COVER SHEET

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S.E.C. Registration Number

S	T	A	R	M	A	L	L	S	,	I	N	C	.											

(Company's Full Name)

3	R	D		L	E	V	E	L		S	T	A	R	M	A	L	L		L	A	S			
P	I	N	A	S	,		C	V		S	T	A	R	R		A	V	E	N	U	E	,		
P	H	I	L	A	M	L	I	F	E		V	I	L	L	A	G	E	,						
P	A	M	P	L	O	N	A	,		L	A	S		P	I	N	A	S		C	I	T	Y	

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

Jo L. Ilijay
Contact Person

571-5948
Registrant Telephone Number

1	2		3	1

Month *Day*
Calendar Year

20-IS Definitive Information Statement
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

starmalls.inc
3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City
Tel. No. **(+632) 532 0605 / (+632) 871 4001** | Fax No. **(+632) 872 4697**
Website: www.starmallsinc.com.ph

May 13, 2016

SECURITIES AND EXCHANGE COMMISSION
CORPORATION FINANCE DEPARTMENT
SEC Building, EDSA Greenhills
Mandaluyong City

Attention : Director Vicente Graciano P. Felizmenio, Jr.

Re : Information Statement of Starmalls, Inc.

Dear Madam:

In reply to your letter dated May 10, 2016, we submit herewith for your consideration and clearance the Definitive Information Statement ("DIS") for the annual meeting of the stockholders of Starmalls, Inc. (the "Company") to be held on June 27, 2016, which we have revised in the light of the comments set forth in your aforementioned letter:

We address certain specific as follows:

1. Please see the attached certification that none of the named directors and officers of the Company works in the government.

2. We take note of the Notice of the Commission dated October 20, 2006 re: Certification on Qualification of Independent Directors, and to submit the requisite certifications within thirty (30) days from date of annual meeting.

3. We also take note of the SEC Memorandum Circular No.9 Series of 2011, re: Term Limits for Independent Directors and we are reviewing term limits of our current independent directors.

4. Please see the attached SEC Form 17Q including the Unaudited Interim Financial Statements for the period ended March 31, 2016 and Management's Discussion and Analysis of the financial condition and result of operations for the period ended March 31, 2016.

5. On Part I (Security Ownership of Certain Beneficial Owners and Management), we have identified the persons who will vote for the shares held by Vista Land & Lifescapes, Inc., Land & House Public Company Limited and Fine Properties, Inc.

6. On Part II, Item IV (Management's Discussion and Analysis), we have included the changes in financial condition and results of operation for the year 2013 and discussion on Commitments and Contingencies.

7. On Part II, Item V (Market for Registrant's Common Equity and Related Stockholders Matters), we have included the names of the Top 20 shareholders of common and preferred shares as of April 30, 2016.

8. Please see the attached revised Statement of Management's Responsibility in accordance with the prescribed wordings by SRC Rule 68, as amended, and Financial Reporting Bulletin No. 1

We hope you will find the attached DIS and the foregoing explanatory notes in order and clear this DIS for release to the shareholders of the Company soonest.

Thank you very much.

Very truly yours,

JO MARIE C. LAZARO-LIM
Assistant Corporate Secretary

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3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City
Tel. No. (+632) 532 0605 / (+632) 871 4001 | Fax No. (+632) 872 4697
Website: www.starmallsinc.com.ph

CERTIFICATION

STARMALLS, INC. (the "Company") hereby certifies that none of the directors and officers of the Company named in the Definitive Information Statement for the Annual Meeting of its shareholders for the year 2016 works in the government as of the date hereof.

Issued this 13th day of May 2016.

STARMALLS, INC.

By:

JO MARIE C. LAZARO-LIM
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter: **STARMALLS, INC.**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **39587**

5. BIR Tax Identification Code **000-806-396-000**

6. **3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City** — **1746**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code **(632) 571-5948 / (632) 871-4001**

8. Date, time and place of the meeting of security holders

   27 June 2016, 10:00 a.m.
   Colonial Ballroom, Palazzo Verde, Daang Reyna, Vista City, Las Piñas City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   May 23, 2016

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 or Amount of Debt Outstanding
Common stock	**8,425,981,156 shares**
Preferred stock	**2,350,000,000 shares**

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

    Yes [**x**]   No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common Stocks**

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3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City
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Website: www.starmallsinc.com.ph

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of **STARMALLS, INC.** (the "Company") for the year 2016 will be held on 27 June 2016, Monday, at 10:00 in the morning, at Colonial Ballroom, Palazzo Verde, Daang Reyna, Vista City, Las Piñas City.

The order of business thereat as follows:

I. Call to order

II. Certification of service of notice and presence of quorum

III. President's Report

IV. Approval of the Audited Consolidated Financial Statements for the period ended 31 December 2015 as contained in the Company's Annual Report

V. Election of the Directors and Independent Directors

VI. Appointment of External Auditors

VII. General ratifications of the acts of the Board of Directors and the Management inline with the usual business of the Company for the year 2015 until the date of the meeting

VIII. Approval of the amendments of Articles III and IV of the Articles of Incorporation of the Company to extend the corporate term of the Company and to change the principal office address of the Company.

IX. Approval of the amendments of ArticlesI, III paragraph 1, and IV paragraph 6 of the By-laws of the Company to change the principal office address of the Company, to change the format of the notice of annual stockholders' meeting of the Company, and to addto the express powers of the Board of Directors of the Company the power to amend, revise, or modify the By-Laws of the Company.

X. Other Matters

XI. Adjournment

The Board of Directors has fixed 18 May 2016 as the record date for the determination of stockholders entitled to notice of, and to vote at, said Annual Stockholders' Meeting.

Please bring some form of identification, such as passport, driver's license, or company ID and certification from PCD participant (if applicable) to facilitate registration which will start at 9:30 a.m.

MA. NALEN ROSERO-GALANG
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

1. Call to Order

   The Chairman of the Board of Directors of the Company, Mr. Manuel B. Villar, Jr., will call the meeting to order.

