFFICERS | 2,173,000 | 0.20% |

Voting Trust Holders

The Registrant is not a party to any voting trust. No shareholder of the Registrant holds more than 5% of the outstanding capital stock of the Registrant through a voting trust or other similar agreements.

## ITEM 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As previously disclosed, SLRDI entered into a Property-for-Equity Swap with the Registrant in exchange for 10,000,000,000 shares of the latter.

The Registrant's President, EXEQUIEL D. ROBLES, is the President and General Manager of SLRDI. The Registrant’s directors, ANTONIO D. ROBLES, a stockholder of SLRDI, and AURORA D. ROBLES, the Purchasing Manager of SLRDI, are siblings of MR. EXEQUIEL D. ROBLES who are all first cousins of MARIZA R. SANTOS-TAN, the Vice-President for Sales of SLRDI, VICENTE R. SANTOS, the Executive Vice-President of SLRDI, and ORESTES R. SANTOS, Project Manager of SLRDI, who, in turn, are siblings.

A director/officer of ACL Development Corporation, namely SANTIAGO CUA is also a director of the Registrant.

## PART IV – CORPORATE GOVERNANCE

### ITEM 13: COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Registrant has complied, and will continue to comply, with the leading practices and principles on good corporate governance, as set forth in the Registrant's Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 2, Series of 2009. Please see attached 2014 Annual Corporate Governance Report.

## PART V – EXHIBITS AND SCHEDULES

### ITEM 14: EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

The Registrant has attached hereto as Annex "A" its Audited Financial Statements for the year ended 31 December 2014 together with the Registrant's Annual Report on SEC Form 17-A. The Registrant has not entered into any material contracts.

Reports on SEC Form 17-C

The following current reports have been reported by the Registrant during the year 2014 through official letters dated:

*April 1, 2014*
Resolutions authorizing the Registrant to enter into joint ventures involving the development of a new project located in Cebu with an area of 537,011 sq.m. and Amendment of the Articles of Incorporation to Extend Corporate Term and special meeting of the Board with various resolutions was approved.

*April 16, 2014*
Press release: "Sta. Lucia Land Inc, Core Earnings Remain Steady"

*May 19, 2014*
Press release: "Sta. Lucia Land, Inc., Reports Record 1st Quarter 2014 Results"

*June 20, 2014*
Results of the Annual Stockholders Meeting

*June 23, 2014*
Ratification by the stockholders of the Board's authority to amend the Issuer's Articles of Incorporation to extend its corporate term for fifty (50) years from 06 December 2016

*June 26, 2014*
The Issuer's 172-hectare master planned lake community in Iloilo show positive sales results

*August 6, 2013*
Press release: "Sta. Lucia sets 15 new Projects"

*August 14, 2014*
Press release: "Sta. Lucia Land, Inc. 1st Half Net Income Up By 155%"

*August 8, 2014*
Press release: "Sta. Lucia opens premier new mall in Sta. Lucia commercial and residential complex."

*November 14, 2014*
Press release: "Sta. Lucia Land, Inc. more than doubled its net income of P426 Million for the 3rd Quarter of the year, 112% higher than it's year-ago level of P201 Million."

# STA. LUCIA LAND, INC. AND SUBSIDIARIES
# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
# SEC FORM 17-A

**CONSOLIDATED FINANCIAL STATEMENTS**



**SUPPLEMENTARY SCHEDULES**

## SIGNATURES

Pursuant to the requirement of Section 17 of the Securities Regulation Code and Section 141 of the Corporate Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in MANDALUYONG CITY on APR 15 2015.

**STA. LUCIA LAND, INC.**
Issuer

**VINCENTE R. SANTOS**
Chairman of the Board

**EXEQUIEL D. ROBLES**
President / CEO

**MARIZA R. SANTOS-TAN**
Treasurer

**CRYSTAL I. PRADO**
Assistant Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this __________________ in __________, affiants exhibiting to me their Community Tax Certificates, to wit:

| Name | Community Tax No. | Date/Place Issued |
|---|---|---|
| VINCENTE R. SANTOS | 08968290 | January 13, 2015/ Pasig City |
| EXEQUIEL D. ROBLES | 08968282 | January 13, 2015/ Pasig City |
| MARIZA R. SANTOS-TAN | 08968291 | January 13, 2015/ Pasig City |
| CRYSTAL I. PRADO | Roll of Attorneys No. 57242 | May 2009/Ortigas, Pasig City |

JERRY B. DELA CRUZ
Notary Public for Mandaluyong City
Until 31 December 2015
PTR No. 2334655/01.07.15/Mandaluyong
MCLE Compliance No. IV-0021234/07.15.13
IBP No. 0984746/01.07.15/RSM
Appointment No. 0257-14
G/F State Center II Bldg.,
Ortigas Avenue, Mandaluyong City
Roll No. 47

Doc. No. 20;
Page No. 5;
Book No. XXII;
Series 2015

# COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 0 | 0 | 0 | 3 | 1 | 0 | 5 | 0 | | | |
|---|---|---|---|---|---|---|---|---|---|---|

Company Name

STA. LUCIA LAND, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

Penthouse, Bldg. 3, Sta. Lucia East Grand Mall, Marcos Highway corner IMelda Avenue, Cainta, Rizal

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | SEC | NA |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| | 812-7711 | N/A |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 269 | 06/20 | 12/31 |

## CONTACT PERSON INFORMATION
The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| David M. Dela Cruz | dmdelacruz@stalucialand.com.ph | 681-7332 | N/A |

Contact Person's Address

Penthouse, Bldg. 3, Sta. Lucia East Grand Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal

**Note**: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

# INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Sta. Lucia Land, Inc.
Penthouse, Bldg. 3, Sta. Lucia East Grand Mall
Marcos Highway corner Imelda Avenue
Cainta, Rizal

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

## *Management's Responsibility for the Consolidated Financial Statements*

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

## *Auditors' Responsibility*

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

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

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

***Opinion***

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

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

April 13, 2015

**STA. LUCIA LAND INC.**

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Sta. Lucia Land, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2014, have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such examination.

Vicente R. Santos,
Chairman of the Board

Exequiel D. Robles,
Chief Executive Officer

David M. Dela Cruz
Chief Financial Officer

Signed this 13th day of April, 2015

MANDALUYONG CITY

APR 15 2015

SUBSCRIBED AND SWORN to before me this __________ day of __________ 2015, affiants exhibiting to me their __________________.

JERRY B. DELA CRUZ
Notary Public for Mandaluyong City
Until 31 December 2015
PTR No. 2334655/01.07.15/Mandaluyong
MCLE Compliance No. IV-0021234/07.15.13
IBP No. 0984746/01.07.15/RSM
Appointment No. 0257-14
G/F State Center II Bldg.,
Ortigas Avenue, Mandaluyong City
Roll No. 47018

Doc. No. 22;
Page No. 6;
Book No. XXII;
Series of 2015.

Penthouse, Building 3, Sta. Lucia East Grand Mall cor. Felix Ave., & Marcos Hi-way, Cainta, Rizal 1900
Tel. Nos.: 681-7332 / 681-5220 to 21 Fax No.: 681-7467 www.stalucialand.com.ph

## STA. LUCIA LAND, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2014** | 2013 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Notes 4 and 26) | **₱116,071,782** | ₱30,463,668 |
| Receivables (Notes 5, 19 and 26) | **2,086,579,200** | 944,959,359 |
| Real estate inventories (Note 7) | **7,967,316,512** | 8,111,110,094 |
| Deposit on land rights (Notes 6 and 19) | **–** | 1,358,686,369 |
| Other current assets (Note 8) | **1,610,740,816** | 963,080,645 |
| Total Current Assets | **11,780,708,310** | 11,408,300,135 |
| **Noncurrent Assets** | | |
| Noncurrent installment contracts receivables (Notes 5 and 26) | **510,146,024** | 589,211,657 |
| Investment properties (Note 10) | **4,760,314,588** | 4,416,427,502 |
| Property and equipment (Note 11) | **38,633,920** | 23,730,920 |
| Available-for-sale financial assets (Notes 9 and 26) | **729,933,085** | 730,556,350 |
| Other noncurrent assets | **18,632,234** | 16,800,989 |
| Total Noncurrent Assets | **6,057,659,851** | 5,776,727,418 |
| | **₱17,838,368,161** | ₱17,185,027,553 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Notes 12 and 26) | **₱1,693,940,082** | ₱1,431,651,521 |
| Loans payable (Notes 14 and 26) | **3,198,051,669** | 2,673,156,842 |
| Customers' deposits (Note 13) | **743,822,964** | 673,280,256 |
| Income tax payable | **29,044,281** | 21,330,363 |
| Total Current Liabilities | **5,664,858,996** | 4,799,418,982 |
| **Noncurrent Liabilities** | | |
| Pension liabilities (Note 20) | **1,987,500** | 1,024,900 |
| Deferred tax liabilities - net (Note 24) | **439,237,667** | 300,185,599 |
| Total Noncurrent Liabilities | **441,225,167** | 301,210,499 |
| Total Liabilities | **6,106,084,163** | 5,100,629,481 |
| **Equity** (Note 15) | | |
| Capital stock | **10,796,450,000** | 10,796,450,000 |
| Additional paid-in capital | **192,053,636** | 192,053,636 |
| Retained earnings | **1,237,759,693** | 689,012,407 |
| Treasury shares (Note 15) | **(900,000,000)** | – |
| Unrealized gain on fair value of available-for-sale financial assets (Note 9) | **406,558,117** | 407,181,382 |
| Remeasurement losses on pension liabilities (Note 20) | **(537,448)** | (299,353) |
| Total Equity | **11,732,283,998** | 12,084,398,072 |
| | **₱17,838,368,161** | ₱17,185,027,553 |

*See accompanying Notes to Consolidated Financial Statements.*

## STA. LUCIA LAND, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **REVENUE** | | | |
| Real estate sales (Note 22) | **₱1,445,350,119** | ₱801,241,139 | ₱1,298,673,373 |
| Rental income (Notes 10, 19, 22 and 23) | **504,335,795** | 355,102,666 | 385,846,603 |
| Interest income (Notes 4, 5 and 16) | **83,443,459** | 88,760,073 | 65,494,554 |
| Commission income | **73,202,048** | 19,028,609 | – |
| Construction income | **28,036,774** | – | – |
| Dividend income (Note 9) | **5,673,449** | 5,544,035 | 5,862,404 |
| Others (Note 17) | **156,279,536** | 57,236,458 | 36,876,277 |
| | **2,296,321,180** | 1,326,912,980 | 1,792,753,211 |
| **COSTS AND EXPENSES** | | | |
| Costs of real estate (Notes 7 and 22) | **761,459,659** | 420,502,156 | 802,392,394 |
| Costs of rental income (Notes 7 and 22) | **248,841,127** | 108,091,700 | 108,091,700 |
| Costs of construction | **19,039,099** | – | – |
| | **1,029,339,885** | 528,593,856 | 910,484,094 |
| **SELLING AND ADMINISTRATIVE EXPENSES** | | | |
| Commissions | **199,603,673** | 85,423,330 | 138,480,893 |
| Interest expense (Notes 14 and 18) | **113,353,129** | 102,572,198 | 95,308,625 |
| Taxes, licenses and fees | **46,389,218** | 45,972,397 | 58,002,606 |
| Salaries and wages (Note 20) | **41,387,406** | 29,356,188 | 18,199,634 |
| Advertising | **34,597,545** | 56,801,392 | 53,891,347 |
| Professional fees | **11,046,435** | 9,714,129 | 17,752,402 |
| Representation | **7,549,044** | 6,258,495 | 6,840,162 |
| Utilities | **3,926,680** | 2,716,712 | 5,176,266 |
| Depreciation and amortization (Notes 10 and 11) | **3,557,340** | 4,466,045 | 2,548,976 |
| Repairs and maintenance | **1,753,347** | 3,263,122 | 3,699,746 |
| Provision for doubtful accounts (Note 5) | – | 267,050 | 166,252 |
| Miscellaneous | **20,100,950** | 16,815,650 | 14,117,456 |
| | **483,264,767** | 363,626,708 | 414,184,365 |
| **INCOME BEFORE INCOME TAX** | **783,716,528** | 434,692,416 | 468,084,752 |
| **PROVISION FOR INCOME TAX** (Note 24) | **234,969,242** | 134,689,298 | 156,869,143 |
| **NET INCOME** | **548,747,286** | 300,003,118 | 311,215,609 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | |
| Unrealized gain (loss) on fair value of available-for-sale financial assets (Note 9) | **(623,265)** | 2,525,880 | 208,452,452 |
| **Other comprehensive loss not to be reclassified to profit or loss in subsequent periods** | | | |
| Remeasurement losses on pension liabilities - net of tax (Note 20) | **(238,095)** | (80,361) | (194,831) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | **(861,360)** | 2,445,519 | 208,257,621 |
| **TOTAL COMPREHENSIVE INCOME** | **₱547,885,926** | ₱302,448,637 | ₱519,473,230 |
| **Basic/Diluted Earnings Per Share** (Note 25) | **₱0.0703** | ₱0.028 | ₱0.029 |

*See accompanying Notes to Consolidated Financial Statements.*

## STA. LUCIA LAND, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Capital stock (Note 15) | Additional paid-in capital (Note 15) | Treasury stock (Note 15) | Retained earnings | Unrealized gain on fair value of available-for-sale financial assets (Note 9) | Remeasurement losses on pension liabilities - net of tax (Note 20) | Total |
|---|---|---|---|---|---|---|---|
| | | | | **For the Year Ended December 31, 2014** | | | |
| **Balances as of January 1, 2014** | **₱10,796,450,000** | **₱192,053,636** | **₱–** | **₱689,012,407** | **₱407,181,382** | **(₱299,353)** | **₱12,084,398,072** |
| Acquisition of treasury shares | – | – | **(900,000,000)** | – | – | – | **(900,000,000)** |
| Comprehensive income | | | | | | | |
| Net income | – | – | – | **548,747,286** | – | – | **548,747,286** |
| Other comprehensive loss | – | – | – | – | **(623,265)** | **(238,095)** | **(861,360)** |
| Total comprehensive income | – | – | – | **548,747,286** | **(623,265)** | **(238,095)** | **547,885,926** |
| **Balances as of December 31, 2014** | **₱10,796,450,000** | **₱192,053,636** | **(₱900,000,000)** | **₱1,237,759,693** | **₱406,558,117** | **(₱537,448)** | **₱11,732,283,998** |
| | | | | For the Year Ended December 31, 2013 | | | |
| Balances as of January 1, 2013 | ₱10,796,450,000 | ₱192,053,636 | ₱– | ₱389,009,289 | ₱404,655,502 | (₱218,992) | ₱11,781,949,435 |
| Comprehensive income | | | | | | | |
| Net income | – | – | – | 300,003,118 | – | – | 300,003,118 |
| Other comprehensive income (loss) | – | – | – | – | 2,525,880 | (80,361) | 2,445,519 |
| Total comprehensive income | – | – | – | 300,003,118 | 2,525,880 | (80,361) | 302,448,637 |
| Balances as of December 31, 2013 | ₱10,796,450,000 | ₱192,053,636 | ₱– | ₱689,012,407 | ₱407,181,382 | (₱299,353) | ₱12,084,398,072 |
| | | | | For the Year Ended December 31, 2012 | | | |
| Balances as of January 1, 2012 | ₱10,796,450,000 | ₱192,053,636 | ₱– | ₱77,793,680 | ₱196,203,050 | (₱24,161) | ₱11,262,476,205 |
| Comprehensive income | | | | | | | |
| Net income | – | – | – | 311,215,609 | – | – | 311,215,609 |
| Other comprehensive income (loss) | – | – | – | – | 208,452,452 | (194,831) | 208,257,621 |
| Total comprehensive income | – | – | – | 311,215,609 | 208,452,452 | (194,831) | 519,473,230 |
| Balances as of December 31, 2012 | ₱10,796,450,000 | ₱192,053,636 | ₱– | ₱389,009,289 | ₱404,655,502 | (₱218,992) | ₱11,781,949,435 |

*accompanying Notes to Consolidated Financial Statements.*

## STA. LUCIA LAND, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱783,716,528** | ₱434,692,416 | ₱468,084,752 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 10 and 11) | **125,281,049** | 112,557,745 | 110,640,676 |
| Interest expense (Notes 14 and 18) | **113,353,129** | 102,572,198 | 95,308,625 |
| Fair value gain on repossessed inventory (Notes 4, 5 and 16) | **33,155,466** | – | – |
| Retirement expense (Note 20) | **622,464** | 411,698 | 88,470 |
| Disposal of property and equipment | **30,684** | – | – |
| Dividend income (Note 9) | **(5,673,449)** | (5,544,035) | (5,862,404) |
| Interest income (Notes 4, 5 and 16) | **(83,443,459)** | (88,760,073) | (65,494,554) |
| Provision for doubtful accounts (Note 5) | **–** | 267,050 | 166,252 |
| Operating income before changes in working capital | **967,042,412** | 556,196,999 | 602,931,817 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in: | | | |
| Receivables | **(553,295,124)** | 359,068,366 | (71,905,989) |
| Real estate inventories | **289,152,300** | (242,132,991) | (498,810,012) |
| Due from related parties | **8,825,081** | (394,868,724) | (438,932,574) |
| Other current assets | **(665,434,035)** | (382,305,212) | (111,091,130) |
| Increase (decrease) in: | | | |
| Accounts and other payables | **76,822,790** | (172,953,802) | 254,154,864 |
| Customers' deposits | **70,542,708** | 391,433,281 | 153,871,458 |
| Net cash generated from (used in) operations | **193,656,132** | 114,437,917 | (109,781,566) |
| Interest paid (including capitalized borrowing costs) | **(142,682,298)** | (131,104,999) | (135,615,707) |
| Interest received | **64,490,387** | 54,157,407 | 34,670,981 |
| Income taxes paid | **(70,299,730)** | (23,832,877) | (72,046,360) |
| Net cash generated from (used in) operations | **45,164,491** | 13,657,448 | (282,772,652) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property and equipment (Note 11) | **(19,776,324)** | (16,932,348) | (4,414,538) |
| Other noncurrent assets | **(1,831,245)** | (5,877,184) | (3,553,627) |
| Investment properties (Note 10) | **(461,001,666)** | (172,934,276) | (192,343,185) |
| Disposal of property and equipment | **1,814,156** | – | – |
| Dividends received | **5,673,449** | 9,095,717 | 2,254,831 |
| Net cash used in investing activities | **(475,121,630)** | (186,648,091) | (198,056,519) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loans (Note 14) | **1,214,732,531** | 1,445,775,000 | 1,155,000,000 |
| Payment of loans (Note 14) | **(691,492,411)** | (1,323,614,110) | (708,000,000) |
| Increase (decrease) in payable to related parties | **(7,674,867)** | 16,206,104 | – |
| Net cash provided by financing activities | **515,565,253** | 138,366,994 | 447,000,000 |
| **NET INCREASE (DECREASE) IN CASH** | **85,608,114** | (34,623,649) | (33,829,171) |
| **CASH AT BEGINNING OF YEAR** | **30,463,668** | 65,087,317 | 98,916,488 |
| **CASH AT END OF YEAR** (Note 4) | **₱116,071,782** | ₱30,463,668 | ₱65,087,317 |

*See accompanying Notes to Consolidated Financial Statements.*

# STA. LUCIA LAND, INC. AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

Sta. Lucia Land, Inc. (the Parent Company) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation to engage in mining. On August 14, 1996, the Parent Company's Articles of Incorporation was amended to effect the following: (a) changing the corporate name to Zipporah Realty Holdings, Inc., and (b) transferring the original primary purpose to secondary purpose from being a mining firm to a real estate company, the primary purpose of which is to acquire by purchase, lease, donation, and to own, use, improve, develop and hold for investment, real estate of all kinds, improve, manage or dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances. On July 16, 2007, the Parent Company changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

The registered office address and principal place of business of the Parent Company and its subsidiaries (collectively referred to as the Group) is at Penthouse, Bldg. 3, Sta. Lucia East Grand Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal.

The Group is 86.59% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Parent Company).

On July 08, 2014, the Parent Company and the Ultimate Parent Company executed a deed of assignment of shares of stock wherein the parties agreed as follows:

1. The previous assignment by the Ultimate Parent Company of Saddle and Clubs Leisure Park is rescinded (see Note 6).
2. The Ultimate Parent Company transfers 3,000 million shares of the Parent Company in favor of the latter as full payment for the ₱1,801.11 million advances to the former.

In 2014, 2,250 million shares covering ₱900.00 million of advances were issued back by SLRDI to the Parent Company and formed part of the Parent Company's treasury shares. This decreased the outstanding shares of the Parent Company from 10,796.45 million in 2013 to 8,546.45 million in 2014 (see Note 15).

The accompanying consolidated financial statements were approved and authorized for issue by the Executive Committee and Audit Committee as delegated by the Board of Directors (BOD) on April 13, 2015.

## 2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency and all values are rounded to nearest Philippine peso except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership of the Parent Company as at December 31:

| | | Effective percentage of ownership | | |
|---|---|---|---|---|
| | Principal activity | **2014** | 2013 | 2012 |
| Sta. Lucia Homes, Inc. (SLHI) | Property development and construction | **100** | 100 | – |
| Santalucia Ventures Inc. (SVI) | Marketing and advertising | **100** | 100 | – |

Subsidiaries are fully consolidated from the date of incorporation, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, it has:

a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
b) Exposure, or rights, to variable returns from its involvement with the investee, and
c) The ability to use its power over the investee to affect its returns

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances and transactions, including income, expenses and dividends and gains and losses are eliminated in full.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Changes in Accounting Policies and Disclosures
The Group adopted the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective January 1, 2014. Except as otherwise stated, adoption of these standards and interpretations did not have any significant impact on the accounting policies, financial position or performance of the Group.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10*, Consolidated Financial Statements,* PFRS 12*, Disclosure of Interests in Other Entities, and* PAS 27*, Separate Financial Statements)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32*, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's financial statements.

- IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

Standards Issued But Not Yet Effective
The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2014. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- PFRS 9*, Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

In compliance with SEC Memorandum Circular No. 3, series of 2012, the Group has conducted a study on the impact of an early adoption of PFRS 9. After a careful consideration of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2014 annual financial reporting. Therefore, these financial statements do not reflect the impact of said standard.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA:

*Effective January 1, 2015*

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The *Annual Improvements to PFRSs* (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
The *Annual Improvements to PFRSs* (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

*Effective January 1, 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss

is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11*, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
The *Annual Improvements to PFRSs* (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in

order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim* financial report'
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is engaged in selling activities of real estate projects while construction is in progress or even before it has started. The standard is expected to impact the revenue recognition on these pre-completed real estate sales whether revenue will be recognized at a point-in-time or over time. If there will be change in revenue recognition, this will also impact the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings account.

Cash
Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rate.

Fair Value Measurement
The Group measures AFS financial assets at fair value at each reporting date. The Group also discloses the fair value of certain loans and receivables and investment properties every reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Assets and Financial Liabilities

*Date of recognition*

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

*Initial recognition of financial assets and financial liabilities*

All financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial assets and financial liabilities measured at FVPL. Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets were acquired or financial liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets and financial liabilities are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

As of December 31, 2014 and 2013, the financial assets of the Group are of the nature of loans and receivables and AFS financial assets while the financial liabilities pertain to other financial liabilities.

*"Day 1" difference*
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

*Loans and receivables*
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2014 and 2013, loans and receivables of the Group consist of cash in banks, receivables and noncurrent installment contracts receivables.

*AFS financial assets*
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized gain (loss) on fair value of available-for-sale financial assets" in the other comprehensive income section of the consolidated statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in "Others" account in the consolidated statement of comprehensive income. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR. Dividends earned on holding AFS equity investments are recognized in profit or loss as "Dividend income" when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as "Provisions on impairment losses" under operating expenses in the consolidated statement of comprehensive income.

Investments in unquoted equity securities are carried at cost net of impairment losses, if any. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

The Group's AFS financial assets pertain to quoted equity securities included under "Available-for-sale financial assets" account in the consolidated statement of financial position.

*Other financial liabilities*
Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate.

As of December 31, 2014 and 2013, the Group's other financial liabilities consist of accounts and other payables, excluding statutory liabilities and loans payable.

Debt Issuance Costs
Debt issuance costs represent costs arising from fees incurred to obtain loans. Debt issuance costs are deducted against loans payable and are amortized over the terms of the related borrowings using the EIR method.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability

to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

*AFS financial assets*
For AFS financial assets, the Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their costs. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognized in profit and loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

<u>Derecognition of Financial Assets and Liabilities</u>
*Financial asset*
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed as obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

c. the Group has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs of sale.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Deposit on Land Rights
Deposits are stated at cost. Cost is the fair value of the asset given up at the date of transfer to the related parties. This account represents amount given to related parties for the assignment of rights for real estate properties.

Other Current Assets
Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. The includes prepayments of construction costs and deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.
Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful lives of investment properties follow:

| | Years |
|---|---|
| Land improvements | 40 |
| Buildings and improvements | 40 |
| Machinery and equipment | 10 |

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

| | Years |
|---|---|
| Office tools and equipment | 3 to 5 |
| Transportation equipment | 5 |
| Furniture and fixtures | 3 to 5 |
| Software | 3 |

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Interests in Joint Ventures

Interests in joint ventures represent one or more assets, usually in the form of cash, contributed to, or acquired for the purpose of the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset (e.g., real estate inventories, other current assets, investment properties and property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Customers' Deposits
Customers' deposits represent payment received from customer accounts which have not yet reached the minimum required percentage for recording real estate sale transaction. When the level of required payment is reached, sales are recognized and these deposits and down payments will be applied against the related receivable.

Under the percentage of completion method of recognizing sales for real estate, when a real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, cash received from customers are recorded under "Customers' deposit" account in the consolidated statement of financial position. It is also recognized when the cash received from customers is greater than the receivable from customers under percentage of completion. Subsequently, customers' deposits are applied against receivable from customers as a result of the recognition of sales through completion of the project.

Pension Liabilities
The Group has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Pension costs comprise the following:
- Service cost
- Interest on the pension liability
- Remeasurements of pension liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the pension liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in the "Remeasurements on pension liabilities" are not reclassified to another equity account in subsequent periods.

*Termination benefit*
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. A liability and expense for a termination

benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

*Employee leave entitlement*
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Equity
The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividend declaration when they are declared by the subsidiaries as approved by their respective BOD.

Treasury Stock
Own equity instruments which are acquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In arrangements where the Group is acting as the principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The following specific criteria must be met before revenue is recognized.

*Real estate sales*
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposit" account in the consolidated statement of financial position.

*Construction income*
Construction income on housing units is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date compared to the estimated total cost of the contract.

*Rental income*
Rental income arising from operating leases on investment properties is recognized in the consolidated statement of comprehensive income as follows:

- Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.
- Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

*Interest income*
Interest income is recognized as it accrues using the EIR method.

*Commission income*
Commission income on promotions and marketing services is recognized when services are rendered.

*Dividend income*
Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

*Others*
Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments and income earned from development contracts which are recognized as revenue upon collection.

Other income also includes profit share in hotel operations which is derived from its share in rent income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized once share is established.

*Cost of real estate*
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

*Cost of construction*
Cost of construction includes all direct materials, labor costs and incidental costs related to the construction of housing units.

*Cost and expenses*
Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Commission Expense
The Group recognizes commission when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Borrowing Costs
Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate asset accounts (included in “Real estate inventories” account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

*Group as lessor*
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognized on a straight-line basis over the lease term in the profit or loss. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Income Taxes</u>
*Current tax*
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*
Deferred tax is provided on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT over RCIT credits and unexpired NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Basic and Diluted Earnings Per Share

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 22.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

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

Events After the Reporting Date
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

## 3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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.

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

*Revenue recognition*
Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and the stage of completion of the project. In determining whether the sales price are collectible, the Group considers that initial and continuing investments by the buyer of 20% for real estate for development and sale would demonstrate the buyer's commitment to pay.

*Classification of financial instruments*
The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position. The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

*Impairment of AFS financial assets*
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of the carrying value before provision for impairment and "prolonged" as greater than six months.

*Distinction between real estate inventories and investment properties*
The Group determines whether a property is classified as investment property or real estate inventories as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) 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.
- Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

*Distinction between investment properties and owner-occupied properties*
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 property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services 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. See Notes 10 and 11 for the related balances.

*Operating lease commitments - Group as lessor*
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Revenue and cost recognition*
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. For the year ended December 31, 2014, 2013 and 2012, the real estate sales amounted to ₱1,445.35 million, ₱801.24 million and ₱1,298.67 million, respectively while cost of sales amounted to ₱761.46 million, ₱420.50 million and ₱802.39 million, respectively.

*Estimating allowance for impairment losses on receivables*
The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. See Note 5 for the related balances.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

*Evaluation of net realizable value and asset impairment*
The Group reviews real estate inventories, other current assets, investment properties and property and equipment for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for assets where value in use computation is applied.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. See Notes 7, 8, 10 and 11 for the related balances.

*Estimating useful lives of investment properties and property and equipment*
The Group estimates the useful lives of investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. See Notes 10 and 11 for the related balances.

*Deferred tax assets*
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The Group did not recognize deferred tax assets amounting to ₱2.11 million and ₱2.49 million, respectively. The unrecognized deferred tax asset primarily comes from NOLCO which is not expected to be utilized by the subsidiaries as management assessed that there is no available taxable income against which the deferred income tax asset can be utilized (see Note 24).

*Estimating pension costs*
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Pension liabilities amounted to ₱1.99 million and ₱1.02 million as of December 31, 2014 and 2013, respectively (see Note 20).

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Assumed discount rate is used in the measurement of the present value obligation, service and interest cost components of the pension expense. The mortality rate represents the proportion of current plan members who might demise prior to retirement. Further details about the assumptions used are provided in Note 20.

*Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

*Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation (see Note 26).

## 4. **Cash**

| | **2014** | 2013 |
|---|---|---|
| Cash on hand | **₱495,000** | ₱385,000 |
| Cash in banks | **115,576,782** | 30,078,668 |
| | **₱116,071,782** | ₱30,463,668 |

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to ₱0.13 million, ₱0.11 million and ₱0.16 million in 2014, 2013 and 2012, respectively (see Note 16).

There are no cash restriction on the Group's cash balances as of December 31, 2014 and 2013.

5. **Receivables**

| | **2014** | 2013 |
|---|---|---|
| Trade | | |
| Subdivision land | **₱951,156,248** | ₱824,736,982 |
| Condominium units | **263,821,459** | 192,889,524 |
| Receivable from related parties (Note 19) | | |
| Trade | **473,811,274** | 394,868,724 |
| Non-trade | **784,882,216** | 26,876,333 |
| Advances to officers and employees | **70,609,793** | 72,557,967 |
| Accrued interest receivable | **16,310,580** | 27,194,229 |
| Advances to joint venture | **14,142,169** | 11,142,169 |
| Commission receivable (Note 19) | **12,669,379** | 917,587 |
| Dividend receivable | **5,729,340** | 55,891 |
| Receivable from tenants | **5,087,420** | – |
| Others | **26,811,970** | 14,440,491 |
| | **2,625,031,848** | 1,565,679,897 |
| Less unamortized discount | **22,984,775** | 26,187,032 |
| | **2,602,047,073** | 1,539,492,865 |
| Less allowance for doubtful accounts | **5,321,849** | 5,321,849 |
| | **2,596,725,224** | 1,534,171,016 |
| Less noncurrent installment contract receivable | **510,146,024** | 589,211,657 |
| | **₱2,086,579,200** | ₱944,959,359 |

Trade receivables primarily represent buyers' unpaid balances arising from real estate sales. These are collectible in monthly installments over a period of 1 year to 10 years and bear interest of 8% to 18% per annum computed daily based on the diminishing balance of the principal.

Trade receivables from related parties are composed of unremitted sales collections by related parties in behalf of the Group and uncollected rental income from a related party (see Note 19). Non-trade receivables from related parties includes set-up of receivables due to returned deposit on land rights to the Parent Company as a result of the rescission of the assignment of land rights (see Note 6).

Advances to officers and employees pertain to loans granted to the Group's employees which are collectible through salary deduction, are noninterest-bearing and have various maturity dates. These also include advances for liquidation pertaining to cash advances to custodians for site costs and administrative expenses which are replenished upon liquidation.

Accrued interest receivable is derived from buyers under installment scheme which are due and demandable.

Advances to joint venture partner pertain to cash advances to land owner or joint venture partner for the property or land that will be developed.

Commission receivable represents the uncollected and unbilled commission revenue equivalent to a certain percentage of the total contract price of properties sold when the Parent Company acted as an agent.

Other receivables primarily represent the Group's uncollected development income in a project in Antipolo, Rizal.
As of December 31, 2014 and 2013, receivables from sales of subdivision land and condominium units with a nominal amount of ₱1,214.98 million and ₱1,017.63 million, respectively, were recorded at fair value at initial recognition. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments ranging from 4.89% to 6.63% in 2014 and 2013, respectively. The aggregate unamortized discount amounted to ₱22.98 million and ₱26.19 million as of December 31, 2014 and 2013, respectively.

Movements in the unamortized discount of the Group's receivables follow:

| | **2014** | 2013 |
|---|---|---|
| Balance at January 1 | **₱26,187,032** | ₱49,206,681 |
| Additions | **26,634,464** | 9,922,715 |
| Accretion from unamortized discount (Note 16) | **(29,836,721)** | (32,942,364) |
| Balance at December 31 | **₱22,984,775** | ₱26,187,032 |

Movements in allowance for doubtful accounts follow:

| | **2014** | 2013 |
|---|---|---|
| Balance at January 1 | **₱5,321,849** | ₱5,054,799 |
| Provisions | **–** | 267,050 |
| Balance at December 31 | **₱5,321,849** | ₱5,321,849 |

Interest income arising from the Group's trade receivables is detailed as follows (see Note 16):

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Accretion from unamortized discount | **₱29,836,721** | ₱32,942,364 | ₱39,612,749 |
| Interest from interest-bearing receivables | **53,478,315** | 55,712,158 | 25,717,951 |
| | **₱83,315,036** | ₱88,654,522 | ₱65,330,700 |

6. **Deposit on Land Rights**

On April 13, 2012, the Parent Company and SLRDI entered into an assignment of rights for properties at Saddles and Club Leisure Park located at General Trias, Cavite with an area of approximately 545,000 square meters to either: (a) to purchase real estate properties, (b) to develop the property as developer in a joint venture or (c) to undertake a combination of any of the foregoing, as may be agreed by the parties. The consideration amounted to ₱1,358.69 million and this was recorded by the Parent Company as deposit on land right while awaiting for the final plan on the property.

As discussed in Note 1, on July 8, 2014, the Parent Company and SLRDI rescinded the above assignment of land rights. This resulted to the derecognition of the asset in 2014 and recording of receivable from SLRDI amounting to ₱1,358.69 million as a result of the rescission (see Notes 15 and 19).

## 7. Real Estate Inventories

A summary of the movement in inventory is set out below:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **₱8,111,110,094** | ₱7,663,871,869 |
| Construction/development costs incurred | **574,486,375** | 831,569,932 |
| Repossessed real estate inventories | **78,738,174** | – |
| Borrowing costs capitalized (Notes 14 and 18) | **31,290,028** | 26,517,849 |
| Land acquired during the year | **4,726,500** | 9,652,600 |
| Disposal of raw land | **(71,575,000)** | – |
| Costs of real estate | **(761,459,659)** | (420,502,156) |
| Balance at end of year | **₱7,967,316,512** | ₱8,111,110,094 |

Real estate inventories are stated at cost, which is lower than net realizable value. Inventories recognized as cost of sales under the caption "Costs of real estate" in consolidated statements of comprehensive income amounted to ₱761.46 million, ₱420.50 million and ₱802.39 million in 2014, 2013 and 2012, respectively.

Repossessed real estate inventories represent previously sold lot inventories which are recorded back to inventories due to cancellation of sales due to buyers' default in payment. Upon transfer back to the Group, these are recorded at fair value less cost to sell at the time of transfer and are held for sale in the ordinary course of business. In 2014, gain on repossession of real estate inventories amounted to ₱33.16 million (see Note 17).

The Group acquired various land for development amounting to ₱4.73 million and ₱9.65 million in 2014 and 2013, respectively. Initial stages of development are underway on these properties with a view to subsequent sale as subdivision lots.

Inventories with carrying value amounting to ₱1,150.75 million and ₱412.61 million were pledged as collateral on a loan facility agreement with the local banks as of December 31, 2014 and 2013, respectively (see Note 14).

## 8. Other Current Assets

| | **2014** | 2013 |
|---|---|---|
| Advances to contractors | **₱1,235,741,378** | ₱732,298,261 |
| Prepaid commission | **176,969,678** | 183,860,264 |
| Advances to lot owners | **144,873,240** | 38,893,001 |
| Input VAT | **31,669,899** | – |
| Others | **21,486,621** | 8,029,119 |
| | **₱1,610,740,816** | ₱963,080,645 |

Advances to contractors represent payments made in advance for construction. The advances will be settled through recoupment against the contractor's billings and are expected to be liquidated within a year.

Prepaid commission pertains to payments to agents for sales commission on inventory units that are not yet recognized as sales during the year. These are recognized as expense when the related customer account qualifies for revenue recognition.

Advances to lot owners consist of advance payments to land owners which will be applied against the costs of the real properties that will be acquired. The application is expected to be within 12 months after the reporting date.

Others represent creditable withholding taxes which are applied against income tax payable. This also includes prepaid rent and security deposits for short term leases.

## 9. Available-for-Sale Financial Assets

This account consists of investments in:

| | **2014** | 2013 |
|---|---|---|
| Quoted AFS financial assets - cost | **₱323,374,968** | ₱323,374,968 |
| Net unrealized gain on quoted AFS financial assets | **406,558,117** | 407,181,382 |
| | **₱729,933,085** | ₱730,556,350 |

Unrealized gain or loss on change in market value of AFS securities for the period recognized in OCI amounted to ₱0.62 million, ₱2.53 million and ₱208.45 million in 2014, 2013, 2012, respectively.

Dividends earned amounted to ₱5.67 million, ₱5.54 million and ₱5.86 million in 2014, 2013 and 2012, respectively.

Movements in the net unrealized gain on AFS financial assets follow:

| | **2014** | 2013 |
|---|---|---|
| Balances at beginning of year | **₱407,181,382** | ₱404,655,502 |
| Fair value change during the year | **(623,265)** | 2,525,880 |
| Balances at end of year | **₱406,558,117** | ₱407,181,382 |

10. **Investment Properties**

The rollforward analyses of this account follow:

| | **2014** | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Land Improvements** | **Buildings and Improvements** | **Machinery and Equipment** | **Construction in Progress** | **Total** |
| **Cost** | | | | | | |
| Balances at beginning of year | **₱1,607,845,000** | **₱44,259,000** | **₱2,629,773,000** | **₱412,409,000** | **₱370,691,702** | **₱5,064,977,702** |
| Additions | **–** | **–** | **97,827,334** | **–** | **363,174,332** | **461,001,666** |
| Transfers | **–** | **–** | **733,866,034** | **–** | **(733,866,034)** | **–** |
| Balances at end of year | **1,607,845,000** | **44,259,000** | **3,461,466,368** | **412,409,000** | **–** | **5,525,979,368** |
| **Accumulated Depreciation** | | | | | | |
| Balances at beginning of year | **–** | **6,638,850** | **394,465,950** | **247,445,400** | **–** | **648,550,200** |
| Depreciation | **–** | **1,106,475** | **74,767,205** | **41,240,900** | **–** | **117,114,580** |
| Balances at end of year | **–** | **7,745,325** | **469,233,155** | **288,686,300** | **–** | **765,664,780** |
| **Net Book Value at December 31** | **₱1,607,845,000** | **₱36,513,675** | **₱2,992,233,213** | **₱123,722,700** | **₱–** | **₱4,760,314,588** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Land Improvements | Buildings and Improvements | Machinery and Equipment | Construction in Progress | Total |
| **Cost** | | | | | | |
| Balances at beginning of year | ₱1,607,845,000 | ₱44,259,000 | ₱2,629,773,000 | ₱412,409,000 | ₱197,757,426 | ₱4,892,043,426 |
| Additions | – | – | – | – | 172,934,276 | 172,934,276 |
| Balances at end of year | 1,607,845,000 | 44,259,000 | 2,629,773,000 | 412,409,000 | 370,691,702 | 5,064,977,702 |
| **Accumulated Depreciation** | | | | | | |
| Balances at beginning of year | – | 5,532,375 | 328,721,625 | 206,204,500 | – | 540,458,500 |
| Depreciation | – | 1,106,475 | 65,744,325 | 41,240,900 | – | 108,091,700 |
| Balances at end of year | – | 6,638,850 | 394,465,950 | 247,445,400 | – | 648,550,200 |
| **Net Book Value at December 31** | ₱1,607,845,000 | ₱37,620,150 | ₱2,235,307,050 | ₱164,963,600 | ₱370,691,702 | ₱4,416,427,502 |

The aggregate fair value of the Group's investment properties amounting to ₱7,437.69 million and ₱6,752.12 million as of December 31, 2014 and 2013 were determined by independent professional qualified appraiser. The fair value of the investment properties disclosed in the consolidated financial statements is categorized within Level 3 of the fair value hierarchy.

The value of investment properties was arrived using Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings within to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Total rental income arising from investment properties amounted to ₱504.34 million, ₱355.10 million and ₱385.85 million in 2014, 2013 and 2012, respectively. Direct costs arising from the investment properties amounted to ₱117.11 million, ₱108.09 million and ₱108.09 million in 2014, 2013 and 2012 is included in the costs of rental income in the consolidated statements of comprehensive income.

The carrying value of investment property pertaining to Sta. Lucia East Grand Mall is pledged as collateral on a loan facility agreement with a local bank (see Note 14).

On August 30, 2014, the construction of the iL Centro Mall was completed and the total construction costs included in 'Construction in progress' account was transferred to 'Building and Improvements'.