2. Certification of service of notice and presence of quorum

   The Corporate Secretary, Atty. Nalen S.J. Rosero-Galang, will certify that copies of this Notice were sent to the Stockholders of record as of 18 May 2016, and will certify the number of attendees, whether in person or by proxy, for purposes of determining the presence of quorum.

3. Approval of the President's Report and Audited Consolidated Financial Statements for the period ended 31 December 2015 as contained in the Company's Annual Report

   The President and Chief Executive Officer of the Company, Mr. Jerry M. Navarrete, will present a report on the Operations and Financial Results of the Company and its subsidiaries for the year 2015. Thereafter, the Company's Audited Financial Statements for the period ended 31 December 2015 will be presented for approval by the stockholders. The Audited Consolidated Financial Statements were incorporated in the Information Statement of the Company accompanying this Notice to be sent to the shareholders twenty eight (28) days before the meeting.

   The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve these agenda items.

4. Election of Directors and Independent Directors

   The incumbent members of the Board of Directors were nominated for re-election for the current year. Background information about the nominees to the Board are contained in the Information Statement accompanying this Notice.

   For the election of directors, the candidates who received the highest number of votes shall be declared elected.

5. Appointment of External Auditors

   The auditing firm of Sycip Gorres Velayo & Company ("SGV & Company") is being recommended for appointment as external auditor for the current year. Brief information about SGV & Company and the aggregate fees paid for the professional services provided by SGV & Company and P&A for the last two (2) years are set out in the Information Statement accompanying this Notice.

   The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

6. General ratifications of the acts of the Board of Directors and the Management in line with the usual business of the Company for the year 2015 until the date of the meeting

Ratification by the stockholders will be sought for the acts of the Board of Director and the Management of the Company for the year 2015 until the date of the meeting, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the Board and the Management are those taken in line with the usual business of the Company.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

7. Approval of the amendments of Articles III and IV of the Articles of Incorporation of the Company to extend the corporate term of the Company and to change the principal office address of the Company

Ratification by the stockholders will be sought for the amendments of Articles III and IV of the Articles of Incorporation of the Company to extend the corporate term of the Company and to change the principal office address of the Company

The vote of two-thirds (2/3) of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

8. Approval of the amendments of Articles I, III paragraph 1, and IV paragraph 6 of the By-laws of the Company to change the principal office address of the Company, to change the format of the notice of annual stockholders' meeting of the Company, and to add to the express powers of the Board of Directors of the Company the power to amend, revise, or modify the By-Laws of the Company

Ratification by the stockholders will be sought for the amendments of Articles I, III paragraph 1, and IV paragraph 6 of the By-laws of the Company to change the principal office address of the Company, to change the format of the notice of annual stockholders' meeting of the Company, and to add to the express powers of the Board of Directors of the Company the power to amend, revise, or modify the By-Laws of the Company.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve the amendments on the principal office address of the Company and the format of the notice of annual stockholders' meeting of the Company.

The vote of two-thirds (2/3) of the outstanding capital stock entitled to vote and represented in the meeting is required to approve the amendment adding to the express powers of the Board of Directors of the Company the power to amend, revise, or modify the By-Laws of the Company

9. Other Matters

The Chairman will entertain questions and comments from the stockholders.

PROXY

The undersigned stockholder of STARMALLS, INC. (the "Company") hereby appoints ________________________________ or in his absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company to be held at Colonial Ballroom, Palazzo Verde, Daang Reyna, Vista City, Las Piñas City on 27 June 2016 at 10:00 a.m. and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Audited Consolidated Financial Statements for the period ended 31 December 2015

   ☐ Yes ☐ No
   ☐ Abstain

2. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2015 until date of the meeting

   ☐ Yes ☐ No
   ☐ Abstain

3. Election of the members of the Board of Directors, including the Independent Directors, for the year 2016

Name	No. of votes
Manuel B. Villar Jr.	__________
Jerry M. Navarrete	__________
Benjamarie Therese N. Serrano	__________
Manuel Paolo A. Villar	__________
Adisorn Thananan-Narapool	__________
Joel L. Bodegon	__________
Raul Juan N. Esteban	__________

4. Appointment of SGV & Company as external auditor

   ☐ Yes ☐ No
   ☐ Abstain

5. Approval of the amendments of Articles III and IV of the Articles of Incorporation of the Company to extend the corporate term of the Company and to change the principal office address of the Company

   ☐ Yes ☐ No
   ☐ Abstain

6. Approval of the amendments of Articles I, III paragraph 1, and IV paragraph 6 of the By-laws of the Company to change the principal office address of the Company, to change the format of the notice of annual stockholders' meeting of the Company, and to add to the express powers of the Board of Directors of the Company the power to amend, revise, or modify the By-Laws of the Company

   ☐ Yes ☐ No
   ☐ Abstain

____

Printed name of Stockholder

____

Signature of Stockholder / Authorized representative

____

Date

This proxy should be received by the Corporate Secretary on or before 26 June 2016, the deadline for submission of proxies.

This proxy when properly executed will be voted in the manner as directed herein by the stockholder(s), If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

Notarization of this proxy is not required.

PART I

INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date: June 27, 2016
Time: 10:00 a.m.
Place: Colonial Ballroom, Palazzo Verde, Daang Reyna, Vista City, Las Piñas City

The corporate mailing address of the principal office of the Registrant is 3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City, Philippines.

Notices of the meeting and copies of the Information Statement shall be sent to security holders as soon as practicable after the approval hereof by the Securities and Exchange Commission, but not later than **May 23, 2016**.

Dissenters' Right of Appraisal

One of the agenda items for the stockholders' approval is the amendment of the Articles of Incorporation of the Company extending the corporate term of the Company for another period of fifty (50) years from 15 October 2019. This proposed action shall entitle a shareholder to exercise a right of appraisal as provided under Section 81, Title X, of the Corporation Code of the Philippines ("Corporation Code").

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
(3) In case of merger or consolidation; and
(4) In case of investments in another corporation, business or purpose.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of 30 April 2016

Common: 8,425,981,156
Preferred: 2,350,000,000

(b) Record Date: 18 May 2016

Each common share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article III, Section 3 of the Registrant's By-Laws, every holder of voting stock may vote during all meetings, including the Annual Stockholders' Meeting, either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides, in part, that: "….in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit…."

Equity Ownership of Foreign and Local Shareholders

Foreign and local security ownership as of April 30, 2016:

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	7,613,625,430	90.36%	812,355,726	9.64%	8,425,981,156
Preferred	2,350,000,000	100.00%	-	-	2,350,000,000
Total	**9,963,625,430**		**812,355,726**		**10,775,981,156**

Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of April 30, 2016:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Vista Land & Lifescapes, Inc. ("VLL")[1] 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	7,443,192,641	88.3362%
Common	Land & Houses Public Company Limited [2] Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	808,431,465	9.5945%
Preferred	Fine Properties, Inc. [3] 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,350,000,000	100.000%

Security ownership of management as of April 30, 2016:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr.[4] C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Indirect	Filipino	.00000%
Common Shares	Manuel Paolo A. Villar[5] C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Indirect	Filipino	.00000%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	.00030%

[1] *VLL, through a resolution passed by the Board of Directors, usually designate its President, Manuel Paolo A. Villar, to be its authorized representative with the power to vote its shares of stock in VLL's subsidiaries*

[2] *Land & Houses Public Company Limited (L&H) is a foreign corporation duly organized and existing by virtue of the laws of Thailand with office address at Reg. No. 57 Q. House Convent Bldg., 3rd to 5th Floor, 38 Convent Road, Silom, Bangkok 10500 Thailand. L&H usually acts through Mr. Anant Asavabhokhin or Mr. Adisorn Thananun-Narapool in matters relating to its shares of stock in the Company.*

[3] *Fine Properties, Inc. through a resolution passed by the Board of Directors, usually designate its President, Jerry M. Navarrete, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.*

[4] *Mr. Manuel B. Villar Jr. holds legal title to 1,000 common shares in Starmalls, Inc. by virtue of, and pursuant to, a Deed of Assignment and Declaration of Trust with VLL*

[5] *Mr. Manuel Paolo A. Villar holds legal title to 1,000 common shares in Starmalls, Inc. by virtue of, and pursuant to, a Deed of Assignment and Declaration of Trust with VLL*

Common Shares	Benjamarie Therese N. Serrano 103 Parklane St. La Marea Subdivision, San Pedro, Laguna	1,000 - Direct	Filipino	.00000%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 – Direct	Thai	.00000%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.00000%
Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Direct	Filipino	.00000%
Common Shares	Frances Rosalie T. Coloma Block 1 Lot 10 Granwood Villas, Quezon City	3,500 - Direct	Filipino	.00000%
AGGREGATE SHAREHOLDINGS			**34,500**	**0.0004%**

Except as indicated in the above table, none of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

Background Information

The following are the names, ages and citizenship of the incumbent directors/independent directors and officers of the Registrant:

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	66	Chairman	Filipino
Jerry M. Navarrete	61	President	Filipino
Benjamarie Therese N. Serrano	52	Director, Chief Operating Officer	Filipino
Manuel Paolo A. Villar	39	Director	Filipino

Adisorn Thananun-Narapool	61	Director	Thai
Joel L. Bodegon	67	Independent Director	Filipino
Raul Juan N. Esteban	51	Independent Director	Filipino
Frances Rosalie T. Coloma	53	Chief Financial Officer	Filipino
Ma. Nalen Rosero-Galang	44	Corporate Secretary & Compliance Officer	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

MANUEL B. VILLAR JR., *Chairman*, was a Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served as Speaker of the House of Representatives from 1998 to 2000. A certified public accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. In the early 1970's he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been a Director and Chairman of the Board of the Company since June 18, 2012. Mr. Villar is currently the Chairman of the Board of Vista Land.

JERRY M. NAVARRETE, *President*, graduated from the Lyceum of the Philippines with a Bachelor's degree in Economics and from Ateneo de Manila University with a Master's degree in Business Administration. He previously worked as research analyst with Aguilar Shipping for one year. Mr. Navarrete has been with the Villar Family Companies for more than 35 years. Mr. Navarrete has been President and Chief Executive Officer of the Company since October 29, 2004.

BENJAMARIE THERESE N. SERRANO, *Director and Chief Operating Officer,* graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present. She has been a Director of the Company since June 30, 2014.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since May 7, 2007.

ADISORN THANANUN-NARAPOOL, *Director*, holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee Realestate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002 and of the Company since June 24, 2013.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since October 4, 2010. Atty. Bodegon possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

RAUL JUAN N. ESTEBAN, *Independent Director*, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc. Mr. Esteban has been a Director of the Company since June 30, 2014. Mr. Esteban possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

FRANCES ROSALIE T. COLOMA, *Chief Financial Officer*, graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. She is a Certified Public Accountant. She worked as Finance Manager of Alcatel Philippines Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines Inc., and Deal Finance Manager of Accenture Delivery Center, Philippines. Before joining the Starmalls group in February, 2011, she was the Assistant General Manager of Maersk Global Services, Philippines. Ms. Coloma has been a Director of the Company since 2011.

MA. NALEN SJ. ROSERO-GALANG, *Compliance Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with Manuela since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She has been a director of Masterpiece Asia Properties, Inc. from 2005 to 2013 and of Manuela Corporation from 2011 to 2013. She is also the Corporate Secretary of the subsidiaries of Vista Land.

All the incumbent Directors above have one (1) year term of office.

All directors have been nominated for re-election to the Board of Directors. Mr. Joel L. Bodegon and Mr. Raul Juan N. Esteban have been nominated as independent director.