## 11. Property and Equipment

The rollforward analyses of this account follow:

| | 2014 | | | | |
|---|---|---|---|---|---|
| | **Office Tools and Equipment** | **Transportation Equipment** | **Furniture and Fixtures** | **Software** | **Total** |
| **Cost** | | | | | |
| Balances at beginning of year | **₱5,485,495** | **₱14,303,337** | **₱4,056,066** | **₱36,767,239** | **₱60,612,137** |
| Additions | **666,256** | **17,179,241** | **215,827** | **1,715,000** | **19,776,324** |
| Transfers (Note 23) | **2,267,496** | **2,864,755** | **5,734** | **–** | **5,137,985** |
| Disposals | **–** | **1,973,784** | **–** | **–** | **1,973,784** |
| Balances at end of year | **8,419,247** | **32,373,549** | **4,277,627** | **38,482,239** | **83,552,662** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balances at beginning of year | **3,201,750** | **5,792,381** | **1,761,454** | **26,125,632** | **36,881,217** |
| Depreciation and amortization | **1,230,736** | **3,974,932** | **600,109** | **2,360,692** | **8,166,469** |
| On Disposals | **–** | **128,944** | **–** | **–** | **128,944** |
| Balances at end of year | **4,432,486** | **9,638,369** | **2,361,563** | **28,486,324** | **44,918,742** |
| **Net Book Value** | **₱3,986,761** | **₱22,735,180** | **₱1,916,064** | **₱9,995,915** | **₱38,633,920** |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Office Tools and Equipment | Transportation Equipment | Furniture and Fixtures | Software | Total |
| **Cost** | | | | | |
| Balances at beginning of year | ₱3,340,595 | ₱11,216,732 | ₱1,828,823 | ₱25,567,239 | ₱41,953,389 |
| Additions | 2,144,900 | 3,086,605 | 2,227,243 | 11,200,000 | 18,658,748 |
| Balances at end of year | 5,485,495 | 14,303,337 | 4,056,066 | 36,767,239 | 60,612,137 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balances at beginning of year | 2,123,579 | 3,460,227 | 1,275,377 | 25,555,989 | 32,415,172 |
| Depreciation and amortization | 1,078,171 | 2,332,154 | 486,077 | 569,643 | 4,466,045 |
| Balances at end of year | 3,201,750 | 5,792,381 | 1,761,454 | 26,125,632 | 36,881,217 |
| **Net Book Value** | ₱2,283,745 | ₱8,510,956 | ₱2,294,612 | ₱10,641,607 | ₱23,730,920 |

The cost of fully depreciated property and equipment that are still in use amounted to ₱32.42 million and ₱29.97 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, there are no capital commitments for property and equipment.

## 12. Accounts and Other Payables

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Contractors payable | **₱828,726,652** | ₱690,206,348 |
| Offsetting payable | **464,259,502** | 408,280,242 |
| Commission payable | **85,388,330** | 85,388,330 |
| Joint venture payable | **65,656,019** | 61,878,300 |
| Accounts payable | **60,450,002** | 64,333,536 |
| Retentions payable | **46,920,798** | 42,760,775 |
| Accrued payables | **27,430,303** | 10,430,410 |
| Advances from shareholders | **16,206,103** | 16,206,103 |
| Professional fees | **9,767,127** | 5,195,107 |
| Interest payable | **8,975,286** | 7,014,427 |
| Others | **80,159,960** | 39,957,943 |
| | **₱1,693,940,082** | ₱1,431,651,521 |

Contractors payable arises from progress billings received from contractors' unbilled completed work on the development of projects. These are non-interest bearing and are normally settled on 30 to 60-day terms.

The Group entered into offsetting agreements with its suppliers whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services in accordance with specifications stated in the purchase orders and as stated in the bid proposal. The contract price of the arrangement subject to offsetting is presented as "Offsetting payable" until all revenue recognition criteria are met.

Commission payable pertains to balances due to marketing arms, agents and brokers for commission expenses for marketing efforts which are non-interest bearing and are normally settled on 30 to 60-day terms.

Joint venture payable pertains to the share of the joint venture partners and is normally remitted within 90 days from the date of collection.

Accounts payable are amounts due to suppliers which are noninterest-bearing and are normally settled on 15 to 60-day terms.

Retentions payable represents amounts withheld from payments to contractors as a guaranty for any claims against them. These are non-interest bearing and will be remitted to contractors at the end of the contract work.

Accrued payables include accruals for operating expenses and are normally settled on 15 to 60-day terms.

Advances from shareholders represent financial support for the initial commercial operations of SVI.

Professional fees represents unpaid portion of fees to professionals for brokering between the Group and landowners for joint venture agreements.

Professional fees represents unpaid portion of fees to professionals for brokering between the Group and landowners for joint venture agreements.

Other payables primarily consist of withholding taxes and mandatory employer's contributions which are non-interest bearing and are normally settled within one year.

## 13. Customers' Deposits

The Group requires buyers of the residential condominium units and subdivision lots to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. In this regard, this account represents the payment of buyers which have not reached the minimum required percentage of collection. When the level of required payment is reached by the buyer, the sale is recognized and customers' deposits will be applied against the related installment contracts receivable.

Customers' deposits amounted to ₱743.82 million and ₱673.28 million as of December 31, 2014 and 2013, respectively.

## 14. Loans Payable

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Loans under notes facility | **₱1,390,366,541** | ₱1,589,130,952 |
| Loans under revolving credit facility | **1,175,295,520** | 49,000,000 |
| Single payment short-term loan | **634,884,011** | 1,038,000,000 |
| | **3,200,546,072** | 2,676,130,952 |
| Less unamortized debt issuance cost | **(2,494,403)** | (2,974,110) |
| | **₱3,198,051,669** | ₱2,673,156,842 |

Loans bear average interest rates of 3.85% to 7.00% per annum and 3.85% to 7.00% per annum in December 31, 2014 and 2013, respectively (see Note 18).

*Loans under notes facility agreement*
On November 12, 2009, the Group entered into a Local Currency Notes Facility Agreement with Banco De Oro (BDO) whereby the Group was granted a credit line facility amounting to ₱1,500.00 million. The Group availed ₱500.00 million, ₱400.00 million and ₱600.00 million in 2011, 2010 and 2009, respectively, of the amount granted. The loan facility was fully drawn in 2011. The loan is payable in equal quarterly amortization and is expected to mature on November 2015. The outstanding loan balance from this credit line facility amounted to ₱600.00 million and ₱900.00 million as of December 31, 2014 and 2013, respectively.

On June 26, 2011, the Group entered into another Local Currency Notes Facility with BDO, whereby the Group was granted a credit line facility amounting ₱1,500.00 million. The Group availed ₱200.00 million during 2011 and 2012, ₱339.00 million during 2013 and an additional ₱430.00 million in 2014. As of December 31, 2014, the unused credit facility amounted to ₱331.00 million and the outstanding loan balance from the drawdowns made amounted to ₱790.37 million, payable quarterly.

Interest rate is based on the latest 91-day Treasury bill rates plus 2.50%. The term loan facility is secured by a Mortgage Trust Indenture over land and building with a total carrying value ₱3,104.97 million as of December 31, 2014 and 2013 (see Note 10).

The Group reassessed its loan agreement and determined that there are existing conditions that warrant the Group to present these bank loans as current.

Transaction costs capitalized amounted to ₱1.18 million and ₱0.73 million in 2014 and 2013, respectively. Amortization amounted ₱1.65 million and ₱1.98 million was expensed as part of "Taxes, licenses and fees expenses" in 2014 and 2013, respectively.

The rollforward analyses of unamortized debt issuance cost follow:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of the year | **₱2,974,110** | ₱4,231,860 |
| Availments | **1,175,000** | 725,000 |
| Amortization | **(1,654,707)** | (1,982,750) |
| Balance at end of the year | **₱2,494,403** | ₱2,974,110 |

*Loans under revolving credit facility agreement*
On June 22, 2011, the Group obtained an ₱800.00 million contract to sell (CTS) financing from China Banking Corporation (CBC) against its receivables from condominium projects namely, La Breza, La Mirada and Splendido Tower, on a with recourse basis.

On August 24, 2011, the Group obtained another ₱800.00 million revolving credit facility from CBC, whereby the Group offered real estate properties as collateral. In 2012, the Group fully drawn the remaining revolving credit facility granted in 2011 which matured during the year. On October 20, 2012, the Group renewed and fully drawn the credit line which bears fixed interest at 5.25%, with a maturity of one year from drawdown date. The loan is secured with various real estate mortgages (REM) on land with a carrying value of ₱261.98 million as of December 31, 2014 and 2013 (Note 10). On October 25, 2013, the Group renewed its revolving credit facility REM commercial loans amounting to ₱820.00 million, bearing interest rate of 5.25%. As of December 31, 2014 and 2013, outstanding CBC loan amounted to ₱994.00 million and ₱799.50 million, respectively.

In 2012, the Group renewed the peso-denominated short-term loan contract with Bank of the Philippine Islands (BPI) amounting to ₱155.00 million, which bears a fixed interest rate of 7.00% per annum subject to quarterly repricing and payable monthly in arrears which is secured by various real properties with carrying value of ₱261.98 million (see Note 7). The proceeds of the loans were used in the working capital requirements of the Group. As of December 31, 2014 and 2013, outstanding BPI loan amounted to ₱86.80 million and ₱144.00 million, respectively.

On June 12, 2013, the Group availed of a ₱100.00 million credit line agreement with Malayan Bank Savings and Mortgage Bank, whereby the Group offered its 20,000,000 PRCI shares as collateral. The Group has drawn ₱46.00 million and ₱48.50 million in June and July 2013, respectively, which are still outstanding as of December 31, 2013 and 2014.

The Group entered into a short term secured omnibus line with Asia United Bank in September 2014 amounting to ₱250.00 million. The Group drew ₱100.00 million and ₱150.00 million, in September and November 2014, respectively. The loan is mortgaged with various real estate properties with a carrying value of ₱228.20 million as of December 31, 2014 located at Neopolitan Business Park.

*Single payment short-term loan*
The Company obtained one-year secured loan from Rizal Commercial Banking Corporation (RCBC) amounting to ₱49.00 million and ₱50.00 million on 2013 and 2014, respectively. The loan is secured by various real properties with carrying value of ₱150.63 million as of December 31, 2014 (see Note 7).

On December 22, 2014, SLRDI and the Parent Company entered into an agreement wherein the Parent Company assumed the loan of SLRDI from RCBC amounting to ₱285.88 million. Payments of interest to RCBC starting January 2015 will be reimbursed by SLRDI (see Note 19).

As of December 31, 2014 and 2013, outstanding RCBC loan is ₱384.88 and ₱49.00 million respectively.

The Group capitalized interest amounting to ₱31.29 million and ₱26.52 million for 2014 and 2013, respectively, as part of "Real estate inventories" in the consolidated statements of financial position (see Note 7). The average capitalization rate is 4.89% and 4.78% in 2014 and 2013, respectively.

## 15. **Equity**

As of December 31, 2014, 2013 and 2012, capital stock consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Par value per share - ₱1.00 | | | |
| Authorized common shares | **16,000,000,000** | 16,000,000,000 | 16,000,000,000 |
| Issued shares | **10,796,450,000** | 10,796,450,000 | 10,796,450,000 |
| Treasury shares | **2,250,000,000** | – | – |
| Outstanding shares | **8,546,450,000** | 10,796,450,000 | 10,796,450,000 |

Below is the Parent Company's track record of registration:

a) The Parent Company was incorporated as Zipporah Mining and Industrial Corporation ('Zipporah Mining') on December 6, 1966 as a mining firm.

b) On September 14, 1987, the Parent Company launched its Initial Public Offering where a total of 20,000,000 common shares were offered at an offering price of ₱1.00 per share.

c) Subject to a restructuring program, the BOD of the Parent Company approved on November 22, 1995 the offering of up to 1,000,000,000 shares of stock out of the increase in the authorized capital stock from ₱50.00 million to ₱2,000.00 million at a par value of ₱1.00, to a group of investors led by the Ultimate Parent Company. This was subsequently approved and ratified by the stockholders in a Special Stockholders' Meeting on December 18, 1995.

d) On December 18, 1995, the stockholders of the Parent Company approved a number of changes in the corporate structure as part of its diversification scheme. These were:

   1. The change of its name to Zipporah Realty Holdings, Inc.;
   2. The increase in the number of directors from nine to 11;
   3. The waiver of the pre-emptive rights over the future issuances of shares;
   4. The change in the primary and secondary purposes;
   5. The change in the par value of its shares from ₱0.01 to ₱1.00; and
   6. The increase in its authorized capital stock to ₱2,000.00 million.

   The first four changes were approved by the SEC on August 14, 1996 while the last two corporate acts were approved on January 22, 1997.

e) On June 15, 2007, the BOD approved the following resolutions and was ratified by the stockholders on July 16, 2007:

   1. Change in Corporate name to Sta. Lucia Land, Inc.
   2. Increase in authorized capital stock of the Parent Company from ₱2,000.00 million divided into 2,000,000,000 shares to ₱16,0000.00 million divided into 16,000,000,000 shares or an increase of ₱14,000.00 million with a par value of ₱1.00 per share.
   3. Subscription of the Ultimate Parent Company of up to 10,000,000,000 shares out of the increase in the Parent Company's authorized capital stock; and
   4. Ultimate Parent Company's subscription to such shares shall be at par value, and the consideration for which shall be the assignment and transfer by the Ultimate Parent Company to the Parent Company of assets acceptable to the Parent Company at a reasonable discount on the fair market value of such assets. The fair value market value was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

   The above resolutions were ratified by the Parent Company's shareholders on July 16, 2007.

f) On December 8, 2007, the Parent Company and the Ultimate Parent Company executed various deeds of assignment wherein the Ultimate Parent Company assigned all its rights, title and interest to certain properties consisting of investment properties (Sta. Lucia East Grand Mall) amounting to ₱4,710.00 million and certain parcels of land amounting to ₱6,018.50 million and assumption of mortgage in the investment properties of ₱723.60 million. The investments of the Ultimate Parent Company through the said assignment of various properties, net of mortgage assumed, were recognized as additional outstanding shares of ₱10,000.00 million.

Below is the summary of outstanding number of shares and holders of security as of December 31, 2014:

| Year | Number of Shares Registered | Number of Holders of Securities |
|---|---|---|
| January 1, 2013 | 10,796,450,000 | 274 |
| Add/(Deduct) movement | – | (4) |
| December 31, 2013 | 10,796,450,000 | 270 |
| Add/(Deduct) movement | (2,250,000,000) | (1) |
| December 31, 2014 | 8,546,450,000 | 269 |

Treasury Stock
On July 8, 2014, the Parent Company and the Ultimate Parent Company executed a deed of assignment of shares of stock wherein the parties agreed as follows:

1. The previous assignment by the Ultimate Parent Company of Saddle and Clubs Leisure Park was rescinded (see Note 6).
2. The Ultimate Parent Company will transfer 3,000 million shares of the Parent Company in favor of the latter as payment for the ₱1,801.11 million advances to the former.
3. The parties agreed that the assignment of the 3,000 million shares will be in two tranches, as follows:
   a. Tranche 1 - 2,250 million shares covering ₱900.00 million of advances; and
   b. Tranche 2 - 750 million shares covering ₱901.11million of the advances.

On October 8, 2014, the first tranche was executed and resulted to a decrease in the outstanding shares of the Parent Company from 10,796.45 million in 2013 to 8,546.45 million in 2014 due to treasury shares in the first tranche .

The second tranche is expected to be completed one year from the date of the deed of assignment of schares of stock.

Retained Earnings
In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Group's retained earnings available for dividend declaration as of December 31, 2014 and 2013 amounted to ₱1,216.33 million and ₱689.01 million, respectively, subject to certain restrictions as provided by the loan agreements (see Note 14).

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks. The Group will manage its capital structure and make adjustments to it, in light of changes in economic decisions.

The Group's sources of capital include all the components of the equity totaling ₱11.73 billion in 2014 and ₱12.08 billion in 2013.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of short term notes or long-term notes and bonds.

The following table shows how the Group computes for its net debt-to-equity ratios as of December 31, 2014 and 2013:

| | **2014** | 2013 |
|---|---|---|
| Debt | **₱3,198,051,669** | ₱2,673,156,842 |
| Less: Cash (Note 4) | **116,071,882** | 30,463,668 |
| Net debt | **3,081,979,787** | 2,642,693,174 |
| Equity | **11,732,283,998** | 12,084,398,072 |
| Net debt-to-equity ratio | **26.27 %** | 21.86% |

*Financial risk assessment*

The Group's financial condition and operating results would not be materially affected by the current changes in credit, interest and liquidity conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group's ratio of fixed to floating rate debt stood at 43:57 and 59:41 as of December 31, 2014 and 2013. As a result, any adverse movement in interest rates is mitigated.

## 16. Interest Income

This account consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Interest income from: | | | |
| Trade receivables (Note 5) | **₱53,478,315** | ₱55,712,158 | ₱25,717,951 |
| Accretion from unamortized discount (Note 5) | **29,836,721** | 32,942,364 | 39,612,749 |
| Cash in banks (Note 4) | **128,423** | 105,551 | 163,854 |
| | **₱83,443,459** | ₱88,760,073 | ₱65,494,554 |

## 17. Other Income

This account consists of:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Management income (Note 19) | **₱45,763,393** | ₱– | ₱– |
| Processing and registration fee | **35,228,500** | 16,279,024 | 15,225,590 |
| Surcharges and penalties | **34,977,973** | 27,293,304 | 14,921,805 |
| Gain on repossession of real estate inventories (Note 7) | **33,155,466** | – | – |
| Profit share in hotel operations | **2,498,150** | 10,381,792 | 6,728,882 |
| Others | **4,656,054** | 3,282,338 | – |
| | **₱156,279,536** | ₱57,236,458 | ₱36,876,277 |

Others mainly consists of income from contractual developments and foreign exchange gains and losses.

## 18. Interest Expense

Interest expense consists of:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest expense on loans | **₱140,767,865** | ₱127,667,565 | ₱117,521,896 |
| Other financing charges | **3,875,292** | 1,422,482 | 1,173,839 |
| | **144,643,157** | 129,090,047 | 118,695,735 |
| Less capitalized borrowing costs | **(31,290,028)** | (26,517,849) | (23,387,110) |
| | **₱113,353,129** | ₱102,572,198 | ₱95,308,625 |

## 19. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed-upon by the parties.

The significant transactions with related parties follow:

a. The Parent Company, in the normal course of business, has transactions with its affiliated companies consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.

   On July 8, 2014, the Parent Company and SLRDI agreed to rescind the assignment of rights for properties at Saddles and Club Leisure Park (see Note 6). This resulted to reversal of deposit on land rights and recording of advances to related parties amounting to ₱1,358.69 million.

On the same date, the Parent Company and SLRDI entered into a deed of assignment of shares of stock. The agreement involves settlement of advances to related parties amounting to ₱1,801.11 million in exchange of 3,000 million shares of the Parent Company held by SLRDI. The transaction will be done in two tranches and the first tranche involving return of 2,250,000 shares applied against ₱900.00 million advances to SLRDI was completed in 2014 (see Note 15).

b. The Parent Company together with SLRDI, in the normal course of business, enters into offsetting agreement with contractors and suppliers (offsetters) where lots will be given out in exchange for the services rendered or materials/supplies delivered. Contractors and suppliers have the option to choose any lot from the available projects of the Group or of SLRDI, regardless of whom the services were rendered or materials were delivered. Such arrangement resulted to receivables from SLRDI amounting to ₱33.32 million and ₱7.10 million as of December 31, 2014 and 2013, respectively.

c. Other transactions with the SLRDI include non-interest bearing cash advances for various charges to and from affiliated companies for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs.

d. This pertains to the monthly amortization payment from the buyers of the Group collected by SLRDI due to be remitted to the Parent Company.

e. In 2014, other shareholders advanced working capital to its subsidiary, SVI, to be used on administrative expenses related to selling properties.

f. In 2014, SLRDI sold to a third party a piece of real property located in Cansaga, Consolacion, Cebu for a consideration of ₱102.51 million. SLRDI, through a memorandum of agreement, contracted the services of the Parent Company for the management of the property, research on the market price and negotiation of the sale. The Parent Company recognized management fee of ₱45.76 million in relation to the services provided.

g. At the start of 2014, the Parent Company and SLRDI entered into several memorandums of agreements wherein the Parent Company undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by the Parent Company, SLRDI has agreed to the following:

   - Colinas Verdes Bulacan Project - SLRDI has entered into a joint venture agreement with Araneta Properties, Inc. (API) for a proceeds sharing agreement of 60% SLRDI - 40% API share. The Parent Company shall be entitled to 75% of SLRDI's share in all the income and share in the proceeds joint venture and 12% marketing fee on the gross selling price of all sales made from the project;
   - Green Meadows Iloilo Project - SLRDI has entered into a joint venture agreement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% SLRDI - 45% ARSBS share. The Parent Company shall be entitled to 75% of SLRDI's share in of all the income from the lot share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project;

- Ponte Verde Davao Project- SLRDI has entered into a joint venture agreement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. The Parent Company shall be entitled to 75% of SLRDI's share in of all the income from the lot share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project; and
- Valle Verde Davao Project - SLRDI has entered into a joint venture agreement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. The Parent Company shall be entitled to 75% of SLRDI's share in of all the income from the lot share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project.

During the year, the Company recognized real estate revenue amounting to a total of ₱795.90 million for the above agreements.