The By-Laws of the Registrant conforms with SRC Rule 38, as amended, with regard to the nomination of independent directors of the Registrant. Article IV, Sections 1-A and 2 of the Registrant's By-Laws provide as follows:

> Section 1A. Independent Directors – The corporation shall have at least two (2) independent directors or at least twenty (20%) of the entire Board membership, whichever is lesser.
>
> The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time. *(As amended on 04 October 2010)*
>
> Section 2. Election and term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.
>
> A Nomination Committee is hereby created which may be organized from time to time upon determination of the Board of Directors. The Nomination Committee shall be composed of at least three (3) members, one of whom shall be an independent director. The Nomination Committee shall have the following functions: (A) formulate screening policies to enable the committee to effectively review the qualification of the nominees for

independent directors; and (B) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time. *(As amended on 04 October 2010)*

On the other hand, SRC Rule 38, as amended, provide in part as follows:

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.

B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting."

The Registrant has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The nominated independent directors, namely, Mr. Raul Juan N. Esteban and Mr. Joel L. Bodegon were duly nominated by Ms. Editha Dolon, a registered shareholder of the Registrant who is not a director, officer or substantial shareholder of the Registrant and who is not related to either of the said nominees. The Nominations Committee of the Registrant is composed of Mr. Manuel B. Villar Jr., Chairman, and Mr. Raul Juan N. Esteban and Mr. Joel L. Bodegon, members.

Attendance in Board Meetings

Attendance of each director if the Corporation in Board meetings held during the year 2015 as follows:

	Feb 27	*Apr 10*	*May 4*	*May 15*	*Jun 29*	*Jul 14*	*Jul 16*	*Aug 13*	*Nov 14*
Manuel B. Villar Jr.	P	P	P	P	P	P	P	P	P
Jerry M. Navarrete	P	P	P	P	-	P	P	P	P

Benjamarie Therese N. Serrano	P	P	P	P	P	P	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P	P
Adisorn Thananan-Narapool	-	P	-	-	-	-	-	-	-
Joel L. Bodegon	P	P	-	-	P	P	P	P	P
Raul Juan N. Esteban	P	P	-	-	P	P	P	P	P

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

Resignations/Declined Nominations

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

Significant Employees

The Registrant has no other significant employee other than its Executive Officers.

Family Relationships

Mr. Manuel B. Villar Jr, and Mr. Manuel Paolo A. Villar, who are both directors of the Company, are father and son. Except for said relationship, none of the aforementioned Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

Certain Relationships and Related Transactions

Except as disclosed in the Annual Report of the Registrant (SEC Form 17-A) for the year ended December 31, 2015, the Registrant has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is, or has been, involved in any criminal or bankruptcy proceeding, or is, or has been, subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Compensation of Directors and Executive Officers

Executive Compensation

The executive officers of the Registrant are currently receiving and will continue to receive fixed salaries on a monthly basis from the respective subsidiaries or businesses of the Registrant that they manage. The compensation for its executive officers for the year 2014 and 2015 (actual) and 2016 (projected) are as shown below:

Names	Position	Year	Salary	Bonus
Jerry Navarrete Frances Rosalie T. Coloma Benjamarie Therese N. Serrano Florence R. Bernardo Shiela Joy L. Sanchez	President Chief Financial Officer Chief Operating Officer Mall operations BPO operations			
Aggregate executive compensation for above named officers		**Actual 2014**	**₱ 6.6 M**	**₱ 0.6 M**
		Actual 2015	**₱ 8.0 M**	**₱ 0.7 M**
		Projected 2016	**₱ 8.5 M**	**₱ 0.9 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2014**	**₱ 4.0 M**	**₱ 0.4 M**
		Actual 2015	**₱ 4.5 M**	**₱ 0.5 M**
		Projected 2016	**₱ 5.0 M**	**₱ 0.6 M**

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

Standard arrangements

Other than payment of reasonable per diem of ₱50,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2014 and 2015.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2014 or 2015 for any service provided as a director.

Employment contract between the company and executive officers

There are no special employment contracts between the Company and the named executive officers.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's named executive officers, and all officers and directors as a group.

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Independent Public Accountants

The auditing firm of Sycip Gorres Velayo & Company ("SGV & Company") is being recommended for election as external auditor for the current year.

Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. In 2015, the Registrant's auditors did not perform any substantial non-audit services for the Registrant.

Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

There was no instance where the Registrant's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Registrant had any disagreement with its public accountants on any accounting or financial disclosure issue.

The 2015 audit of the Registrant is in compliance with paragraph (3)(b)(iv) of SRC Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

For Changes in Accounting Policies, refer to Note 3 - Changes in Accounting Policies discussion on the Consolidated Financial Statements as of and for the years ended December 31, 2015, 2014 and 2013 included in this report.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

The Audit Committee of the Registrant is composed of Mr. Raul Juan N. Esteban, Chairman, and Ms. Benjamarie Therese N. Serrano and Mr. Joel L. Bodegon, members.

Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Company and Punongbayan & Araullo, respectively.

	2015	2014
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 4.31	₱ 2.65
All other fees	–	–
Total	**₱ 4.31**	**₱ 2.54**

Both SGV & Company and Punongbayan & Araullo do not have any direct or indirect interest in the Company

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

OTHER MATTERS

Action with Respect to Reports

The following reports will be submitted for approval by the stockholders:

1. The President's Report; and

2. Audited Financial Statements for the year 2015.

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2015 until the date of the meeting, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover the approval of the quarterly and annual reports of the Registrant filed with the SEC and the PSE; acting as surety for the loans of the subsidiaries and guarantee for the notes issued by its affiliate as well as opening and closure of various investment and/or deposit accounts.

2. Election of External Auditors.

Amendment of Charter, By-Laws or Other Documents

Amendment of the Corporate Term and Principal Office of the Company

The Company is seeking approval from the shareholders of the Company to amend the Third and Fourth Article of the Amended Articles of Incorporation of the Company to reflect the extension of the corporate term of the Company and the change in the principal office of the Company.