Proceeds from the above agreements are offset from the advances of the Parent Company to SLRDI.

h. SLRDI has entered into a loan agreement with Rizal Commercial Banking Corporation (RCBC) and has a loan balance of ₱285.88 million as of December 22, 2014. On the same date SLRDI and the Parent Company entered into a memorandum of agreement whereby the Parent Company shall assume the liability and the payment of SLRDI's financial obligation (see Note 14).

i. The Parent Company entered into a lease agreement with Sta. Lucia East Commercial Corporation (SLECC), an affiliate, starting January 2011. The lease agreements convey to SLECC the lease of a mall owned by the Parent Company. The agreement is automatically renewed every year. Since the inception of the lease, the payment of SLECC to SLLI is at 90% of SLECC's net income, gross of real property tax from managing mall operations including repairs and maintenance and collection of space rental from storeowners or tenants (see Note 23). This lease agreement was terminated on September 30, 2014.

   Effective October 1, 2014, the Parent Company directly entered into lease agreements with mall tenants. SLECC and the Parent Company, on the other hand entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, the Parent Company shall pay SLECC a management fee equivalent to 7% of the gross rental revenue.

j. Advances to tenants pertain to the unpaid portion of rent charges of the Parent Company shareholders.

The related amounts and outstanding balances from related party transactions in 2014 and 2013 follow:

| | 2014 | | | |
|---|---|---|---|---|
| | **Amount** | **Due from (to)** | **Terms** | **Conditions** |
| **Ultimate Parent Company (SLRDI)** | | | | |
| ***Non-trade receivables*** | | | | |
| Advances (a) | **₱ 1,617,397,165** | **₱465,674,313** | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| Offsetting (b) | **71,499,656** | **33,323,892** | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| Assumption of loan (h) | **285,884,011** | **285,884,011** | Due and demandable; non-interest bearing | Unsecured; no impairment |
| ***Trade receivables*** | | | | |
| Sharing of expenses (c) | **43,171,632** | **28,244,061** | Due and demandable; non-interest bearing | Unsecured; no impairment |
| Unremitted collections (d) | **114,565,969** | **5,302,240** | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| Management fee (f) | **45,763,393** | **–** | – | – |
| Revenue sharing (g) | **795,900,099** | **(20,117,746)** | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| **Affiliate** | | | | |
| ***Trade receivables*** | | | | |
| Rental income (i) | **262,701,389** | **444,723,303** | Due and demandable; non-interest bearing | Unsecured; no impairment |
| Tenants (j) | **15,659,416** | **15,659,416** | Due and demandable; non-interest bearing | Unsecured; no impairment |
| **Shareholders** | | | | |
| Advances (e) | **–** | **(16,206,103)** | Due and demandable; non-interest bearing | Unsecured |
| | | **₱1,242,487,387** | | |

| | 2013 | | | |
|---|---|---|---|---|
| | Amount | Due from (to) | Terms | Conditions |
| **Ultimate Parent Company** | | | | |
| ***Non-trade receivables*** | | | | |
| Advances (a) | ₱167,562,972 | ₱19,771,840 | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| Offsetting (b) | 33,294,637 | 7,104,493 | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| ***Trade receivables*** | | | | |
| Sharing of expenses (c) | 4,000,674 | 4,000,674 | Due and demandable; non-interest bearing | Unsecured; no impairment |
| Unremitted collections (d) | 153,637,226 | 183,110 | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| ***Deposit on land rights (a)*** | – | 1,358,686,369 | Due and demandable; noninterest-bearing | Unsecured; no impairment |
| **Affiliate** | | | | |
| ***Trade receivables*** | | | | |
| Rental income (i) | 355,102,666 | 390,684,940 | Due and demandable; non-interest bearing | Unsecured; no impairment |
| **Shareholders** | | | | |
| Advances (e) | 16,206,103 | (16,206,103) | Due and demandable; non-interest bearing | Unsecured |
| | | ₱1,764,225,323 | | |

As of December 31, 2014 and 2013, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key management personnel
Compensation of key management personnel by benefit type follows:

| | **2014** | 2013 |
|---|---|---|
| Short-term employee benefits | **₱14,670,000** | ₱14,670,000 |
| Post-employment benefits (Note 20) | **500,000** | 300,553 |
| | **₱15,170,000** | ₱14,970,553 |

*Terms and conditions of transactions with related parties*
There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

## 20. Pension Liabilities

The Group has no formal retirement plan and accrues retirement liability based on the requirement under Republic Act (RA) 7641. Under the existing regulatory framework, RA 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law.

RA 7641 provides pension benefits equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of the retirement expense and the pension liability recognized in the consolidated statements of financial position for the retirement plan.

The retirement expense included in "Salaries and wages" in the consolidated statements of comprehensive income follow:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Current service cost | **₱565,275** | ₱382,542 | ₱76,981 |
| Interest cost | **57,189** | 29,156 | 11,489 |
| | **₱622,464** | ₱411,698 | ₱88,470 |

The remeasurement recognized in OCI for the year ended December 31, 2014, 2013 and 2012 follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Actuarial loss due to: | | | |
| Experience adjustments | **(₱12,764)** | ₱63,302 | ₱55,230 |
| Changes in financial assumptions | **352,900** | 51,500 | 223,100 |
| | **₱340,136** | ₱114,802 | ₱278,330 |

Changes in the present value of the defined benefit obligation follow:

| | **2014** | 2013 |
|---|---|---|
| At beginning of year | **₱1,024,900** | ₱498,400 |
| Current service cost | **565,275** | 382,542 |
| Interest cost | **57,189** | 29,156 |
| Actuarial loss due to: | | |
| Experience adjustments | **(12,764)** | 63,302 |
| Changes in financial assumptions | **352,900** | 51,500 |
| At end of year | **₱1,987,500** | ₱1,024,900 |

The movements in pension liabilities follow:

| | **2014** | 2013 |
|---|---|---|
| At beginning of year | **₱1,024,900** | ₱498,400 |
| Retirement expense | **622,464** | 411,698 |
| Remeasurement recognized in OCI | **340,136** | 114,802 |
| At end of year | **₱1,987,500** | ₱1,024,900 |

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Discount rate | **4.50%** | 5.58% | 5.85% |
| Salary increase rate | **2.00%** | 2.00% | 2.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

| | **2014** | | |
|---|---|---|---|
| | | **Impact on defined benefit obligation** | |
| | **Increase/ decrease in rate** | **Increase** | **Decrease** |
| Salary increase rate | **±1%** | **₱222,500** | **(₱179,200)** |
| Discount rate | **±1%** | **(177,400)** | **224,000** |

| | 2013 | | |
|---|---|---|---|
| | Increase/ decrease in rate | Impact on defined benefit obligation | |
| | | Increase | Decrease |
| Salary increase rate | ±1% | ₱406,800 | (₱179,200) |
| Discount rate | ±1% | (177,400) | 224,000 |

The Group does not expect to set-up a fund for its retirement benefit obligation in 2014. In case of retirement due without an established fund, the Group plans to source its payments from its operating funds.

Shown below is the maturity analysis of the undiscounted benefit payments:

| | **December 31** | |
|---|---|---|
| | **2014** | 2013 |
| Less than 1 year | **₱–** | ₱– |
| More than 1 year to 5 years | **–** | – |
| More than 5 years to 10 years | **507,218** | 520,470 |
| More than 10 years to 15 years | **8,456,547** | 8,528,648 |
| More than 15 years to 20 years | **1,614,689** | 1,593,512 |
| More than 20 years | **28,363,515** | 26,963,113 |

There was no plan amendment, curtailment, or settlement recognized in 2014 and 2013.

## 21. Interest in Joint Ventures

The Group has entered into joint venture agreements with various landowners and other companies, which include related parties. The interests in these joint ventures range from 32% to 80% depending on the value of the land or investment against the estimated development costs. These joint venture agreements entered into by the Group relate to the development and sale of subdivision land and condominium projects, with certain specified lots or units allocated to the joint venture partner. The Group's joint venture arrangements typically require the joint venture partner to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, with the Group bearing all costs related to land development and the construction of subdivision and condominium facilities.

Sales and marketing costs are allocated to both the Group and the joint venture partners. The projects covering the joint venture agreements are expected to be completed in 2015 to 2017. Capital commitments amounted to ₱2.26 billion and ₱2.19 billion in 2014 and 2013, respectively.

## 22. Segment Information

Operating segments are components of an entity for which discrete financial information is available that is regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and in assessing performance. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has two reportable operating segments as follows:

- *Leasing*
  This segment consists of the Group's investment properties which includes properties that are held to earn rentals and are not occupied by the Group.

- *Residential Development*
  This represents the development and selling of subdivision lots and high rise condominium projects across the Philippines.

For investment properties, financial information is provided to the BOD on a property by property basis. The information provided is net rentals (including gross rent less property expenses). Information on the residential development property segment provided to the BOD is aggregated and is represented by revenue and profit from the sale of real estate inventories.

Segment assets for the investment property segment represent investment property held to earn rentals. Segment assets for the residential development segment represent unsold real estate inventories. Segment liabilities represent loans payable and customers' deposits as these are the only liabilities reported to the BOD on a segmental basis.

The Group's administrative costs, interest income and interest expense are reported to the BOD on a segmental basis. There are no sales between segments.

The following tables regarding business segments present assets and liabilities as of December 31, 2014, 2013 and 2012 and revenue and income information for each of the three years in the period ended December 31, 2014.

| | **2014** | | |
|---|---|---|---|
| | **Leasing** | **Residential Development** | **Total** |
| Rental income | **₱504,335,795** | **₱–** | **₱504,335,795** |
| Depreciation | **(3,557,340)** | **–** | **(3,557,340)** |
| Cost of rental income | **(248,841,127)** | **–** | **(248,841,127)** |
| Real estate sales | **–** | **1,445,350,119** | **1,445,350,119** |
| Cost of real estate sales | **–** | **(761,459,659)** | **(761,459,659)** |
| Construction income | **–** | **28,036,774** | **28,036,774** |
| Cost of real estate sales | **–** | **(19,039,099)** | **(19,039,099)** |
| Segment gross profit | **251,937,328** | **692,888,135** | **944,825,463** |
| General and administrative expense | **(10,942,200)** | **(335,311,148)** | **(346,253,348)** |
| Interest income | **–** | **83,443,459** | **83,443,459** |
| Interest expense | **–** | **(113,353,129)** | **(113,353,129)** |
| Dividend income | **–** | **5,673,449** | **5,673,449** |
| Commission income | **–** | **73,202,048** | **73,202,048** |
| Other income | **–** | **156,279,536** | **156,279,536** |
| Other expense | **–** | **(20,100,950)** | **(20,100,950)** |
| Provision for income tax | **(79,741,096)** | **(155,228,146)** | **(234,969,242)** |
| Net income | **₱161,254,032** | **₱387,493,254** | **₱548,747,286** |
| Total segment assets | **₱4,760,314,588** | **₱13,078,053,574** | **₱17,838,368,162** |

| | **2014** | | |
|---|---|---|---|
| | **Leasing** | **Residential Development** | **Total** |
| Segment liabilities | **86,802,000.00** | **3,865,591,369** | **3,952,393,369** |
| Accounts and other payables | **–** | **1,685,408,846** | **1,685,408,846** |
| Income tax payable | **–** | **29,044,281** | **29,044,281** |
| Deferred tax liability | **271,345,990** | **167,993,718** | **439,339,708** |
| Total liabilities | **₱358,147,990** | **₱5,748,038,214** | **₱6,106,186,204** |
| Cash flows arising from: | | | |
| Operating activities | **₱17,010,517** | **₱28,153,974** | **₱45,164,491** |
| Investing activities | **(363,174,332)** | **(111,947,298)** | **(475,121,630)** |
| Financing activities | **–** | **515,565,253** | **515,565,253** |

| | 2013 | | |
|---|---|---|---|
| | Leasing | Residential Development | Total |
| Rental income | ₱355,102,666 | ₱– | ₱355,102,666 |
| Depreciation | (108,091,700) | (4,466,045) | (112,557,745) |
| Real estate sales | – | 820,269,748 | 820,269,748 |
| Cost of real estate sales | – | (420,502,156) | (420,502,156) |
| Segment gross profit | 247,010,966 | 395,301,547 | 642,312,513 |
| General and administrative expense | (14,726,678) | (225,046,137) | (239,772,815) |
| Interest income | – | 88,760,073 | 88,760,073 |
| Interest expense | – | (102,572,198) | (102,572,198) |
| Dividend income | – | 5,544,035 | 5,544,035 |
| Other income | – | 57,236,458 | 57,236,458 |
| Other expense | – | (16,815,650) | (16,815,650) |
| Provision for income tax | (56,102,666) | (78,586,632) | (134,689,298) |
| Net income | ₱176,181,622 | ₱123,821,496 | ₱300,003,118 |
| Segment assets | ₱4,416,427,502 | ₱11,409,913,682 | ₱15,826,341,184 |
| Deposit on land rights | – | 1,358,686,369 | 1,358,686,369 |
| Total segment assets | ₱4,416,427,502 | ₱12,768,600,051 | ₱17,185,027,553 |
| Segment liabilities | ₱– | ₱3,347,461,998 | ₱3,347,461,998 |
| Accounts and other payables | – | 1,431,651,521 | 1,431,651,521 |
| Income tax payable | – | 21,330,363 | 21,330,363 |
| Deferred tax liability | 166,532,263 | 133,653,336 | 300,185,599 |
| Total liabilities | ₱166,532,263 | ₱4,934,097,218 | ₱5,100,629,481 |
| Cash flows arising from: | | | |
| Operating activities | ₱74,973,322 | (₱61,315,874) | ₱13,657,448 |
| Investing activities | (172,934,276) | (13,713,815) | (186,648,091) |
| Financing activities | – | 138,366,994 | 138,366,994 |

| | 2012 | | |
|---|---|---|---|
| | Leasing | Residential Development | Total |
| Rental income | ₱385,846,603 | ₱– | ₱385,846,603 |
| Depreciation | (108,091,700) | (2,548,976) | (110,640,676) |
| Real estate sales | – | 1,298,673,373 | 1,298,673,373 |
| Cost of real estate sales | – | (802,392,394) | (802,392,394) |
| Segment gross profit | 277,754,903 | 493,732,003 | 771,486,906 |
| General and administrative expense | (10,942,200) | (291,267,108) | (302,209,308) |
| Interest income | – | 65,494,554 | 65,494,554 |
| Interest expense | – | (95,308,625) | (95,308,625) |
| Dividend income | – | 5,862,404 | 5,862,404 |
| Other income | – | 36,876,277 | 36,876,277 |
| Other expense | – | (14,117,456) | (14,117,456) |
| Provision for income tax | (56,982,877) | (99,886,266) | (156,869,143) |
| Net income | ₱209,829,826 | ₱101,385,783 | ₱311,215,609 |
| Segment assets | ₱4,543,928,111 | ₱10,333,470,651 | ₱14,877,398,762 |
| Deposit on land rights | – | 1,358,686,369 | 1,358,686,369 |
| Total segment assets | ₱4,543,928,111 | ₱11,692,157,020 | ₱16,236,085,131 |
| Segment liabilities | ₱155,000,000 | ₱2,677,616,327 | ₱2,832,616,327 |
| Accounts and other payables | – | 1,399,457,484 | 1,399,457,484 |
| Income tax payable | – | – | – |
| Deferred tax liability | 149,701,463 | 72,360,422 | 222,061,885 |
| Total liabilities | ₱304,701,463 | ₱4,149,434,233 | ₱4,454,135,696 |
| Cash flows arising from: | | | |
| Operating activities | ₱72,681,423 | (₱355,454,075) | (₱282,772,652) |
| Investing activities | (192,343,185) | (5,713,334) | (198,056,519) |
| Financing activities | – | 447,000,000 | 447,000,000 |

Capital expenditures consist of additions to investment property amounting to ₱461.00 million and ₱172.93 million in 2014 and 2013, respectively.

Significant rental income earned from SLECC amounting to ₱504.34 million, ₱355.10 million and ₱385.85 million in 2014, 2013 and 2012, respectively.

## 23. **Operating Lease**

On January 1, 2011, the Group entered into a lease agreement with SLECC for the leasing of its investment property pertaining to the Sta. Lucia East Grand Mall (the Mall). The term of the lease is 15 months, with an automatic renewal provision for another one year unless written notice of termination is given by either party. In July 2012, the contract was further extended for another 15 months, ending in October 2013. Subsequent to October 2013, both parties have mutually agreed to continue with the lease agreement until termination is given by either party. Lease income is based on a certain percentage of net income derived by SLECC from mall tenants. On September 31, 2014, the lease agreement was terminated by both parties.

Total contingent rent income amounted to ₱262.70 million, ₱355.10 million and ₱385.85 million for the nine month period ended September 31, 2014 and for the years ended December 31,2013 and 2012, respectively.

Effective October 1, 2014, the existing lease agreement over the Mall is directly between the Parent Company and the tenants.

Total rent income from mall tenants amount to ₱241.66 million for the three month period ended December 31, 2014.

Real property taxes amounting to ₱14.83 million, ₱14.73 million and ₱10.94 million were incurred for the property in 2014, 2013 and 2012, respectively.

## 24. Income Tax

Provision for income tax consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Current | **₱95,787,512** | ₱56,510,381 | ₱58,183,642 |
| Deferred | **139,154,109** | 78,158,154 | 98,648,983 |
| Final | **27,621** | 20,763 | 36,518 |
| | **₱234,969,242** | ₱134,689,298 | ₱156,869,143 |

The current provision for income tax in 2014, 2013 and 2012 represents RCIT.

The Group recognized deferred tax assets amounting to ₱102,040, ₱34,441 and ₱83,499 on remeasurement losses from pension liabilities recognized in OCI for the year ended December 31, 2014, 2013 and 2012, respectively.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Statutory income tax rate | **30.00%** | 30.00% | 30.00% |
| Tax effect of: | | | |
| Nondeductible expenses | **0.01** | 0.77 | 3.82 |
| Income subjected to final taxes | **(0.02)** | (0.00) | (0.00) |
| Nontaxable dividend income | **(0.72)** | (0.38) | (0.38) |
| Effective income tax rate | **29.27%** | 30.39% | 33.44% |

The components of net deferred tax liabilities as of December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Deferred tax assets on: | | |
| Allowance for doubtful accounts | **₱1,596,555** | ₱1,596,555 |
| Accrued retirement liability | **596,250** | 307,470 |
| | **2,192,805** | 1,904,025 |
| Deferred tax liabilities on: | | |
| Uncollected rental income | **271,345,990** | 166,545,251 |
| Excess of realized gross profit over taxable realized gross profit on real estate sales | **66,395,469** | 47,189,089 |
| Capitalized borrowing cost | **28,463,762** | 23,669,569 |
| Unamortized discount on receivables | **23,658,868** | 22,698,191 |
| Prepaid commission | **41,105,087** | 41,239,436 |
| Reopened lots | **9,946,640** | – |
| Unamortized transaction cost | **599,165** | 743,077 |
| Others | **17,532** | 5,011 |
| | **441,532,513** | 302,089,624 |
| Net deferred tax liability | **(₱439,339,708)** | (₱300,185,599) |

The Group did not recognize deferred tax asset on NOLCO of SLHI and SVI amounting to ₱2.11 million and ₱2.49 million in 2014 and 2013, respectively, since management believes that the tax benefit related will not reverse through income tax deductions in the near future.

## 25. Basic/Diluted Earnings per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2014, 2013 and 2012 were computed as follows:

| | 2014 | 2013 | 2012 (As restated) |
|---|---|---|---|
| Net income | **₱548,747,286** | ₱300,003,118 | ₱311,215,609 |
| Weighted average number of shares outstanding | **7,534,837,500** | 10,796,450,000 | 10,796,450,000 |
| Basic/Diluted EPS | **₱0.073** | ₱0.028 | ₱0.029 |

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of the financial statements.

## 26. Financial Assets and Liabilities

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

*Cash, receivables accounts and other payables*
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

*Loans payable*
Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

*Noncurrent installment contracts receivables*
The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2014 and 2013 ranges from 2.17% to 4.14% and 2.50% to 3.60%, respectively. The carrying value and fair value of the receivables amounted to ₱1,214.98 million and ₱2,694.01 million, respectively, as of December 31, 2014 and ₱1,017.63 million and ₱2,434.39 million, respectively, as of December 31, 2013, respectively.

*AFS financial assets*
Fair values are based on quoted prices published in markets.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2014, the Group's AFS financial assets amounting to ₱729.93 million (see Note 9) is carried at fair value based on Level 1 while the fair value for noncurrent installment contracts receivables property are based on Level 3. There have been no transfers between Level 1 and Level 2 during 2014 and 2013.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash, receivables, AFS financial assets and bank loans. The Group has other financial liabilities such as accounts and other payables which arise directly from the conduct of its operations.

Management closely monitors the cash fund and financial transactions of the Group. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

*Liquidity risk*
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity offerings.

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As of December 31, 2014 and 2013, the Group has undrawn facilities amounting to ₱1,566.00 million and ₱1,900.00 million, respectively. As part of the liquidity risk management, the Group currently transacts with local banks for an extension and negotiation of higher undrawn credit lines to meet the suppliers' and contractors' obligations and business expansion.

Through scenario analysis and contingency planning, the Group also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise.

The table summarizes the maturity profile of the Group's financial assets and financial liabilities at December 31 based on contractual undiscounted payments:

| | **2014** | | | |
|---|---|---|---|---|
| | **< 1 year** | **>1 to < 5 years** | **> 5 years** | **Total** |
| Cash | **₱116,071,782** | **₱–** | **₱–** | **₱116,071,782** |
| Receivables: | | | | |
| Trade: | | | | |
| Subdivision land | **564,416,928** | **109,669,834** | **277,069,486** | **951,156,248** |
| Condominium units | **117,429,980** | **36,434,138** | **109,957,341** | **263,821,459** |
| Receivable from related parties | **1,258,693,490** | **–** | **–** | **1,258,693,490** |
| Advances to officers and employees | **70,609,793** | **–** | **–** | **70,609,793** |
| Accrued interest receivable | **16,310,580** | **–** | **–** | **16,310,580** |
| Commission receivable | **12,669,379** | **–** | **–** | **12,669,379** |
| Advances to joint venture | **14,142,169** | **–** | **–** | **14,142,169** |
| Receivables from tenants | **5,087,420** | **–** | **–** | **5,087,420** |
| Dividend receivable | **5,729,340** | **–** | **–** | **5,729,340** |
| Others | **26,811,970** | **–** | **–** | **26,811,970** |
| | **₱2,207,972,831** | **₱146,103,972** | **₱387,026,827** | **₱2,741,103,630** |
| Accounts and other payables: | | | | |
| Contractors payable | **₱828,726,652** | **₱–** | **₱–** | **₱828,726,652** |
| Commissions payable | **85,388,330** | **–** | **–** | **85,388,330** |
| Accounts payable | **60,450,002** | **–** | **–** | **60,450,002** |
| Joint venture payable | **65,656,019** | **–** | **–** | **65,656,019** |
| Retention payable | **46,920,798** | **–** | **–** | **46,920,798** |
| Interest payable | **8,975,286** | **–** | **–** | **8,975,286** |
| Accrued payable | **27,430,303** | **–** | **–** | **27,430,303** |
| Others | **80,159,960** | **–** | **–** | **80,159,960** |
| Loans payable | **3,198,051,669** | **–** | **–** | **3,198,051,669** |
| | **₱4,401,759,019** | **₱–** | **₱–** | **₱4,401,759,019** |

| | 2013 | | | |
|---|---|---|---|---|
| | < 1 year | >1 to < 5 years | > 5 years | Total |
| Cash | ₱30,463,668 | ₱– | ₱– | ₱30,463,668 |
| Receivables: | | | | |
| Trade: | | | | |
| Subdivision land | 363,594,000 | 121,308,642 | 339,834,340 | 824,736,982 |
| Condominium units | 64,820,849 | 35,886,798 | 92,181,877 | 192,889,524 |
| Receivable from related parties | 421,745,057 | – | – | 421,745,057 |
| Advances to officers and employees | 72,557,967 | – | – | 72,557,967 |
| Accrued interest receivable | 27,194,229 | – | – | 27,194,229 |
| Advances to joint venture | 11,142,169 | – | – | 11,142,169 |
| Commission receivable | 917,587 | – | – | 917,587 |
| Dividend receivable | 55,891 | – | – | 55,891 |
| Others | 14,440,491 | – | – | 14,440,491 |
| | ₱1,006,931,908 | ₱157,195,440 | ₱432,016,217 | ₱1,596,143,565 |
| Accounts and other payables: | | | | |
| Contractors payable | ₱690,206,348 | ₱– | ₱– | ₱690,206,348 |
| Commissions payable | 85,388,330 | – | – | 85,388,330 |
| Accounts payable | 64,333,536 | – | – | 64,333,536 |
| Joint venture payable | 61,878,300 | – | – | 61,878,300 |
| Retention payable | 42,760,775 | – | – | 42,760,775 |
| Advances from shareholders | 16,206,103 | – | – | 16,206,103 |
| Interest payable | 7,014,427 | – | – | 7,014,427 |
| Accrued payable | 10,430,410 | – | – | 10,430,410 |
| Others | 39,957,943 | – | – | 39,957,943 |
| Loans payable | 2,673,156,842 | – | – | 2,673,156,842 |
| | ₱3,691,333,014 | ₱– | ₱– | ₱3,691,333,014 |

Cash and receivables are used for the Group's liquidity requirements. Refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section.

*Credit risk*
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial assets comprise of cash on hand and in bank, trade receivable, interest receivable and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. The Group's exposure to credit risk from cash on hand and in bank and AFS financial assets arise from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

*Real estate contracts*
Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject lot in case of refusal by the buyer to pay on time the amortization due. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2014 and 2013.

| | **2014** | 2013 |
|---|---|---|
| Trade receivables: | | |
| Subdivision land | **₱951,156,248** | ₱824,736,982 |
| Condominium units | **263,821,459** | 192,889,524 |
| Accrued interest receivable | **16,310,580** | 27,194,229 |
| Receivables from tenants | **5,087,420** | – |
| Receivable from related parties | **1,258,693,490** | 421,745,057 |
| Dividend receivable | **5,729,340** | 55,891 |
| | **₱2,500,798,537** | ₱1,466,621,683 |

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of December 31, 2014 and 2013, the aging analysis of past due but not impaired receivables presented per class, is as follows:

| | **2014** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Neither Past Due nor Impaired** | **Past Due but not Impaired** | | | | | | | |
| | | **1-30 days** | **31-60 days** | **61-90 days** | **91-120 days** | **>120 days** | **Total** | **Impaired** | **Total** |
| Trade: | | | | | | | | | |
| Subdivision land | **₱894,404,107** | **₱1,904,959** | **₱1,920,471** | **₱783,103** | **₱1,030,064** | **₱45,791,695** | **₱51,430,292** | **₱5,321,849** | **₱951,156,248** |
| Condominium units | **243,075,254** | **790,610** | **697,289** | **413,650** | **1,622,382** | **17,222,274** | **20,746,205** | | **263,821,459** |
| Receivable from related parties | **1,258,693,490** | – | – | – | – | – | – | – | **1,258,693,490** |
| Advances to officers and employees | **70,609,793** | – | – | – | – | – | – | – | **70,609,793** |
| Accrued interest receivable | **16,310,580** | – | – | – | – | – | – | – | **16,310,580** |
| Advances to joint venture | **14,142,169** | – | – | – | – | – | – | – | **14,142,169** |
| Commission receivable | **12,669,379** | – | – | – | – | – | – | – | **12,669,379** |
| Receivable from tenants | **5,087,420** | – | – | – | – | – | – | – | **5,087,420** |
| Dividend receivable | **5,729,340** | – | – | – | – | – | – | – | **5,729,340** |
| Others | **26,811,970** | – | – | – | – | – | – | – | **26,811,970** |
| Total | **₱2,547,533,502** | **₱2,695,569** | **₱2,617,760** | **₱1,196,753** | **₱2,652,446** | **₱63,013,969** | **₱72,176,497** | **₱5,321,849** | **₱2,625,031,848** |

| | 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | Past Due but not Impaired | | | | | | | |
| | | 1-30 days | 31-60 days | 61-90 days | 91-120 days | >120 days | Total | Impaired | Total |
| Trade: | | | | | | | | | |
| Subdivision land | ₱749,756,260 | ₱3,056,943 | ₱2,144,176 | ₱1,389,172 | ₱5,977,993 | ₱57,090,589 | ₱69,658,873 | ₱5,321,849 | ₱824,736,982 |
| Condominium units | 158,424,000 | 2,146,032 | 1,723,076 | 1,545,527 | 1,652,667 | 27,398,222 | 34,465,524 | – | 192,889,524 |
| Receivable from related parties | 421,745,057 | – | – | – | – | – | – | – | 421,745,057 |
| Advances to officers and employees | 72,557,967 | – | – | – | – | – | – | – | 72,557,967 |
| Accrued interest receivable | 27,194,229 | – | – | – | – | – | – | – | 27,194,229 |
| Advances to joint venture | 11,142,169 | – | – | – | – | – | – | – | 11,142,169 |
| Commission receivable | 917,587 | – | – | – | – | – | – | – | 917,587 |
| Dividend receivable | 55,891 | – | – | – | – | – | – | – | 55,891 |
| Others | 14,440,491 | – | – | – | – | – | – | – | 14,440,491 |
| Total | ₱1,461,555,500 | ₱5,202,975 | ₱3,867,252 | ₱2,934,699 | ₱7,630,660 | ₱84,488,811 | ₱104,124,397 | ₱5,321,849 | ₱1,565,679,897 |

The table below shows the credit quality of the Group's financial assets as of December 31, 2014 and 2013.

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | | Past due but | | |
| | **High Grade** | **Medium Grade** | **Low Grade** | **Total** | **not impaired** | **Impaired** | **Total** |
| Cash | **₱116,071,782** | **₱–** | **₱–** | **₱116,071,782** | **₱–** | **₱–** | **₱116,071,782** |
| Receivables: | | | | | | | |
| Trade: | | | | | | | |
| Subdivision land | **894,404,107** | **–** | **–** | **894,404,107** | **51,430,292** | **5,321,849** | **951,156,248** |
| Condominium units | **243,075,254** | **–** | **–** | **243,075,254** | **20,746,205** | **–** | **263,821,459** |
| Receivable from related parties | **1,258,693,490** | **–** | **–** | **1,258,693,490** | **–** | **–** | **1,258,693,490** |
| Advances to officers and employees | **70,609,793** | **–** | **–** | **70,609,793** | **–** | **–** | **70,609,793** |
| Accrued interest receivable | **16,310,580** | **–** | **–** | **16,310,580** | **–** | **–** | **16,310,580** |
| Commission receivable | **12,669,379** | **–** | **–** | **12,669,379** | **–** | **–** | **12,669,379** |
| Advances to joint venture | **14,142,169** | **–** | **–** | **14,142,169** | **–** | **–** | **14,142,169** |
| Receivables from tenants | **5,087,420** | **–** | **–** | **5,087,420** | **–** | **–** | **5,087,420** |
| Dividend receivable | **5,729,340** | **–** | **–** | **5,729,340** | **–** | **–** | **5,729,340** |
| Others | **26,811,970** | **–** | **–** | **26,811,970** | **–** | **–** | **26,811,970** |
| AFS financial assets | **729,933,085** | **–** | **–** | **729,933,085** | **–** | **–** | **729,933,085** |
| | **₱3,393,538,369** | **₱–** | **₱–** | **₱3,393,538,369** | **₱72,176,497** | **₱5,321,849** | **₱3,471,036,715** |

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | | Past due but | | |
| | High Grade | Medium Grade | Low Grade | Total | not impaired | Impaired | Total |
| Cash | ₱30,463,668 | ₱– | ₱– | ₱30,463,668 | ₱– | ₱– | ₱30,463,668 |
| Receivables: | | | | | | | |
| Trade: | | | | | | | |
| Subdivision land | 749,756,260 | – | – | 749,756,260 | 69,658,873 | 5,321,849 | 824,736,982 |
| Condominium units | 158,424,000 | – | – | 158,424,000 | 34,465,524 | – | 192,889,524 |
| Receivable from related parties | 421,745,057 | – | – | 421,745,057 | – | – | 421,745,057 |
| Advances to officers and employees | 72,557,967 | – | – | 72,557,967 | – | – | 72,557,967 |
| Accrued interest receivable | 27,194,229 | – | – | 27,194,229 | – | – | 27,194,229 |
| Advances to joint venture | 11,142,169 | – | – | 11,142,169 | – | – | 11,142,169 |
| Commission receivable | 917,587 | – | – | 917,587 | – | – | 917,587 |
| Dividend receivable | 55,891 | – | – | 55,891 | – | – | 55,891 |
| Others | 14,440,491 | – | – | 14,440,491 | – | – | 14,440,491 |
| AFS financial assets | 730,556,350 | – | – | 730,556,350 | – | – | 730,556,350 |
| | ₱2,217,253,669 | ₱– | ₱– | ₱2,217,253,669 | ₱104,124,397 | ₱5,321,849 | ₱2,326,699,915 |

The credit quality of the financial assets was determined as follows:

Cash - based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

*Equity price risk*
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on equity instruments.

The effect on equity, as a result of a change in fair value of quoted equity instruments held as AFS financial assets as of December 31, 2014 and 2013 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱72.99 million and ₱73.06 million, respectively, if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

*Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve, and degree of variability of cash flows.

The following table demonstrates the sensitivity of the Group's income before tax and equity to a reasonably possible change in interest rates on December 31, 2014 and 2013, with all variables held constant, (through the impact on floating rate borrowings):

| | **Effect on income before income tax Increase (decrease)** | |
|---|---|---|
| | **2014** | 2013 |
| Change in basis points: | | |
| +100 basis points | **(₱112,172,563)** | (₱26,731,568) |
| -100 basis points | **112,172,563** | 26,731,568 |

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table:

**2014**

| | **Interest terms (p.a.)** | **Rate Fixing Period** | **Nominal Amount** | **< 1 year** | **1 to 5 years** | **> 5 years** | **Carrying Value** |
|---|---|---|---|---|---|---|---|
| Cash | Fixed at the date of investment | Various | **₱116,071,782** | **₱116,071,782** | **₱–** | **₱–** | **₱116,071,782** |
| Trade receivables | Fixed at the date of sale | Date of sale | **1,214,977,707** | **681,846,908** | **146,103,972** | **387,026,827** | **1,214,977,707** |
| | | | **₱1,331,049,489** | **₱797,918,690** | **₱146,103,972** | **₱387,026,827** | **₱1,331,049,489** |
| Floating | | | | | | | |
| *Short-term debt - various peso loans* | | | | | | | |
| Peso | Variable at 3% over 91 days PDST R1 | Monthly | **₱1,810,179,531** | **₱1,810,179,531** | **₱–** | **₱–** | **₱1,810,179,531** |
| Peso | Variable at 2.5% over 91 days PDST R1 | Quarterly | **1,390,366,541** | **1,390,366,541** | **–** | **–** | **1,390,366,541** |
| | | | **₱3,200,546,072** | **₱3,200,546,072** | **₱–** | **₱–** | **₱3,200,546,072** |

2013

| | Interest terms (p.a.) | Rate Fixing Period | Nominal Amount | < 1 year | 1 to 5 years | > 5 years | Carrying Value |
|---|---|---|---|---|---|---|---|
| Cash | Fixed at the date of investment | Various | ₱30,463,668 | ₱30,463,668 | ₱– | ₱– | ₱30,463,668 |
| Trade receivables | Fixed at the date of sale | Date of sale | 1,017,626,506 | 428,414,849 | 157,195,441 | 432,016,216 | 1,017,626,506 |
| | | | ₱1,048,090,174 | ₱458,878,517 | ₱157,195,441 | ₱432,016,216 | ₱1,048,090,174 |
| Floating | | | | | | | |
| *Short-term debt - various peso loans* | | | | | | | |
| Peso | Variable at 3% over 91 days PDST R1 | Monthly | ₱1,281,000,000 | ₱1,281,000,000 | ₱– | ₱– | ₱1,281,000,000 |
| Peso | Variable at 2.5% over 91 days PDST R1 | Quarterly | 1,395,130,952 | 1,395,130,952 | – | – | 1,392,156,852 |
| | | | ₱2,676,130,952 | ₱2,676,130,952 | ₱– | ₱– | ₱2,673,156,852 |

27. **Notes to Statement of Cash Flows**

Below are the non-cash transactions for December 31, 2014 and 2013:

1. Impact of the transaction with SLRDI pertaining to the rescission of the assignment on land rights resulting to:
    a. derecognition of deposit on land rights of ₱1.36 million and set-up of receivables from SLRDI of the same amount
    b. offset of receipts of treasury shares valued it ₱900.00 million against the receivable set-up in (a)

2. Sale of lots of SLRDI to the Group amounting to ₱2.08 million and ₱1.61 million ₱1.61 million in 2014, 2013 and 2012, respectively. This was paid through the offset of outstanding amounts due from SLRDI.

3. As of December 31, 2013, the Group has an unpaid property and equipment amount to ₱1.73 million.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Sta. Lucia Land, Inc.
Penthouse, Bldg. 3, Sta. Lucia East Grand Mall
Marcos Highway corner Imelda Avenue
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries as at December 31, 2014 and 2013 for each of the three years in the period ended December 31, 2014 included in this Form 17-A and have issued our report thereon dated April 13, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management and are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, present fairly in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

April 13, 2015

# STA. LUCIA LAND, INC. AND SUBSIDIARIES
# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
# AND SUPPLEMENTARY SCHEDULES
# SEC FORM 17-A

## STA. LUCIA LAND, INC. AND SUBSIDIARIES

## SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

**DECEMBER 31, 2014**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not a required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2014:

| Name of Issuing entity and association of each issue | Number of Shares | Amount Shown in the Statement of Financial Position |
|---|---|---|
| AFS financial assets | | |
| Quoted | | |
| Philippine Racing Club, Inc. | 70,831,426 | ₱668,648,661 |
| Manila Jockey Club, Inc. | 28,471,277 | 61,284,424 |
| | 99,302,703 | ₱729,933,085 |

The basis in determining the value of equity securities is the market quotation on December 31, 2014.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2014:

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|---|---|---|---|---|
| Antonio D. Robles | ₱720,000 | ₱440,000 | ₱– | ₱1,160,000 |
| Aurora D. Robles | 835,000 | 440,000 | – | 1,275,000 |
| David M. Dela Cruz | – | – | – | – |
| Emerita Jingle C. Punzalan | – | 62,000 | – | 62,000 |
| Exequiel D. Robles | 120,000 | 1,100,000 | – | 1,220,000 |
| Kristine May Robles-Ordiz | 250,000 | 440,000 | – | 690,000 |
| Mardon Santos | – | 440,000 | – | `440,000 |
| Mariza Santos-Tan | – | 440,000 | – | 440,000 |
| Orestes R. Santos | 1,690,248 | 440,000 | – | 2,130,248 |
| Rolando Castro | – | – | – | – |
| Vicente R. Santos | – | 1,100,000.00 | – | 1,100,000 |
| | ₱3,615,248 | ₱4,902,000 | ₱– | ₱8,517,248 |

These advances consist of advances for expenses and disbursements necessary in carrying out their functions in the ordinary course of business such as for selling and marketing activities, official business trips, emergency and cash on delivery (COD) purchases of materials, equipment and supplies, repair of Group's vehicles, model units and housing units, registration of titles, etc. and short term loans given to officers and employees. The advances will be liquidated when the purposes for which these advances were granted are accomplished or completed or deducted from the officers'/employees' salaries if not liquidated. No amounts were written-off during the year and all amounts are presented as current.

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2014:

| | Nature | Volume of Transactions | Receivable | Terms |
|---|---|---|---|---|
| Sta. Lucia Homes, Inc. (SLHI) | Advances | ₱– | ₱4,401,866 | Non-interest bearing and to be settled within one year |
| Santalucia Ventures Inc. (SVI) | Advances | – | 16,754,572 | Non-interest bearing and to be settled within one year |
| | | ₱19,351,443 | ₱12,352,706 | |

| | Balance at beginning of period | Additions | Collections | Balance at end of period |
|---|---|---|---|---|
| SLHI | (₱4,460,993.00) | ₱– | ₱59,127 | (₱4,401,866) |
| SVI | 2,699,347 | 16,652,095 | (2,596,870) | 16,754,572 |
| | ₱7,160,340 | ₱16,652,097 | (₱2,655,997) | ₱12,352,708 |

The intercompany transactions between the Parent Company and the subsidiaries pertain to commission fees and advances for the pre-operations. There were no amounts written-off during the year and all amounts are expected to be settled within the year.

Related Party Transactions

*Due from related parties*

Below is the list of outstanding receivable from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2014:

| | Relationship | Nature | Balance at end of period |
|---|---|---|---|
| Sta. Lucia Realty and Development, Inc. (SLRDI) | Ultimate Parent Company | a,b,c,d, e, f, g | ₱798,310,771 |
| Sta. Lucia East Commercial Corporation (SLECC) | Affiliate | h | 444,723,303 |
| | | | ₱1,258,693,489 |

*Nature of intercompany transactions*
The nature of the intercompany transactions with the related parties is described below:

a. Consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.
b. Pertain to receivables from offsetting agreements with common suppliers with the Ultimate Parent Company.
c. Pertain to noninterest-bearing cash advances for various charges to and from affiliated companies for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs.
d. Represent monthly amortization payment from the buyers of the Group remitted to the Ultimate Parent Company.
e. Pertain to the reinstated due from the Ultimate Parent Company after the after rescission of deposit on land rights and subsequently entering into a deed of assignment of shares of stock.
f. Pertain to payable to Ultimate Parent Company for the Ultimate Parent Company's share in the sale of real estate properties of the Ultimate Parent Company but developed by the Parent Company.
g. Pertains to the due from Ultimate Parent Company for the assumption of the its bank loan
h. Pertain to uncollected rental income.

The outstanding balances of intercompany transactions have no fixed repayment period as of December 31, 2014.

Schedule D. Intangible Assets
The Group does not have intangible assets as of December 31, 2014.

Schedule E. Long-term debt
The Group does not have long-term debt as of December 31, 2014.

Schedule F. Indebtedness to Related Parties (Long term Loans from Related Companies)
The Group does not have long-term loans from related companies as of December 31, 2014.

Schedule G. Guarantees of Securities of Other Issuers
The Group does not have guarantees of securities of other issuers as of December 31, 2014.