As amended, the Third and Forth Articles of the Amended Articles of Incorporation of the Company shall be read as follows:

> "THIRD- **"That the Corporation shall exist for another period of FIFTY (50) YEARS from 15 October 2019."**
>
> "FOURTH – That the place where the principal office of said Corporation is to be established or located is **Lower Ground Floor, Building "B", EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II Las Pinas City."**

Amendment of the By-laws of the Company changing the principal office address of the Company, changing the format of the notice of annual stockholders' meeting, and adding to the express powers of the Board of Director of the Company the power to amend, revise, or modify the By-Laws of the Company.

The Company is seeking approval from the shareholders of the Company to amend the Articles I, III paragraph 1 and IV paragraph 6 of the By-Laws of the Company to reflect the change in the address of the Company's principal office, format of the notice for the annual stockholders' meeting and _add to the express powers of the Board of Director of the Company the power to amend, revise, or modify the By-Laws of the Company, as follows:

On Article I:

"The principal office of the Corporation shall be located at **Lower Ground Floor, Building "B", EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Pinas City**. The Corporation may establish and maintain branch offices or agencies elsewhere in the Philippines whenever warranted by the existence of its business affairs."

On Article III, paragraph 1:

"1. Annual Meetings – The regular annual meetings of the stockholders shall be held at the principal office of the Corporation on the last Monday of June of each year, if a legal holiday, then on the day following. At this meeting they shall elect a plurality vote by ballot a board of seven (7) directors who shall serve for a term of one (1) year and until the election and qualification of their successors (As amended on 04 October 2010).

Notice of the annual stockholders' meeting shall be mailed, postage stamp prepaid, to each stockholder of record not less than ten (10) days before the date of such meeting, but failure to mail or send such notice, or any irregularity therein, shall not affect the validity of any annual meeting or any proceeding thereat provided all the stockholders are present or represented at said meeting."

On Article IV, paragraph 6:

"(j). To amend, revise or modify the By-Laws of the Corporation."

Voting Procedures

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

Voting requirements

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

(b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2015, as well as the approval or ratification of the other actions set forth under the heading "Other Proposed Actions" above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

(c) For the approval of the amendment of Articles III and IV of the Articles of Incorporation of the Company reflecting the extension of the corporate term of the Company and the change in the principal office of the Company, the vote of two-thirds (2/3) of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this matter.

(d) For the approval of the amendment of the Articles I and III paragraph 1 of the By-Laws of the Company to reflect the change in the Company's principal office and in the format of the notice of annual stockholders' meeting, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this matter.

(e) For the approval of the amendment of the Article IV paragraph 6 of the By-Laws of the Company adding to the express powers of the Board of Directors of the Company the power to amend, revise or modify the By-Laws of the Company, the vote of two-thirds (2/3) of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this matter.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

PART II

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Registrant as of and for the year ended December 31, 2015 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

SGV & Company, independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2013, 2014 and 2015, included in this report. Michael C. Sabado is the current audit partner for the Company and its subsidiaries.

From 2004 to 2014, the external auditor of the Company was the accounting firm of Punongbayan and Araullo. Ms. Dalisay B. Duque has been the Partner In-charge since 2004. Pursuant to the General Requirements of SRC Rule 68, Par 3 (Qualifications and Reports of Independent Auditors), Ms. Mailene Sigue-Bisnar became the Partner In-charge for the year 2009. Mr. Nelson J. Dinio has been the partner designated for the financial statements for the year ended December 31, 2010 to 2014.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. P&A. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. P&A will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Company and Punongbayan & Araullo, respectively.

	2015	2014
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 4.31	₱ 2.65
All other fees	–	–
Total	**₱ 4.31**	**₱ 2.54**

Both SGV & Company and Punongbayan & Araullo do not have any direct or indirect interest in the Company

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Company has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

REVIEW OF YEAR END 2015 VS YEAR END 2014

RESULTS OF OPERATIONS

Revenues

Operating revenue
Operating revenue increased from ₱1.92 billion in the year ended December 31, 2014 to ₱2.62 billion in the year ended December 31, 2015. The 36% increase in the account was primarily attributable to the following:

- Rental income increased from ₱1.62 billion in the year ended December 31, 2014 to ₱2.38 billion in the year ended December 31, 2015. The 47% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig and Starmall Talisay and Worldwide Corporate Center as well as the opening of Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus and Optimum Bank Building.

- Parking fee revenue increased from ₱40.8 million in the year ended December 31, 2014 to ₱121.7 million in the year ended December 31, 2015. The 199% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

- Real estate sales decreased from ₱85.3 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015. The 100% decrease was due to none recognition of real estate sales with the deconsolidation of BEC.

- Other operating income decreased from ₱180.0 million in the year ended December 31, 2014 to ₱114.3 million in the year ended December 31, 2015. The 36% decrease was due to decrease in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance Income
Finance income decreased from ₱35.6 million in the year ended December 31, 2014 to ₱23.9 million in the year ended December 31, 2015. The 33% decrease resulted primarily from the decrease in available-for-sale financial assets of the Group.

Costs and Expenses

Operating Expenses
Cost and expenses increased from ₱1.1 billion in the year ended December 31, 2014 to ₱1.2 billion in the year ended December 31, 2015. The 14% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 12% from ₱427.2 million in the year ended December 31, 2014 to ₱479.5 million in the year ended December 31, 2015 due to additional depreciation from the newly opened malls and corporate building.

- Increase in outside services by 26% from ₱161.4 in the year ended December 31, 2014 to ₱202.9 million in the year ended December 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office buildings.

- Increase in rentals by 2% from ₱104.9 million in the year ended December 31, 2013 to ₱107.3 million in the year ended December 31, 2015 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

- Increase in salaries and employee benefits by 26% from ₱103.6 million in the year ended December 31, 2014 to ₱130.7 million in the year ended December 31, 2015 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 28% from ₱54.1 million in the year ended December 31, 2014 to ₱69.5 million in the year ended December 31, 2014 due to additional taxes with the increase of the Group's investment portfolio.