Schedule H. Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, Officers and Employees | Others |
|---|---|---|---|---|---|---|
| Common Shares | 16,000,000,000 | 10,796,450,000 | – | 9,701,005,767 | 2,173,000 | 1,093,271,233 |

## STA. LUCIA LAND, INC. AND SUBSIDIARIES

## SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### FOR THE YEAR ENDED DECEMBER 31, 2014

| | |
|---|---|
| **Unappropriated Retained Earnings, as adjusted to available for dividend distribution, 2014** | |
| Non-actual/unrealized income - net of tax | ₱591,966,276 |
| Deferred income tax liabilities | (78,158,154) |
| Accretion income | 32,942,364 |
| Unrealized foreign exchange loss | (30,068) |
| Unappropriated Retained Earnings as adjusted, January 1, 2014 | 552,720,418 |
| **Net income actually earned/realized during the year** | |
| Net income during the year closed to retained earnings | 548,747,286 |
| Less: Non-actual/unrealized income, net of tax | |
| Movement in deferred tax | 139,154,109 |
| Unrealized foreign exchange gain - net | – |
| Unrealized actuarial loss | 340,136 |
| Accretion income | (3,202,256) |
| Adjustment due to deviation from PFRS/GAAP - gain | – |
| Other unrealized expense or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS: | – |
| | 1,237,759,693 |
| Add (Less): | |
| Dividend declaration during the year | – |
| Cash dividend declaration during the year | – |
| Reversal of appropriation | – |
| Effects of prior period adjustments | – |
| Additional appropriation during the year | – |
| **Total Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2014** | ₱1,237,759,693 |

## STA. LUCIA LAND, INC. AND SUBSIDIARIES

### SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATION AS OF DECEMBER 31, 2014

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2014:

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS**<br>**Effective as of December 31, 2014** | | **Adopted** | **Not Adopted** | **Not Applicable** |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | | | ✓ |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | 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 | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| | Amendments to PFRS 1:Borrowing Cost | ✓ | | |
| | Amendments to PFRS 1:Meaning of "Effective PFRS" | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| | Definition of Vesting Condition | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 3** | Business Combinations | | | ✓ |
| | Accounting for Contingent Consideration in a Business Combination | | ✓ | |
| | Scope Exceptions for Joint Arrangements | | ✓ | |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| **PFRS 4 (cont.)** | Amendments to PFRS 4: Financial Guarantee Contracts | | | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| | Changes in Methods of Disposal | | ✓ | |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Servicing Contracts | | ✓ | |
| | Amendments to PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to 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 | | | ✓ |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | ✓ | |
| | Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | ✓ | |
| | Amendments to PFRS 7: Hedge Accounting (2013 version) | | ✓ | |
| **PFRS 8** | Operating Segments | ✓ | | |
| | Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | | ✓ | |
| **PFRS 9** | Financial Instruments | | ✓ | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | ✓ | |
| | Financial Instruments: Classification and Measurement (2010 version) | | ✓ | |
| | Amendments to PFRS 9: Hedge Accounting (2013 version) | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | | ✓ | |
| | Sale or Contribution of Assets between an Investor and its | | ✓ | |
| | Associate or Joint Venture | | | |
| **PFRS 11** | Joint Arrangements | ✓ | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | ✓ | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Investment Entities | | | ✓ |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| | Amendments to PFRS 13:Short Term Receivable and Payable | | | ✓ |
| | Portfolio Exception | | ✓ | |
| **PFRS 14** | Regulatory Deferral Accounts | | ✓ | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendments to PAS 1:Clarification of the Requirements for Comparative Information | ✓ | | |
| **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 Date | ✓ | | |
| **PAS 11** | Construction Contracts | ✓ | | |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| | Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization | | ✓ | |
| | Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PAS 16: Bearer Plants | | ✓ | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| | Regional Market Issue Regarding Discount Rate | | ✓ | |
| | Amendments to PAS 19:Defined Benefit Plan: 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** | Related Party Disclosures - Key Management Personnel | ✓ | | |
| | Related Party Disclosures - Key Management Personnel (Amended) | | ✓ | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | ✓ | |
| | Amendments to PAS 27: Investment Entities | | | ✓ |
| | Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| **PAS 28** | Investments in Associates and Joint Ventures | ✓ | | |
| | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | ✓ | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | ✓ | |
| **PAS 33** | Earnings per Share | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 34** | Interim Financial Reporting | ✓ | | |
| | Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | ✓ | | |
| | Disclosure of Information ‘Elsewhere in the Interim Financial Report’ | | ✓ | |
| **PAS 36** | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | | | ✓ |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | | | ✓ |
| | Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization | | ✓ | |
| | Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | ✓ | |
| **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: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | ✓ | |
| **PAS 40** | Investment Property | ✓ | | |
| | Amendments to PAS 40: Clarification on Ancillary Services | | ✓ | |
| **PAS 41** | Agriculture | | | ✓ |
| | Amendments to PAS 41: Bearer Plants | | ✓ | |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **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 8** | *Scope of PFRS 2* | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ |
| **IFRIC 11** | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | 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 | | | ✓ |
| **IFRIC 15** | Agreements for the Construction of Real Estate | | ✓ | |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **IFRIC 21** | Levies | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-21** | Income Taxes - Recovery of Revalued Non-Depreciable Assets | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **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 | | | ✓ |
| **IFRS 15** | Revenue from Contracts with Customers | | ✓ | |

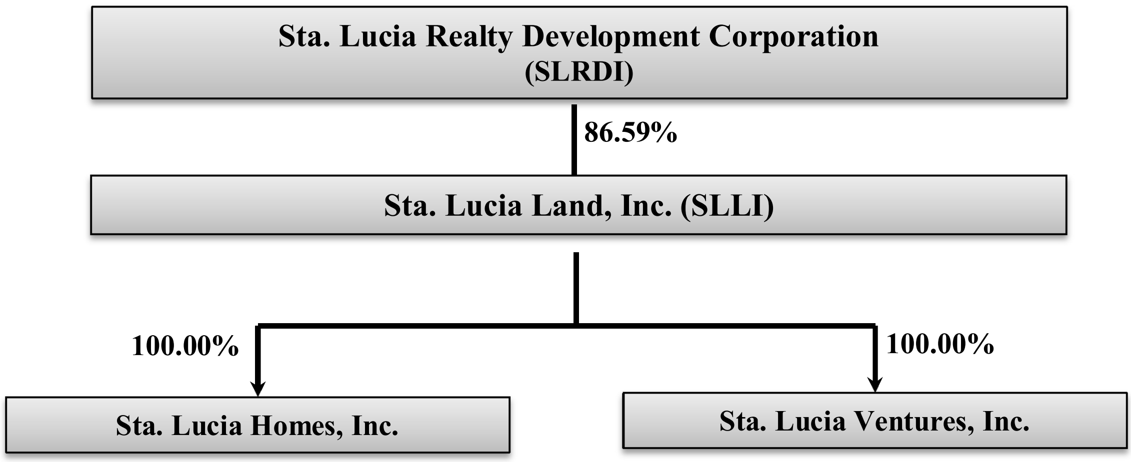
Standards tagged as “Not Applicable” have been adopted by the Parent Company but have no significant covered transactions for the year ended December 31, 2014.

Standards tagged as “Not Adopted” are standards issued but not yet effective as of December 31, 2014. The Parent Company will adopt the Standards and Interpretations when these become effective.

## STA. LUCIA LAND, INC. AND SUBSIDIARIES

### CONGLOMERATE MAP

The following chart illustrates the Company's material shareholders and subsidiaries as of the date of this Offering Memorandum.



**Sta. Lucia Land, Inc.**
Financial Ratios

| **December 31, 2014** | **2014** | **2013** |
|---|---|---|
| **Interest Coverage Ratio** | 484.1042244 | 423.7916555 |
| | | |
| Net Income Before Tax | 548,747,286 | 434,692,416.00 |
| Interest Expense | 113,353,129 | 102,572,198.00 |
| | 4.841042244 | 4.237916555 |
| | | |
| **Profitability Ratio** | | |
| | | |
| Net Income Margin Ratio | 23.89680027 | 22.60910267 |
| | | |
| Net Income | 548,747,286 | 300,003,118 |
| Revenue | 2,296,321,180 | 1,326,912,980 |
| | 0.238968003 | 0.226091027 |
| | | |
| Return on Total Assets | 3.076219086 | 1.745723811 |
| | | |
| Net Income | 548,747,286 | 300,003,118 |
| Total Assets | 17,838,368,161 | 17,185,027,553 |
| | 0.030762191 | 0.017457238 |
| | | |
| Return on Equity | 4.677241755 | 2.482504174 |
| | | |
| Net Income | 548,747,286 | 300,003,118 |
| Equity | 11,732,283,998 | 12,084,697,425 |
| | 0.046772418 | 0.024825042 |

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

**GENERAL INSTRUCTIONS**

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year ................................................ 2014

2. Exact Name of Corporation as Specified in its Charter ............................................................... STA. LUCIA LAND, INC.

3. Penthouse, Building III, Sta. Lucia Mall, Marcos Highway Cor. Imelda Ave., Cainta, Rizal ................................................................................ 1900 ....................................................
   Address of Principal Office — Postal Code

4. SEC Identification Number ................................................ 31050

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number ................................................................ 000-152-291

7. .................................................................................. (632) 681-7332
   Issuer's Telephone number, including area code

8. ..........................................................................................
   Former name or former address, if changed from the last report

**TABLE OF CONTENTS**

**A. BOARD MATTERS**

1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | 9 |

| | |
|---|---|
| Actual number of Directors for the year | 9 |

(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 |
|---|---|---|---|---|---|---|---|
| Vicente R. Santos | ED | N/A | | 2007 | 20 June 2014 | Annual Meeting | 7 years |
| Exequiel D. Robles | ED | N/A | | 1995 | 20 June 2014 | Annual Meeting | 16 years |
| Mariza Santos-Tan | ED | N/A | | 1999 | 20 June 2014 | Annual Meeting | 11 years |
| Aurora D. Robles | ED | N/A | | 2007 | 20 June 2014 | Annual Meeting | 7 years |
| Antonio D. Robles | NED | N/A | | 2007 | 20 June 2014 | Annual Meeting | 7 years |
| Orestes R. Santos | NED | N/A | | 2007 | 20 June 2014 | Annual Meeting | 7 years |
| Santiago Cua | NED | N/A | | 1995 | 20 June 2014 | Annual Meeting | 16 years |
| Jose Ferdinand R. Guiang | ID | N/A | EXEQUIEL D. ROBLES (not related to the nominee) | 2007 | 7 years | Annual Meeting | 7 years |
| Osmundo C. De Guzman, Jr. | ID | N/A | MARIZA SANTOS-TAN (not related to the nominee) | 2007 | 7 years | Annual Meeting | 7 years |

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis 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.

Compliance with the principles of good corporate governance shall start with the Board of Directors. In relation to the stockholders, the Board shall establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. Further, the Board shall also provide them with a balanced and understandable assessment of the Corporation's performance, position and prospects on a quarterly basis. With respect to stakeholders, the Board shall identify the Corporation's major

[1] Reckoned from the election immediately following January 2, 2014.

and other stakeholders and formulate a clear policy on communicating or relating with them accurately, effectively and sufficiently. There must be an accounting rendered to them regularly in order to serve their legitimate interests. Finally, with respect to the Board's duties and responsibilities, the Board shall ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices. In addition, the Board shall ensure that it is properly discharging its functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted to ensure that the rights of minority stockholders are protected. Also, in compliance with the SEC Memorandum Circular No. 20, Series of 2014, the members of the Board of Directors, together with the key officers, are required to attend a program on corporate governance conducted by training providers duly accredited by the Securities and Exchange Commission.

(c) How often does the Board review and approve the vision and mission?

Once every two years and/or as the need arises

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

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[3] Company** | **Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.** |
|---|---|---|
| Vicente R. Santos | 1.Orchard Golf & Country Club<br>2.Eagle Ridge Golf & Country Club | 1. Executive<br>2. Executive |
| Exequiel D. Robles | 1. Sta. Lucia Realty Development & Corporation, Inc.<br>2. Sta. Lucia East Cinema Corporation<br>3. Sta. Lucia Waterworks Corporation<br>4. Sta. Lucia East Commercial Corporation<br>5. Sta. Lucia East Department Store<br>6. Sta. Lucia East Bowling Center, Inc.<br>7. RS Maintenance & Services, Inc.<br>8. Valley View Realty Development Corporation<br>9. Philippine Racing Club, Inc. | 1. Executive - Chairman<br>2. Executive<br>3. Executive<br>4. Executive<br>5. Executive<br>6. Executive<br>7. Executive<br>8. Executive<br>9. Non-Executive |
| Mariza Santos-Tan | 1.Orchard Golf & Country Club<br>2. Sta. Lucia Realty Development & Corporation, Inc.<br>3. Valley View Realty | |

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.
[3] The Corporation's parent company namely, Sta. Lucia Realty & Development, Inc. and the Corporation's subsidiaries namely, Sta. Lucia Homes, Inc. and Santalucia Ventures, Inc.

| | | |
|---|---|---|
| | Development Corporation<br>4. Alta Vista Gold & Country Club<br>5. Manila Jockey Club<br>6. True Value Workshop<br>7. Consolidated Insurance Company<br>8. Unioil Resources Holdings, Inc.<br>9. Ebedev | Executive |
| Aurora D. Robles | 1. CICI General Insurance Corp. | Executive |
| Antonio D. Robles | Exan Builders Corp. | Executive |
| Santiago Cua | 1. ACL Development Corporation<br>2. Cualoping Securities, Inc.<br>3. Filpak Industries<br>4. Philippine Racing Club, Inc. | Executive |
| Orestes R. Santos | City Chain Realty | Executive |

(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.** |
|---|---|---|
| Santiago Cua | Philippine Racing Club, Inc. | Executive |
| Exequiel D. Robles | Philippine Racing Club, Inc. | Non-Executive |
| Mariza Santos-Tan | Unioil Resources Holdings, Inc. | Executive |
| | | |
| | | |

(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** |
|---|---|---|
| Vicente R. Santos | Sta. Lucia Realty & Development, Inc. | Stockholder and Executive Vice-President of Sta. Lucia Realty & Development, Inc. |
| Exequiel D. Robles | Sta. Lucia Realty & Development, Inc. | President and General Manager of Sta. Lucia Realty & Development, Inc. |
| Mariza Santos-Tan | Sta. Lucia Realty & Development, Inc. | Stockholder and Vice-President for Sales of Sta. Lucia Realty & Development, Inc. |
| Aurora D. Robles | Sta. Lucia Realty & Development, Inc. | Purchasing Manager of Sta. Lucia Realty & Development, Inc. |
| Antonio D. Robles | Sta. Lucia Realty & Development, Inc. | Stockholder of Sta. Lucia Realty & Development, Inc. |

| | | |
|---|---|---|
| Orestes R. Santos | Sta. Lucia Realty & Development, Inc. | Stockholder and Project Manager of Sta. Lucia Realty & Development, Inc. |

(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 Corporation has not set a specific limit on the number of board seats in other companies that the members of the Board may have. The Corporation does not have a policy but the limit of five board seats has not been breached.

| | Guidelines | Maximum Number of Directorships in other companies |
|---|---|---|
| **Executive Director** | N/A | |
| **Non-Executive Director** | | |
| **CEO** | | |

(e) Shareholding in the Company

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 |
|---|---|---|---|
| Vicente R. Santos | 712,494 | 233,000 | 0.0110% |
| Exequiel D. Robles | 712,500 | 230,000 | 0.0110% |
| Mariza Santos-Tan | 1 | | 0.0000% |
| Aurora D. Robles | 1 | | 0.0000% |
| Antonio D. Robles | 1 | | 0.0000% |
| Santiago Cua | 285,000 | | 0.0033% |
| Orestes R. Santos | 1 | | 0.0000% |
| Jose Ferdinand R. Guiang | 1 | | 0.0000% |
| Osmundo C. De Guzman, Jr. | 1 | | 0.0000% |
| **TOTAL** | | | **..0253%** |

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [ x ] No [ ]

Identify the Chair and CEO:

| | |
|---|---|
| Chairman of the Board | Vicente R. Santos |
| CEO/President | Exequiel D. Robles |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|---|---|---|
| Role | Presides at all meetings of stockholders and directors. | Presides at all meetings of the stockholders and the Boards of Directors in the absence of the Chairman |
| Accountabilities | Have all powers and perform all duties incident to and vested in the Office of Chairman of the Board of a Corp. | General supervision of the business of the Corporation |
| Deliverables | The Chairman shall issue the certificates, contracts and other instruments of the Corporation to which he is a signatory, and as authorized by the Board of Directors. | The Chief Executive Officer shall issue the certificates, contracts and other instruments of the Corporation to which he is a signatory, and as authorized by the Board of Directors. |

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The succession for CEO /Managing Director/President and the key management officers is done annually at the election of the directors during the stockholders meeting. In case of vacancy during the term of such director/officer, the Board of Directors has the power and authority to elect a new Director/Officer if still constituting a quorum. Otherwise, the election of the vacant position for director/officer is held a Special Meeting called for that purpose.

The board of directors likewise plans for the succession of its key management positions by allowing them to participate in the meetings of the Board of Directors and contribute to decisions of and for the Corporation, through the guidance of the more senior members of the Board of Directors.

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 Corporation does not have a policy on ensuring diversity of experience and background of the directors.

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

The Corporation does not have a policy on ensuring **that at least one non-executive director has an experience in the sector or industry the company belongs to**.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

| | Executive | Non-Executive | Independent Director |
|---|---|---|---|
| Role | The Board of Directors is in charge of the management of the business, property, and affairs of the Corporation. | The Board of Directors is in charge of the management of the business, property, and affairs of the Corporation. | The Board of Directors is in charge of the management of the business, property, and affairs of the Corporation. |
| Accountabilities | The Executive Directors shall be accountable to the stockholders for the day-to-day operations of the Corporation. | The Non- Executive Directors shall also be accountable to the stockholders insofar as policy making is concerned. | The Independent Directors shall be accountable to the stockholders for the exercise of independent judgment in the day-to-day operations of the Corporation. |
| Deliverables | Balanced and | Balanced and | Certificates, contracts |

| | | | |
|---|---|---|---|
| | comprehensive assessment of the Corporation's performance, position and prospects on a quarterly basis including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. | comprehensive assessment of the Corporation's performance, position and prospects on a quarterly basis including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. | and other instruments of the Corporation to which he is a signatory, as authorized by the Board of Directors. |

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

In relation to independent directors, "independence" refers to the absence of any relationship with, or position in, the Corporation, or with parties related to the Corporation, and the holding of such relationship or position will interfere with the exercise of impartial judgment in carrying out the responsibilities as a director.

In the case of the Corporation, the independent directors elected are not related to any party in the Corporation, or its subsidiaries and affiliates.

**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 Corporation complies with the term limits set in Securities and Exchange Commission Memorandum Circular No. 9, Series of 2011.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

| Name | Position | Date of Cessation | Reason |
|---|---|---|---|
| None | | | |
| | | | |

(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 | The Board of Directors shall be elected during the annual meeting of the stockholders.<br><br>A majority of the subscribed capital stock of the Corporation, present in person | Members of the Board of Directors must own at least one (1) share of the capital stock of the Corporation. In addition, he must be competent, of legal age, shall have been proven to possess |

| | | |
|---|---|---|
| | or represented by proxy, shall be sufficient at a stockholders meeting to constitute a quorum for the election of directors. The votes for the election of directors, and, except upon demand by any stockholder, the votes upon any question before the meeting except for the procedural questions determined by the Chairman of the meeting, shall be by viva voce or show of hands.<br><br>The Chairman and the President shall be elected by the directors from amongst themselves at the organizational meeting immediately following the annual stockholders' meeting. All other executive officers shall be appointed by a majority vote of the directors at any regular or special meeting. | integrity and probity and shall be assiduous.<br><br>The criteria for the appointment of some of the executive directors of the Corporation are provided in the By-Laws. For instance, the Executive Vice-President is appointed by the Board, taking into account his experience, competence, academic training and technical know-how. On the other hand, the By-Laws provide that the Secretary must be a citizen and a resident of the Philippines. In sum, the Executive Directors should The directors should be qualified under the Corporation Code, Securities Regulation Code, and other relevant laws. The Board may provide for additional qualifications which include, among others, college education or equivalent academic degree, practical understanding of the business of the Corporation, membership in good standing in relevant industry, business or professional organizations, and previous business experience. |

| | | |
|---|---|---|
| (ii) Non-Executive Directors | The Board of Directors shall be elected during the annual meeting of the stockholders.<br><br>A majority of the subscribed capital of the Corporation present in person or represented by proxy, shall be sufficient at a stockholders meeting to constitute a quorum for the election of directors. The votes for the election of directors, and, except upon demand by any stockholder, the votes upon any question before the meeting except for the procedural questions determined by the Chairman of the meeting, shall be by viva voce or show of hands. | Members of the Board of Directors must own at least one (1) share of the capital stock of the Corporation. The Non-Executive Directors should be qualified under the Corporation Code, Securities Regulation Code, and other relevant laws. The Board may provide for additional qualifications which include, among others, college education or equivalent academic degree, practical understanding of the business of the Corporation, membership in good standing in relevant industry, business or professional organizations, and previous business experience. |
| (iii) Independent Directors | The Board has a Nomination Committee which reviews and evaluates the qualifications of all persons nominated to the Board. The Nomination Committee pre-screens and shortlists all candidates to be nominated to become a member of the Board of Directors in accordance with the set qualifications and disqualifications. | The Independent Directors shall be independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Corporation. Further, each Independent Director must meet all the qualifications and have none of the disqualifications prescribed by Section 38.1 of the Implementing Rules and Regulations of the Securities Regulation Code, the Code of Corporate Governance and Securities and Exchange Commission Memorandum Circular No. 16, Series of 2002 and all other applicable issuances, laws, rules and regulations. |
| **b. Re-appointment** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | Each director shall hold office for one (1) year and until the successor is duly elected and qualified. | Same as above. |
| **c. Permanent Disqualification** | | |

| | | |
|---|---|---|
| (i) Executive Directors<br><br>(ii) Non-Executive Directors | The Directors may be removed as such by a vote of two-thirds (2/3) of the outstanding capital stock at a regular or special meeting called for the purpose. | The following shall be grounds for the permanent disqualification of a director:<br><br>a. Any person who has been finally convicted by a competent judicial or administrative body of any of the following: (i) any crime involving the purchase or sale of securities, e.g., proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures, commission merchant, commodity trading advisor, floor broker; or (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;<br><br>b. Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing |

| | | |
|---|---|---|
| | | securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the Commission of any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, SRC or any other law administered by the Commission or Bangko Sentral ng Pilipinas or under any rule or regulation promulgated by the Commission or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization;<br><br>c. Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions;<br><br>d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the SRC, the Corporation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any |

| | | |
|---|---|---|
| | | rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas, or who has filed a materially false or misleading application, report or registration statement required by the Commission, or any rule, regulation or order of the Commission;<br><br>e. Any person judicially declared to be insolvent;<br><br>f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in paragraphs (a) to (e) hereof;<br><br>g. Any affiliated person who is ineligible, by reason of paragraphs (a) to (f) hereof to serve or act in the capacities listed in paragraphs (a) to (f) hereof; and<br><br>h. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment. |
| (iii) Independent Directors | | In addition to the grounds for disqualification of executive directors mentioned above, an independent director shall be permanently disqualified if s/he becomes an officer, employee or consultant of the Corporation. |
| **d. Temporary Disqualification** | | |
| (i) Executive Directors<br><br>(ii) Non-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. The disqualification shall become permanent in case of failure or refusal to do so for | The following shall be grounds for the temporary disqualification of a director:<br><br>a. Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. The |

| | | |
|---|---|---|
| | unjustified reasons. | disqualification shall be in effect as long as the refusal persists.<br><br>b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.<br><br>c. Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance . The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.<br><br>d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. |
| (iii) Independent Directors | | In addition to the grounds for disqualification of executive directors mentioned above, an independent director shall be temporarily disqualified if his/her beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. |
| **e. Removal** | | |
| (i) Executive Directors | The Directors may be removed as such by a vote of two-thirds (2/3) of the outstanding capital stock at a regular or special meeting called for the purpose. | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| **f. Re-instatement** | | |
| (i) Executive Directors | The Corporation does not have a policy on the re-instatement | |

| | |
|---|---|
| (ii) Non-Executive Directors | of members of the Board. |
| (iii) Independent Directors | |
| **g. Suspension** | |
| (i) Executive Directors | The Corporation does not have a fixed policy on the suspension of members of the Board. |
| (ii) Non-Executive Directors | |
| (iii) Independent Directors | |

**Voting Result of the last Annual General Meeting**

| Name of Director | Votes Received |
|---|---|
| Vicente R. Santos | 9,703,178,767 shares |
| Exequiel D. Robles | 9,703,178,767 shares |
| Mariza Santos-Tan | 9,703,178,767 shares |
| Aurora D. Robles | 9,703,178,767 shares |
| Antonio D. Robles | 9,703,178,767 shares |
| Santiago Cua | 9,703,178,767 shares |
| Jose Ferdinand R. Guiang | 9,703,178,767 shares |
| Osmundo C. De Guzman, Jr. | 9,703,178,767 shares |

**6) Orientation and Education Program**

**(a) Disclose details of the company's orientation program for new directors, if any.**

None.

**(b) State any in-house training and external courses attended by Directors and Senior Management[4] for the past three (3) years:**

On 21 November 2014, all members of the Board and key officers of the Corporation completed the seminar on Corporate Governance conducted by SGV & Co. from 9:00 a.m. to 12:00 p.m. at Makati Shangri-La Hotel, Ayala Avenue corner Makati Avenue, Makati City.

**(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|---|---|---|
| Vicente R. Santos | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Exequiel D. Robles | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Mariza Santos-Tan | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Aurora D. Robles | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Antonio D. Robles | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |

[4] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

| | | | |
|---|---|---|---|
| Santiago Cua | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Orestes R. Santos | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Osmundo De Guzman, Jr. | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |
| Jose Ferdinand R. Guiang | 21 November 2014 | Seminar on Corporate Governance | SGV & CO. |

**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 | In case of an actual or potential conflict of interest on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. | In case of an actual or potential conflict of interest on the part of a senior management personnel, he should fully and immediately disclose it and should not participate in the decision-making process. | In case of an actual or potential conflict of interest on the part of an employee, he should fully and immediately disclose it. |
| (b) Conduct of Business and Fair Dealings | Deal honestly and ethically with customers, suppliers, competitors, employees and other stakeholders on behalf of the Company in all matters. | Deal honestly and ethically with customers, suppliers, competitors, employees and other stakeholders on behalf of the Company in all matters. | Deal honestly and ethically with customers, suppliers, competitors, employees and other stakeholders on behalf of the Company in all matters. |
| (c) Receipt of gifts from third parties | The fundamental principle is that no director and employee should do anything which might give rise to the impression that he or she has been or might be influenced by a gift or hospitality or other consideration to show bias for or against any person or organization while carrying out official duties. | The fundamental principle is that no director and employee should do anything which might give rise to the impression that he or she has been or might be influenced by a gift or hospitality or other consideration to show bias for or against any person or organization while carrying out official duties. | The fundamental principle is that no director and employee should do anything which might give rise to the impression that he or she has been or might be influenced by a gift or hospitality or other consideration to show bias for or against any person or organization while carrying out official duties. |
| (d) Compliance with Laws & Regulations | The Board of Directors ensures that the Corporation complies | The Board of Directors ensures that the Corporation complies | All employees are directed to comply with all relevant laws, regulations and codes |

| | | | |
|---|---|---|---|
| | with all relevant laws, regulations and codes of best business practices. | with all relevant laws, regulations and codes of best business practices. | of best business practices. |
| (e) Respect for Trade Secrets/Use of Non-public Information | Board members are reminded not to disclose any confidential, proprietary or trade secret information without specific written approval by an authorized company representative. | Board members are reminded not to disclose any confidential, proprietary or trade secret information without specific written approval by an authorized company representative. | During employment, no employee shall disclose any confidential, proprietary or trade secret information without specific written approval by an authorized company representative. |
| (f) Use of Company Funds, Assets and Information | Company funds are to be used only for authorized and bona fide business purposes. | Management must approve, and is responsible for, controlling all expenditures of Company funds. Managers and supervisors are responsible for ensuring that all employees reporting to them understand and comply with Company policies and procedures pertaining to the use of Company funds. | Any employee violating this policy by using Company funds contrary to this policy or intentionally misrepresenting costs or expenses as to the purpose for which they were incurred, their relationship to Company business, the validity of supporting documentation or their assignment to accounts and contracts, will be subject to appropriate disciplinary action, up to and including dismissal. |
| (g) Employment & Labor Laws & Policies | | The Company assures the rights of employees to self organization, collective bargaining, security tenure and a just and humane conditions of work. | The Company assures the rights of employees to self organization, collective bargaining, security tenure and a just and humane conditions of work. |
| (h) Disciplinary action | Disciplinary action taken should be within the premise of just cause with unsatisfactory job performance and unacceptable personal conduct. | Disciplinary action taken should be within the premise of just cause with unsatisfactory job performance and unacceptable personal conduct. | Disciplinary action taken should be within the premise of just cause with unsatisfactory job performance and unacceptable personal conduct. |
| (i) Whistle Blower | Human Resource Department provides an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing. | Human Resource Department provides an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing. | Human Resource Department provides an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing. |
| (j) Conflict Resolution | The Corporation shall | The Corporation shall | The Corporation shall |

| | | | |
|---|---|---|---|
| | establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities. | establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities. | establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities. |

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

The Revised Manual on Corporate Governance has been disseminated to all directors, senior management and employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Corporation has complied, and will continue to comply, with the leading practices and principles on good corporate governance, as set forth in the Corporation's Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 2, Series of 2009. The Corporation monitors compliance through its Compliance Officer, Mrs. Mariza R. Santos-Tan, who submits a certificate to the SEC attesting to the Corporation's compliance.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| **Related Party Transactions** | **Policies and Procedures** |
|---|---|
| (1) Parent Company | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |
| (2) Joint Ventures | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |
| (3) Subsidiaries | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |
| (4) Entities Under Common Control | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |
| (5) Substantial Stockholders | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |
| (6) Officers including spouse/children/siblings/parents | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |
| (7) Directors including spouse/children/siblings/parents | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |

| | |
|---|---|
| (8) Interlocking director relationship of Board of Directors | The Corporation reports and discloses all related party transactions in accordance with the PSE and SEC Disclosure Rules. |

(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 | None |
| Name of Significant Shareholders | Sta. Lucia Realty & Development, Inc., since both companies are engaged in real property development. |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

| | **Directors/Officers/Significant Shareholders** |
|---|---|
| Company | The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. 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. A director who has a continuing material conflict of interest should seriously consider resigning from his position.<br><br>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation. |
| Group | Same as above. |

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[5] 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** |
|---|---|---|
| Sta. Lucia Realty & | Family | Sta. Lucia Realty & |

[5] Family relationship up to the fourth civil degree either by consanguinity or affinity.

| | | |
|---|---|---|
| Development, Inc. | | Development, Inc. is composed of members of the Santos and Robles families. |
| | | |
| | | |
| | | |

(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 |
|---|---|---|
| Sta. Lucia Realty & Development, Inc. | Parent | Sta. Lucia Realty & Development, Inc. owns 87.1825% of the capital stock of the Corporation. |
| | | |
| | | |
| | | |

(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** | The Corporation currently does not have an alternative dispute resolution system. However, the Corporation exhausts all means to settle all conflicts in a fair and expeditious manner. |
| **Corporation & Third Parties** | |
| **Corporation & Regulatory Authorities** | |

**C. BOARD MEETINGS & ATTENDANCE**

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The meetings of the Board of Directors are not scheduled before or at the beginning of the year. The Board meets as often as necessary, taking into consideration the business requirements of the Corporation. However, a regular meeting is held at least once every calendar quarter. The date of such regular meeting is agreed upon by the directors and stated in the written notice of the meeting.

2) Attendance of Directors

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|---|---|---|---|---|---|
| Chairman | Vicente R. Santos | 20 June 2014 | 3 | 3 | 100 |
| Member | Exequiel D. Robles | 20 June 2014 | 3 | 3 | 100 |
| Member | Mariza Santos-Tan | 20 June 2014 | 3 | 3 | 100 |
| Member | Aurora D. Robles | 20 June 2014 | 3 | 2 | 67 |
| Member | Antonio D. Robles | 20 June 2014 | 3 | 3 | 100 |
| Member | Santiago Cua | 20 June 2014 | 3 | 2 | 67 |
| Member | Orestes R. Santos | 20 June 2014 | 3 | 2 | 67 |
| Independent | Jose Ferdinand R. Guiang | 20 June 2014 | 3 | 3 | 100 |
| Independent | Osmundo C. De Guzman, Jr. | 20 June 2014 | 3 | 3 | 100 |

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

The non-executive directors do not have a separate meeting from the executive directors. However, the Corporation's Executive Committee, Audit Committee, Nomination Committee and Remuneration Committee have separate meetings during the year, outside of meetings of the Board of Directors.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. The minimum quorum requirement for holding of a meeting shall be the majority of the directors. In such meeting, any resolution adopted by the majority of the quorum shall be valid as a corporate act.

5) Access to Information

**(a) How many days in advance are board papers[6] for board of directors meetings provided to the board?**

Board papers for meetings of the Board of Directors are usually given at least one (1) day before the scheduled meeting.

**(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?**

[6] 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.

The Secretary keeps and prepares a complete and accurate record of the minutes of the proceedings of all meetings of the stockholders and the Board of Directors. The Secretary also keeps in custody the seal of the Corporation, and has the authority to affix the same to all instruments where its use is required. The Secretary is also in-charge of sending all notices required by statute, the Articles of Incorporation and the By-Laws. Moreover, he shall serve as the *ex-officio* secretary of the Nomination Committee, Audit Committee and Executive Compensation Committee. In such capacity, he shall record and keep the minutes of all meetings of the foregoing committees,

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, the current corporate secretary is a lawyer.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [x] No [ ]

| Committee | Details of the procedures |
|---|---|
| Executive | Any director may ask the management to supply the requested information. Requests for information are coursed through the heads of the various committees. |
| Audit | |
| Nomination | |
| Remuneration | |
| Others (specify) | |

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|---|---|
| Before a Director may seek independent professional advice, he must obtain prior approval of the Board. In this regard, the Corporate Secretary shall provide information as may be required in accordance with the interest of the Corporation. | The Board may, as a group or individually, in the furtherance of their duties, take independent professional advice, if necessary, at the Corporation's expense. |

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 |
|---|---|---|
| No changes were introduced during the year. | | |

**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 | Php2,400,000 | Php7,450,000 |
| (2) Variable remuneration | Php1,200,000 | Php2,475,000 |
| (3) Per diem allowance | Php15,000 | Php0 |
| (4) Bonus | | |
| (5) Stock Options and other financial instruments | | |
| (6) Others (specify) | | |

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 | Each director shall receive a *per diem* for every meeting of the board, whether regular or special, which he attends.<br><br>Executive directors having a rank of vice-president or its equivalent shall receive such compensation as the Board of Directors may reasonably determine, with due regard to the recommendations made by the Executive Compensation Committee.<br><br>An officer with a rank below that of a vice-president or its equivalent shall | As agreed by the Remuneration Committee. | As agreed by the Remuneration Committee. |

| | | | |
|---|---|---|---|
| | receive such compensation as the Executive Compensation Committee shall reasonably fix.<br><br>Moreover, an executive director may also receive, for services rendered to the Corporation which are in addition to his duties and responsibilities as such officer, such additional compensation as may be fixed by the Board of Directors. | | |
| Non-Executive Directors | Each director shall receive a *per diem* for every meeting of the board, whether regular or special, which he attends | | |

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** |
|---|---|
| Other than a per diem of Twenty Five Thousand Pesos (P25,000.00) for attendance in a board meeting, there are no other standard arrangement or other arrangements between the directors and the Corporation on the matter of the director's compensation. | |
| | |
| | |

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 | Php5,640,000 | Php1,440,000 | |
| (b) Variable Remuneration | Php3,360,000 | Php960,000 | |
| (c) Per diem Allowance | Php60,000 | Php30,000 | Php30,000 |

| | | | |
|---|---|---|---|
| (d) Bonuses | | | |
| (e) Stock Options and/or other financial instruments | | | |
| (f) Others (Specify) | | | |
| **Total** | Php9,060,000 | Php2,430,000 | Php30,000 |

| **Other Benefits** | **Executive Directors** | **Non-Executive Director (other than independent directors)** | **Independent Directors** |
|---|---|---|---|
| 1) Advances | N/A | N/A | N/A |
| 2) Credit granted | | | |
| 3) Pension Plan/s Contributions | | | |
| (d) Pension Plans, Obligations incurred | | | |
| (e) Life Insurance Premium | | | |
| (f) Hospitalization Plan | | | |
| (g) Car Plan | | | |
| (h) Others (Specify) | | | |
| **Total** | N/A | N/A | N/A |

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

| **Director's Name** | **Number of Direct Option/Rights/ Warrants** | **Number of Indirect Option/Rights/ Warrants** | **Number of Equivalent Shares** | **Total % from Capital Stock** |
|---|---|---|---|---|
| None | | | | |
| | | | | |
| | | | | |
| | | | | |

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

| **Incentive Program** | **Amendments** | **Date of Stockholders' Approval** |
|---|---|---|
| None | | |

5) Remuneration of Management

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 |
|---|---|
| Antonio D. Robles | Php2,420,000 |
| Orestes R. Santos | |
| Santiago Cua | |
| Jose Ferdinand R. Guiang | |
| Osmundo De Guzman, Jr. | |
| David M. Dela Cruz | |

**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 | 4 | 1 | 0 | None | In charge of the Corporation's day to day operations. | In charge of the Corporation's day to day operations. | To act, by majority vote of all its members, on such specific matters within the competence of the Board, as may be delegated to it on a majority vote of the Board, including those involving demands, actions, cases and proceedings filed by or against the Corporation, and in any event except with respect to:<br><br>(1) approval of any action for which shareholders' approval is also required;<br><br>(2) the filling of vacancies in the Board; |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | (3) the amendment or repeal of by-laws or the adoption of new by-laws;<br><br>(4) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and<br><br>(5) a distribution of cash dividends to the shareholders. |
| Audit | 0 | 2 | 1 | Yes | To assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance. | To review the annual audit plan; to discuss with the external auditor the nature, scope and expenses of the audit, and to review the reports of the external auditors; to monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system; and to review the financial statements. | To review the annual audit plan; to discuss with the external auditor the nature, scope and expenses of the audit, and to review the reports of the external auditors; to monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system; and to review the financial statements. |
| Nomination | 2 | 0 | 1 | None | To review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and | The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the set qualifications and | The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the set qualifications and disqualifications. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | procedures in the election or replacement of directors. | disqualifications. | |
| Remuneration | 1 | 1 | 1 | | In charge of establishing a procedure for the development of a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. Also in charge of overseeing remuneration of senior management and other key personnel. | To ensure that the remuneration policies and packages of the management personnel are consistent with the Corporation's culture, strategy and control environment. | To ensure that the remuneration policies and packages of the management personnel are consistent with the Corporation's culture, strategy and control environment. |
| Others (specify) | None | | | | | | |

2) 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 | Exequiel D. Robles | 04 March 2008 | 10 | 10 | 100 | 5 years |
| Vice-Chairman | Vicente R. Santos | 04 March 2008 | 10 | 10 | 100 | 5 years |
| Member | Mariza Santos-Tan | 04 March 2008 | 10 | 10 | 100 | 5 years |
| Member | Antonio D. Robles | 04 March 2008 | 10 | 10 | 100 | 5 years |
| Member | Aurora D. Robles | 04 March 2008 | 10 | 10 | 100 | 5 years |

(b) Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ID) | Jose Ferdinand R. Guiang | 20 June 2014 | 4 | 4 | 100 | 2 years |
| Member (ED) | Orestes R. Santos | 20 June 2014 | 4 | 4 | 100 | 2 years |
| Member (ED) | Antonio D. Robles | 20 June 2014 | 4 | 4 | 100 | 2 years |

Disclose the profile or qualifications of the Audit Committee members.

**Jose Ferdinand R. Guiang**

Mr. Guiang, 47 years old, Filipino, is an independent director of the Corporation. He has also served as President of Pharmazel Inc. and as Area Sales Supervisor of Elin Pharmaceuticals, Inc.

**Orestes R. Santos**

Mr. Santos, 46 years old, Filipino, has held served as the Project Manager of Sta. Lucia Realty & Development, Inc. and the President of RS Superbatch, Inc. He has also been a Director of City Chain Realty.

**Antonio D. Robles**

Mr. Robles, 47 years old, Filipino, owns a franchise of Figaro Coffee and Cabalen. He also served as the Director of Exan Builder's Corp. Mr. Robles is a stockholder of Sta. Lucia Realty & Development, Inc., Valley View Realty Dev't Corp., RS Maintenance & Services Corp., Sta. Lucia East Commercial Corp., RS Night Hawk Security & Investigation Agency and Exan Builders Corp.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee performs oversight functions over the external auditor. It ensures that the external auditor acts independently and that the external auditor is given unrestricted access to all records, properties and personnel to enable them to perform their audit functions. The Audit Committee shall also disallow any non-audit work that will conflict with the external auditor's duties and poses a threat to his independence.