- Increase in light and power by 53% from ₱39.4 million in the year ended December 31, 2014 to ₱60.2 million in the year ended December 31, 2015 due to the increase in consumption and rate of utilities as well as due to the newly opened malls and corporate buildings.

- Increase in repairs and maintenance by 23% from ₱47.3 million in the year ended December 31, 2013 to ₱58.0 million in the year ended December 31, 2014 due to the refurbishment of the older malls and WCC building.

- Increase in advertising and promotion by 29% from ₱23.4 million in the year ended December 31, 2014 to ₱30.1 million in the year ended December 31, 2015 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings.

- Increase in professional fees by 61% from ₱16.9 million in the year ended December 31, 2014 to ₱27.3 million in the year ended December 31, 2015 as a result of increase in audit and other professional fees paid in 2015.

- Decrease in cost of real estate sales by 100% from ₱66.1 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015 due to the non-recognition of real estate sales with the deconsolidation of BEC in 2014.

- Increase in other operating expenses by 70% from ₱58.5 million in the year ended December 31, 2013 to ₱99.2 million in the year ended December 31, 2015 primarily due to the recognition of impairment losses on accounts receivables in 2015.

Interest and Financing Charges

Interest and financing charges decreased by 21% from ₱64.5 million in the year ended December 31, 2014 to ₱50.5 million in the year ended December 31, 2015. This was decrease in interest on borrowings due to capitalization of the borrowing cost for the year.

Loss from Sale of AFS Financial Asset

The company incurred a loss amounting to ₱0.22 million with the disposal of its available-for-sale financial assets in 2015.

Provision for Income Tax

Tax expense for the year ended December 31, 2015 is ₱405.1 million and increased by 138% from ₱170.1 million for the year ended December 31, 2014. This is due to the primarily to the deferred tax liabilities on rental income and capitalized interest.

Other Comprehensive Income (Loss)

The Group reported a net gain for the year ended December 31, 2014 in the amount of ₱58.5 million while it incurred a net loss for the year ended December 31, 2015 in the amount of ₱1.49 billion arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

Net Income

As a result of the foregoing, the Company incurred total comprehensive loss for the year ended December 31, 2015 in the amount of ₱583.9 million.

For the year ended December 31, 2015, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2015 vs. December 31, 2014

Total assets as of December 31, 2014 were ₱19.6 billion compared to ₱31.8 billion as of December 31, 2015, or a 62% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 48% from ₱1.9 billion as of December 31, 2014 to ₱1.0 billion as of December 31, 2013 as disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

- Trade Receivables – net increased by 151% from ₱608.2 million as of December 31, 2014 to ₱1.52 billion as of December 31, 2015 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Due from related parties decreased by 8% from ₱4.0 billion as of December 31, 2014 to ₱3.7 billion as of December 31, 2015 primarily due to settlements from affiliates.

- Available for sale financial assets increased by 1,045% from ₱343.9 million as of December 31, 2014 to ₱3.94 billion as of December 31, 2015 due acquisition of VLL shares by MC after its disposal of its investment in STR shares.

- Prepayments and other current assets increased by 36% from ₱1.4 billion as of December 31, 2014 to ₱1.9 billion as of December 31, 2015 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings as well as creditable withholding taxes.

- Property and equipment decreased by 69% from ₱201.6 million as of December 31, 2014 to ₱61.0 million as of December 31, 2014 due to reclassification made for various equipment to investment property account and retirement of aged equipment.

- Investment properties increased by 81% from ₱10.6 billion as of December 31, 2014 to ₱19.2 billion as of December 31, 2015. The increase was due to the construction and development of new projects and purchase of various properties to be used for commercial development. .

- Other non-current assets increased by 7% from ₱150.0 million as of December 31, 2014 to ₱161.0 million as of December 31, 2014 due to the increase in refundable deposits.

Total liabilities as of December 31, 2014 were ₱7.6 billion compared to ₱14.9 billion as of December 31, 2015, or a 96% increase. This was due to the following:

- Liability for land acquisition increased by 104% from ₱270.2 million as of December 31, 2014 from ₱552.2 million as of December 31, 2015 due to the land acquired on account during the year for new project sites.

- Interest bearing loans and borrowings increased by 119% from ₱4.9 billion as of December 31, 2014 from ₱10.7 billion as of December 31, 2015 due to the additional interest bearing loans obtained from various banks in 2015 for the development of new projects.

- Accounts and other payables increased by 15% from ₱1.5 billion as of December 31, 2014 to ₱1.7 billion as of December 31, 2015 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties increased by 298% from ₱180.9 million as of December 31, 2014 to ₱719.9 million as of December 31, 2015 to advances made from affiliates in 2015.

- Income tax payable decreased by 33% from ₱55.9 million as of December 31, 2014 to ₱37.2 million as of December 31, 2015 to due to settlement for the year.

- Retirement benefit obligation increased by 19% from ₱50.8 million as of December 31, 2014 to ₱50.8 million as of December 31, 2015 due to increased headcount and actuarial adjustments.

- Deferred tax liabilities posted an increase of 358% from ₱73.5 million as of December 31, 2014 to ₱336.6 million as of December 31, 2015. The difference is due to the increase in temporary tax differences of MAPI and MC.

- Other non-current liabilities and refundable deposits increased by 23% from ₱548.3 million as of December 31, 2014 to ₱676.4 million as of December 31, 2015 due to the increase in security deposits from tenants of the existing malls and corporate buildings.