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ID) | Jose Ferdinand R. Guiang | 20 June 2014 | 1 | 1 | 100 | 2 years |
| Member (ED) | Mariza Santos-Tan | 20 June 2014 | 1 | 1 | 100 | 2 years |
| Member (ED) | Aurora D. Robles | 20 June 2014 | 1 | 1 | 100 | 2 years |

(d) Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ID) | Osmundo C. De Guzman, Jr. | 20 June 2014 | 2 | 2 | 100 | 2 years |
| Member (ED) | Antonio D. Robles | 20 June 2014 | 2 | 2 | 100 | 2 years |
| Member (ED) | Vicente R. Santos | 20 June 2014 | 2 | 2 | 100 | 2 years |

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

N/A

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

| Name of Committee | Name | Reason |
|---|---|---|
| Executive | No changes in all committees | |
| Audit | | |
| Nomination | | |
| Remuneration | | |
| Others (specify) | | |

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

| Name of Committee | Work Done | Issues Addressed |
|---|---|---|
| Executive | Acts in behalf of the Board of directors, subject to the applicable rules, procedures, restrictions and resolutions. In close contact with the board committee and kept them informed of the important concerns. | None. |
| Audit | Assisted the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;<br><br>Provided oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities | Business process flows and internal controls of the Corporation |
| Nomination | Reviewed and evaluated the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. | Reviewed the qualifications of all nominees to the Board of directors, taking into consideration the relevant requirements of the Securities and Exchange Commission relative to qualifications and disqualifications of both regular and independent director nominees |
| Remuneration | Establish a formal and transparent procedure for developing a policy | Provided oversight over remuneration of senior management and other key |

| | | |
|---|---|---|
| | on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates | personnel.<br>No other resolution relating to director's remuneration has been adopted by the Board of Directors as the schedule of the amount of per diem for attendance in meetings of the Board of Directors/Committees has remained unchanged |
| Others (specify) | | |

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| **Name of Committee** | **Planned Programs** | **Issues to be Addressed** |
|---|---|---|
| Executive | Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. The Corporation's CEO or Chief Financial Officer shall exercise oversight responsibility over this program. | Investors relations program |
| Audit | Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; | Business process flow and Internal controls |
| Nomination | Formalize a Board Committee Charter<br><br>Pre-screen qualifications of all nominees to the Board of Directors | Nominations for the Corporation's Committees |
| Remuneration | Formulate a Human Resources Development or Personnel Handbook to strengthen policies relating to conflict of interest, salaries and benefits plans, promotion and career advancement directives, and compliance by personnel with statutory conditions or requirements. | Reevaluate and strengthen compensation policies |
| Others (specify) | | |

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;
The Board and Management believe that 'risk management' should be an essential part of the planning and operations process of the Company in order to meet corporate goals and objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company's 2013 Annual Report includes a signed Report of the Audit Committee and the following statement is included therein:

"In compliance with the Audit Committee Charter, we confirm that:
…we have reviewed and discussed the adequacy of the risk management framework and risk management processes specific to financial statement reporting, business continuity, fraud, revenue assurance and regulatory risks with Management who is primarily responsible for the risk management process."

(c) Period covered by the review;
2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
Risk Management system is reviewed annually.

A Risk Management Plan is updated to determine whether the risks identified, assessed, quantified and aggregated remain current and are among the key risks priorities. Measures and/ or controls identified to address these key risk priorities are evaluated if still effective in mitigating subject risks. Risk monitoring and reporting activities are reviewed to ensure its effectiveness such that these risks priorities and control activities are optimized and utilized to help Management meet its goals and objectives.

(e) Where no review was conducted during the year, an explanation why not.

Annual review is conducted.

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 |
|---|---|---|
| Credit Risk | The Group's credit risk management includes the process of analysis prior to taking decisions, the decision-making itself, the instrumentation and monitoring of the transactions formalized and their recovery. The Board Risks Committee analyses and, where appropriate, authorizes the risk proposals | Realize profits thus becoming a dependable partner to our clients |

| | | |
|---|---|---|
| | whose volume may compromise the Group's solvency and capital adequacy or the recurrence of its earnings. It does the same for other risk proposals that might present potential operational risks or reputational risks in the terms established by the Executive Committee. | |
| Structural interest risk. | The management balance sheet exposure to interest risk aims to keep exposure at levels in keeping with the Group's strategy and risk profile when market interest rates change. With this aim, it actively manages the balance sheet by trading to optimize the level of risk incurred with regard to expected earnings and to comply with the highest level of tolerable risk. | To improve cash flow to generate more investible funds |
| | | |
| | | |
| | | |

(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 |
|---|---|---|
| N/A | | |
| | | |
| | | |
| | | |
| | | |

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|---|
| While there is a risk that the exercise of the controlling shareholders' voting power may be restrictive or authorizing preferences in their favor, the Board in its commitment to practice good governance, is committed to respect the rights of the shareholders as provided for in the Corporation Code. These include the right to vote on all matters that require their consent or approval, such that a director shall not be removed without cause if it will deny minority shareholders representation in the Board. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. |
| |
| |

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) |
|---|---|---|
| N/A | | |
| | | |
| | | |
| | | |
| | | |

(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) |
|---|---|---|
| N/A | | |
| | | |
| | | |
| | | |
| | | |

(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 |
|---|---|---|
| N/A | | |
| | | |

**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;

The Board of Directors ensures that the company is properly and effectively managed and supervised. In furtherance thereof, the Board is given oversight functions relating to the definition of the duties and the selection of the Chief Executive Officer, evaluation of senior management appointments, selection of other management officers and the review of the company's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

On an annual basis, the Chief Audit Executive issues an Internal Control Report indicating procedures performed by Internal Audit in evaluating the internal control system of the Company that includes its policies, procedures, processes as well as an attestation that a sound internal audit, control, compliance system is in place and working effectively.

Period covered by the review; 2014

(c) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee is tasked by the Board (through its approved charter) to review the internal control system of the Company. Part of their regular meeting (minimum of 4 times / year) is to review the internal control system through the reports of the auditors (internal and external) and representation made by the Management.

(d) Where no review was conducted during the year, an explanation why not.

Not applicable, quarterly review is conducted.

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** |
|---|---|---|---|---|
| Evaluating the reliability and integrity of significant information | All financial, managerial, and operating information and the means used to identify, measure, classify, and report such information is accurate, reliable and timely. | In-House | | Quarterly |
| | | | | |

(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?

Yes.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal auditor reports to the board of directors and audit committee who are within the governance structure.

(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.

| | |
|---|---|
| **Progress Against Plans** | N/A |
| **Issues**[7] | |
| **Findings**[8] | |
| **Examination Trends** | |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(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."

| Policies & Procedures | Implementation |
|---|---|
| Governance frameworks must be established to define the scope of work and policies that will regulate and control the unit's activities. | Implemented |
| | |
| | |

[7] "Issues" are compliance matters that arise from adopting different interpretations.
[8] "Findings" are those with concrete basis under the company's policies and rules.

(g) Mechanisms 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** |
|---|---|---|---|
| INTERNAL AUDITORS The Chief Audit Executive ("CAE") and the Internal Audit Staff ("Staff") are not authorized to: 1. Perform any operational duties for the organizations or its affiliates. 2. Initiate or approve accounting transactions external to the Internal Audit Department. 3. Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors. | There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting | | |
| 1. Preparing accounting records and financial statements; 2.Financial information systems design and implementation; | There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting. | | |

(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.

Vicente R. Santos – Chairman of the Board of Directors
Exequiel D. Robles – President
Mariza R. Santos-Tan – Compliance Officer

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|---|---|---|
| Customers' welfare | The company develops residential and commercial lots with the objective of realizing profits and providing homes to Filipinos | |
| Supplier/contractor selection practice | For major suppliers or service providers, a request for proposal is required to be submitted based on an approved term of reference. A separate (board) committee may be designated to review and evaluate proposals submitted and make recommendations for Board consideration. | A bidding process is in place where at least three suppliers or service providers are required to submit their bid proposal for review and evaluation of the designated official and a recommendation is submitted for consideration |
| Environmentally friendly value-chain | The Company's efforts are currently focused on mitigating the consequences of natural catastrophes | It joins projects undertaken by other entities from time to time through donations and sponsorship. |
| Community interaction | | |
| Anti-corruption programmes and procedures? | The Company does not condone any dishonest, unethical or unprofessional behavior and actions displayed by an employee, regardless of his/her level of authority. It is the responsibility of each employee to report legitimate concerns so that issues can be properly investigated or resolved and corrective measures can be instituted. These concerns may involve commission of fraud, theft or corruption, unauthorized use of Company funds and properties, | Concerns may be raised verbally or in writing to the HRD Head while concerns involving the HRD Head should be raised to the CEO and complaints concerning the CEO should be raised to the Chairman of the Nomination and Compensation Committee of the Company's Board of Directors. Management shall maintain the confidentiality of all the concerns or complaints raised and the anonymity of the person making the complaint to the fullest extent reasonably |

| | | |
|---|---|---|
| | breach of a legal obligation, internal or external regulation or any procedure regarding accounting, auditing matters, as well as alleged irregularities of a general, operational and financial nature in the company. | practicable within the legitimate needs of law. |
| Safeguarding creditors' rights | The company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities | All valid claims are settled promptly and judiciously, as part of the company's commitment to its clients. |

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

The Corporation does not have its own corporate responsibility report/section or sustainability report/section.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

Employees are urged to report to their immediate superior or to the General Services Department accidents or any condition or practice which is unsafe, whether or not these result in personal injury or no matter how minor they might seem to be. In order to ensure the promotion of employee health and well-being, the company offers health care benefits covered by the health insurance provider of the Company.

Employees are involved in deciding, planning and implementing employee activities and programs such as sports and summer outing events, company parties and employee uniform.

(b) Show data relating to health, safety and welfare of its employees.

Generally all our regular employees undergo annual medical check-up with their preferred medical clinic/hospital. There have been no reported work-related accidents or health concerns in the Company.

(c) State the company's training and development programmes for its employees. Show the data.

New employees are given orientation on the Company's policies and procedures. Depending on their work assignment and employee development plans, employees undergo or are sent to specialized training courses.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

It is the policy of the company to promote advancement among its employees for consistently exceeding expectations over five (5) years, meeting organizational requirements and facilitating the achievement of long-term corporate goals and objectives. Depending on the performance of the Company and also taking into consideration various qualitative performance parameters such as succession planning and corporate governance, the Board also grants performance bonuses

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

i. Concerns may be raised verbally or in writing to the HRD Head, the Company CEO or to the Chairman of the Nomination and Compensation Committee of the Company's Board of Directors for complaints concerning the CEO should be raised.

ii. When raising a concern or complaint, the employee should give the background, the nature of the alleged wrongdoing or a description of the event, relevant dates, reasons for the concern, witnesses and the names of the individual involved.

iii. If the concern is raised verbally, then the person receiving the information should prepare the outline of the matters raised.

iv. Employees are assured that Management shall maintain the confidentiality of all the concerns and complaints raised and the anonymity of the person making the complaint to the fullest extent reasonably practicable within the legitimate needs of law.

v. The HRD Head/monitoring officer shall be responsible for deciding whether there are grounds for proceeding further with the case. Potential action may include a clarification of facts, a more formal investigation conducted by the Senior ManCom or Internal Audit Department, or referral to external auditors or legal consultants. Concerns that fall within the scope of specific procedures shall be referred for consideration under those procedures.

vi. The monitoring officer (or the HRD Head/CEO/Chairman of NCC as the case maybe) shall inform the reporting employee in writing within seven (7) working days of the following:

a. What has been done or how monitoring officer plans to deal with the matter;
b. An estimate of how long it might take to give a final response;
c. If an initial inquiry has been made;
d. If further investigation will take place;
e. Any further information that may be sought form the employee.

vii. The monitoring officer, subject to legal constraints, will provide the employee with information on the outcome of any investigation.

**I. DISCLOSURE AND TRANSPARENCY**

1) Ownership Structure

**(a)** Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|---|---|---|---|
| Sta. Lucia Realty & Development, Inc. | 7,451,005,767 | 87.18 | |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| N/A | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| **TOTAL** | | | |

2) Does the Annual Report disclose the following:

| | |
|---|---|
| Key risks | Yes |
| Corporate objectives | No |
| Financial performance indicators | Yes |
| Non-financial performance indicators | No |

| | |
|---|---|
| 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 | No |
| Number of board of directors/commissioners meetings held during the year | No |
| Attendance details of each director/commissioner in respect of meetings held | No |
| 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.

The Annual Report does not disclose the items marked "No" above in the absence of any rule making such disclosure mandatory.

3) External Auditor's fee

| Name of auditor | Audit Fee | Non-audit Fee |
|---|---|---|
| SGV & Co. | PhP1,232,000.00 | None |
| | | |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Corporation disseminates information through personal communication, sending of letters and notices in hard copy or in CD format, and publication in print media.

5) Date of release of audited financial report:

15 April 2014.

6) 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 | **None** |
| 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.

As for the Notice of AGM and/or EGM, the Corporation has yet to set the AGM or any EGM, hence, no information has been provided in the website.

7) Disclosure of RPT

| RPT | Relationship | Nature | Value |
|---|---|---|---|
| Sta. Lucia Realty & Development , Inc. | Parent Company | Regular conduct of business | PhP797,226,691 |
| Sta. Lucia East Commercial Corporation | Affiliate | Regular conduct of business | PhP444,723,303 |

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 Corporation publicly discloses all material information (i.e., anything that could potentially affect share price) such as related party transactions. Accordingly, the Corporation files all the required and necessary disclosure requirements under the PSE and SEC Disclosure Rules, including, but not limited to, the Corporation's Annual Report. All related party transactions are fully disclosed to the Board of Directors. None of the Company's shareholders are granted special privileges or concessions.

**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 the issued and outstanding stock entitled to vote at such meeting. |

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|---|---|
| **System Used** | Generally, the Board of Directors has the power to approve regular corporate acts, unless the ratification of the stockholders is required. |
| **Description** | The Board of Directors may approve day-to-day corporate acts through a majority vote of the quorum duly convened during the Board Meeting. If the corporate act requires the ratification of the stockholders, a stockholders' meeting shall be called for that purpose. Ratification by the stockholders of corporate acts may be made through a vote of the majority, or two-thirds of the outstanding capital stock, as may be required by the Corporation Code, Articles of Incorporation and By-Laws of the Corporation. |

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| Stockholders' Rights under The Corporation Code | Stockholders' Rights not in The Corporation Code |
|---|---|
| Voting Rights | None |
| Power of Inspection | |

| | |
|---|---|
| Appraisal Right | |

Dividends

| Declaration Date | Record Date | Payment Date |
|---|---|---|
| N/A | | |

(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** |
|---|---|
| Shareholders are encouraged to attend shareholders' meetings to personally meet their directors/officers and to ask questions regarding the operation of the Company | Announcement of the time and venue of the shareholders' meeting |

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

   Corporate decisions involving all of the above are submitted to the shareholders for voting. Such corporate decisions may be taken up during the general meetings of the stockholders, or special meetings of the stockholders duly called for purposes of the abovementioned corporate decisions. All notices to the stockholders shall be sent at least five (5) days prior to the scheduled meeting. During the meeting, the stockholders are entitled to vote their respective number of shares, in person or by proxy.

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?

   The Corporation complies with the timetable set under the Securities Regulation Code Implementing Rules and Regulations.

   a. Date of sending out notices:

      29 May 2014

   b. Date of the Annual/Special Stockholders' Meeting:

      20 June 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   a. What is the effect of the ASEAN integration to the Corporation?
      The Corporation believes that the ASEAN integration will produce positive results.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

| Resolution | Approving | Dissenting | Abstaining |
|---|---|---|---|
| Subject to compliance with the applicable legal requirements and disclosure at the appropriate | 100% | | |

| | | | |
|---|---|---|---|
| time, ratified the resolution adopted by the Board to purchase up to One Billion Pesos (P1,000,000,000.00) worth of outstanding shares of the Corporation under such terms and conditions that the Board shall deem required and necessary | | | |
| Subject to approval by the SEC, authorizing the Corporation to amend the Corporation's Articles of Incorporation to amend the Corporation's Articles of Incorporation to extend its corporate term for fifty (50) years from 06 December 2016 | 100% | | |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

   20 June 2014

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

| **Modifications** | **Reason for Modification** |
|---|---|
| None | |

(f) Stockholders' Attendance

(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 | 12 | 20 June 2014 | Casting of Votes/ cumulative voting | .02% | 89.85% | 89.87% |
| Special | No special stockholders' meeting has yet been held. | | | | | |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? 9,703,178,767

The Corporate Secretary tabulates the votes at the ASM/SSMs.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

The holders of common stock are entitled to one vote per share, may apply cumulative voting in case of election of directors.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

| | Company’s Policies |
|---|---|
| Execution and acceptance of proxies | The authority of a proxy shall be in writing, dated and executed by the stockholder of record or by his duly appointed attorney-in-fact whose authority must likewise be in writing. |
| Notary | Notarization is not required, except when the proxy comes from a corporate shareholder, in which case, the Secretary Certificate has to be notarized. |
| Submission of Proxy | The proxy instrument shall be filed with the Corporate Secretary before a set deadline [i.e., seven (7) days before the meeting]. |
| Several Proxies | The Corporation’s By-Laws and company policies do not prohibit a stockholder from assigning several proxies in his/her behalf. |
| Validity of Proxy | Proxies received after the set deadline [i.e., seven (7) days before the meeting] will not be recorded. Stockholders shall attach to the proxy instrument their respective Secretary’s Certificates containing the Board Resolution vis-à-vis the authority of their proxy(ies). |
| Proxies executed abroad | Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office |
| Invalidated Proxy | Proxies received after the set deadline [i.e., seven (7) days before the meeting] will not be recorded. |
| Validation of Proxy | Proxies submitted on or before the set deadline shall be validated by a Committee of Inspectors. |
| Violation of Proxy | Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void. |

(h) Sending of Notices

State the company’s policies and procedure on the sending of notices of Annual/Special Stockholders’ Meeting.

| Policies | Procedure |
|---|---|
| To send notices to each stockholder as of record date 16 May 2014. | Notices were sent to stockholders via postage. |

(i) Definitive Information Statements and Management Report

| | |
|---|---|
| **Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials** | 419 stockholders as of 16 May 2014 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners** | 29 May 2014 |

| | |
|---|---|
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders** | 29 May 2014 |
| **State whether CD format or hard copies were distributed** | Notices in CD format were distributed. |

| If yes, indicate whether requesting stockholders were provided hard copies | Requesting stockholders will be provided hard copies. |
|---|---|

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | No |
| The auditors to be appointed or re-appointed. | No |
| An explanation of the dividend policy, if any dividend is to be declared. | No |
| The amount payable for final dividends. | No |
| Documents required for proxy vote. | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The items marked "No" above are not disclosed in the Notice but in the Information Statement sent together with the Notice.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

| Policies | Implementation |
|---|---|
| All stockholders should be treated equally or without discrimination. | The Board gives the minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. |
| All stockholders are given access to all information relating to the business of the Corporation. | The minority shareholders are given access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of the stockholders' meeting, being within the definition of "legitimate purposes". |
| Minority shareholders shall have representation in the Board. | A director shall not be removed without cause if it will deny minority shareholders representation in the Board. |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

All shareholders, including the minority shareholders, have the right to nominate and elect members of the Board of Directors.

**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.

The Company has established communication channels that promote effective communication with its shareholders and the investing community. Aside from the regular reporting and disclosures to the various regulating agencies such as the SEC, PSE and IC, the Company actively maintains its website that provides timely information updates on its governance, operational, and financial performance. The Company has also designated relations officers to handle investor and shareholder queries and requests, and their contact information can easily be accessed through the Company's website.

The President/CEO and Chief Financial Officer (CFO) exercises oversight responsibility over this investor relations program.

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 build better understanding and cultivate a relationship of trust with stakeholders, the Company has set-up communication channels that promote effective communication with its shareholders and the investing community |
| (2) Principles | Handle investors and shareholders queries and requests as a top priority matter and therefore, immediate resolution is required. |
| (3) Modes of Communications | Company Website and PSE Website for all our corporate disclosures which includes stock performance, security information, company profile, chart, and historical data |
| (4) Investors Relations Officer | |

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?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

| **Initiative** | **Beneficiary** |
|---|---|
| N/A | N/A |

**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** | No formal performance evaluation is in place however, the Board, through its Audit Committee, performs a self-evaluation in which | |

| | | |
|---|---|---|
| | the current and potential state of the Company's corporate governance practices were rated using best practice guidelines issued by the PSE (criteria used) | |
| **Board Committees** | | |
| **Individual Directors** | | |
| **CEO/President** | The Nomination and Compensation Committee conducts a performance evaluation of the CEO/President and this becomes the<br>basis for renewing his employment contract. The current contract of the President has a term of two years or until December 30, 2013, renewable for another year at the sole option of the Corporation | |

## 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 |
|---|---|
| First Violation | Subject person shall be reprimanded. |
| Second Violation | Suspension from office shall be imposed to the subject person |
| Third Violation | The maximum penalty or removal from office shall be imposed. |

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the Corporation by the undersigned, thereunto duly authorized, in the City of MANDALUYONG CITY on APR 1 5 2015 ~~2015~~.

**SIGNATURES**

VICENTE R. SANTOS
**Chairman of the Board**

EXEQUIEL D. ROBLES
**Chief Executive Officer**

JOSE FERDINAND R. GUIANG
**Independent Director**

OSMUNDO C. DE GUZMAN, JR.
**Independent Director**

MARIZA SANTOS-TAN
**Compliance Officer**

**SUBSCRIBED AND SWORN** to before me this ________ day of ____________ 2015, affiant(s) exhibiting to me their ___________________, as follows:

| NAME/NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|
| Vicente R. Santos | | |
| Exequiel D. Robles | | |
| Jose Ferdinand R. Guiang | | |
| Osmundo De Guzman, Jr. | | |
| Mariza Santos-Tan | | |

JERRY B. DELA CRUZ
Notary Public for Mandaluyong City
Until 31 December 2015
PTR No. 2334655/01.07.15/Mandaluyong
MCLE Compliance No. IV-0021234/07.15.13
IBP No. 0984746/01.07.15/RSM
Appointment No. 0257-14
G/F State Center II Bldg.,
Ortigas Avenue, Mandaluyong City
Roll No. 47018

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