Total stockholder's equity increased from ₱11.9 billion as of December 31, 2014 to ₱16.9 billion as of December 31, 2015 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	**12/31/2015**	**12/31/2014**
Current ratio [a]	1.33:1	1.50:1
Debt-to-equity ratio [b]	0.87:1	0.36:1
Interest coverage [c]	35.4	19.5
Return on assets [d]	2.8%	1.3%
Return on equity [e]	5.3%	2.0%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(d) Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2015 decreased from that of December 31, 2014 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2015 increased because of the increase in EBITDA for the year 2015.

Return on asset increased as of December 31, 2015 compared to that as of December 31, 2014 due to higher income in 2015.

Return on equity is increased as a result of higher income made in 2015.

Material Changes to the Company's Balance Sheet as of December 31, 2015 compared to December 31, 2014 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 48% from ₱1.9 billion as of December 31, 2014 to ₱1.0 billion as of December 31, 2013 as disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

Trade Receivables – net increased by 151% from ₱608.2 million as of December 31, 2014 to ₱1.52 billion as of December 31, 2015 mainly due increase in rental revenue with the opening of the new malls and corporate building.

Due from related parties decreased by 8% from ₱4.0 million as of December 31, 2014 to ₱3.7 billion as of December 31, 2015 primarily due to receipt of payments from affiliates.

Available for sale financial assets increased by 1,045% from ₱343.9 million as of December 31, 2014 to ₱3.94 billion as of December 31, 2015 due acquisition of VLL shares by MC after its disposal of its investment in STR shares.

Prepayments and other current assets increased by 36% from ₱1.4 billion as of December 31, 2014 to ₱1.9 billion as of December 31, 2015 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings as well as creditable withholding taxes.

Property and equipment decreased by 69% from ₱201.6 million as of December 31, 2014 to ₱61.0 million as of December 31, 2014 due to reclassification made for various equipment to investment property account and retirement of aged equipment.

Investment properties increased by 81% from ₱10.6 billion as of December 31, 2014 to ₱19.2 billion as of December 31, 2015. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

Other non-current assets increased by 7% from ₱150.0 million as of December 31, 2014 to ₱161.0 million as of December 31, 2014 due to the increase in refundable deposits.

Liability for land acquisition increased by 104% from ₱270.2 million as of December 31, 2014 from ₱552.2 million as of December 31, 2015 due to the land acquired during the year for new project sites.

Interest bearing loans and borrowings increased by 119% from ₱4.9 billion as of December 31, 2014 from ₱10.7 billion as of December 31, 2015 due to the additional interest bearing loans obtained in 2015 for the development of new projects.

Accounts and other payables increased by 15% from ₱1.5 billion as of December 31, 2014 to ₱1.7 billion as of December 31, 2015 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 298% from ₱180.9 million as of December 31, 2014 to ₱719.9 million as of December 31, 2015 to advances made from affiliates in 2015.

Income tax payable decreased by 33% from ₱55.9 million as of December 31, 2014 to ₱37.2 million as of December 31, 2015 to due to the temporary difference in the income tax computation of MC.

Retirement benefit obligation increased by 19% from ₱50.8 million as of December 31, 2014 to ₱50.8 million as of December 31, 2015 due to increased headcount and actuarial adjustments.

Deferred tax liabilities posted an increase of 358% from ₱73.5 million as of December 31, 2014 to ₱336.6 million as of December 31, 2015. The difference is due to the increase in temporary tax differences of MAPI and MC.

Other non-current liabilities and refundable deposits increased by 23% from ₱548.3 million as of December 31, 2014 to ₱676.4 million as of December 31, 2015 due to the increase in security deposits from tenants of the existing malls and corporate buildings.

Material Changes to the Company's Statement of income for the year ended December 31, 2015 compared to the year ended December 31, 2014 (increase/decrease of 5% or more)

Rental income increased from ₱1.62 billion in the year ended December 31, 2014 to ₱2.38 billion in the year ended December 31, 2015. The 47% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig and Starmall Talisay and Worldwide Corporate Center as well as the opening of Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus and Optimum Bank Building.

Parking fee revenue increased from ₱40.8 million in the year ended December 31, 2014 to ₱121.7 million in the year ended December 31, 2015. The 199% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Real estate sales decreased from ₱85.3 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015. The 100% decrease was due to none recognition of real estate sales with the deconsolidation of BEC.

Other operating income decreased from ₱180.0 million in the year ended December 31, 2014 to ₱114.3 million in the year ended December 31, 2015. The 36% decrease was due to decrease in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance income decreased from ₱35.6 million in the year ended December 31, 2014 to ₱23.9 million in the year ended December 31, 2015. The 33% decrease resulted primarily from the decrease in available-for-sale financial assets of the Group.

Increase in depreciation and amortization by 12% from ₱427.2 million in the year ended December 31, 2014 to ₱479.5 million in the year ended December 31, 2015 due to additional depreciation from the newly opened malls and corporate building.

Increase in outside by 26% from ₱161.4 in the year ended December 31, 2014 to ₱202.9 million in the year ended December 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office buildings.

Increase in salaries and employee benefits by 26% from ₱103.6 million in the year ended December 31, 2014 to ₱130.7 million in the year ended December 31, 2015 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 28% from ₱54.1 million in the year ended December 31, 2014 to ₱69.5 million in the year ended December 31, 2014 due to additional taxes with the increase of the Group's investment portfolio.

Increase in light and power by 53% from ₱39.4 million in the year ended December 31, 2014 to ₱60.2 million in the year ended December 31, 2015 due to the increase in consumption and rate of utilities.

Increase in repairs and maintenance by 23% from ₱47.3 million in the year ended December 31, 2013 to ₱58.0 million in the year ended December 31, 2014 due to the refurbishment of the older malls and WCC building.

Increase in advertising and promotion by 29% from ₱23.4 million in the year ended December 31, 2014 to ₱30.1 million in the year ended December 31, 2015 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings.

Increase in professional fees by 61% from ₱16.9 million in the year ended December 31, 2014 to ₱27.3 million in the year ended December 31, 2015 as a result of increase in audit and other professional fees paid in 2015.

Decrease in cost of real estate sales by 100% from ₱66.1 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015 due to the non-recognition of real estate sales with the deconsolidation of BEC in 2014.

Increase in other operating expenses by 70% from ₱58.5 million in the year ended December 31, 2013 to ₱99.2 million in the year ended December 31, 2015 primarily due to the recognition of impairment losses on accounts receivables in 2015.

Interest and financing charges decreased by 21% from ₱64.5 million in the year ended December 31, 2014 to ₱64.5 million in the year ended December 31, 2015. This was decrease in interest on borrowings due to principal loan payments made in 2015.

Loss from sale of available-for-sale financial assets increased by 100% from nil in the year ended December 31, 2014 to ₱0.22 million in the year ended December 31, 2015.

Tax expense for the year ended December 31, 2015 is ₱405.1 million and increased by 138% from ₱170.1 million for the year ended December 31, 2014. This is due to the primarily to the deferred tax liabilities on rental income and capitalized interest.

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

REVIEW OF YEAR END 2014 VS YEAR END 2013

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱1.58 billion in the year ended December 31, 2013 to ₱1.92 billion in the year ended December 31, 2014. The 21% increase in the account was primarily attributable to the following:

- Rental income increased from ₱1.43 billion in the year ended December 31, 2013 to ₱1.62 billion in the year ended December 31, 2014. The 13% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Talisay.

- Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

- Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

- Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance Income

Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in Net Earnings of an Associate

Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain from Disposal of an Investment in an Associate

In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million. There was no similar transaction made in 2014.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱921.2 million in the year ended December 31, 2013 to ₱1.1 billion in the year ended December 31, 2014. The 21% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 19% from ₱358.4 million in the year ended December 31, 2013 to ₱427.2 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

- Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

- Increase in salaries and employee benefits by 4% from ₱100.0 million in the year ended December 31, 2013 to ₱103.6 million in the year ended December 31, 2014 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Decrease in taxes and licenses by 1% from ₱54.9 million in the year ended December 31, 2013 to ₱54.1 million in the year ended December 31, 2014 due to the discounts on early payments of real property taxes of the various investment properties and business permits and other licenses for the operations of the malls and the corporate building.

- Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

- Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

- Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

- Increase in insurance expense by 3% from ₱14.7 million in the year ended December 31, 2013 to ₱15.1 million in the year ended December 31, 2014 due to the lower insurance premiums paid for the buildings, equipment and service vehicles used in operations in 2014.

- Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

- Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and Financing Charges

Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss from Disposal of an Investment in an Associate

In order to focus in the mall and office building development and operations, the Company sold 100% of its 1,009,960 shares of its investment in BEC, with a carrying amount of ₱535.3 million for a total consideration of ₱507.2 million in December 2014. The Group recognized a loss from this transaction amounting to ₱28.2 million.

Provision for Income Tax

Tax expense for the year ended December 31, 2014 is ₱170.1 million and decreased by 13% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

Other Comprehensive Income (Loss)

The Group reported a net gain for the year ended December 31, 2014 in the amount of ₱58.5 million while it incurred a net loss for the year ended December 31, 2013 in the amount of ₱79.5 million arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

Net Income

As a result of the foregoing, the Company's comprehensive income decreased from ₱1.5 billion in the year ended December 31, 2013 to ₱634.3 million in the year ended December 31, 2014.

For the year ended December 31, 2014, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2014 vs. December 31, 2013

Total assets as of December 31, 2013 were ₱15.1 billion compared to ₱19.6 billion as of December 31, 2014, or a 29% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

- Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱608.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

- Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

- Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

- Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

- Property and equipment decreased by 34% from ₱308.9 million as of December 31, 2013 to ₱201.6 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

- Investment properties increased by 45% from ₱7.3 billion as of December 31, 2013 to ₱10.6 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

- Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Total liabilities as of December 31, 2013 were ₱3.8 billion compared to ₱7.6 billion as of December 31, 2014, or a 100% increase. This was due to the following:

- Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

- Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

- Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

- Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

- Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

- Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

- Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted a decrease of 25% from ₱98.2 million as of December 31, 2013 to ₱73.5 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

- Other non-current liabilities and refundable deposits increased by 10% from ₱500.1 million as of December 31, 2013 to ₱548.3 million as of December 31, 2014 due to the increase in security deposits from tenants of the existing malls and corporate building.

Total stockholder's equity increased from ₱11.3 billion as of December 31, 2013 to ₱11.9 billion as of December 31, 2014 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2014	12/31/2013
Current ratio [(a)]	1.50:1	3.25:1
Debt-to-equity ratio [(b)]	0.36:1	0.19:1
Interest coverage [(c)]	19.0	33.7
Return on assets [(d)]	1.4%	1.1%
Return on equity [(e)]	2.0%	1.3%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(d) Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2014 decreased from that of December 31, 2013 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2014 decreased because of the increase in interest-bearing loans and accounts payable.

Return on asset increased as of December 31, 2014 compared to that as of December 31, 2013 due to higher income in 2014.

Return on equity is increased as a result of higher income made in 2014.

Material Changes to the Company's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱608.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

Property and equipment decreased by 34% from ₱308.9 million as of December 31, 2013 to ₱201.6 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

Investment properties increased by 45% from ₱7.3 billion as of December 31, 2013 to ₱10.6 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted a decrease of 25% from ₱98.2 million as of December 31, 2013 to ₱73.5 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

Other non-current liabilities and refundable deposits increased by 10% from ₱500.1 million as of December 31, 2013 to ₱548.3 million as of December 31, 2014 due to the increase in security deposits from tenants of the existing malls and corporate building.

Material Changes to the Company's Statement of income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Rental income increased from ₱1.43 billion in the year ended December 31, 2013 to ₱1.62 billion in the year ended December 31, 2014. The 13% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Talisay.

Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain on sale of investment in an associate decreased by 100% from ₱993.9 million in the year ended December 31, 2013 to nil in the same period in 2014 due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Increase in depreciation and amortization by 19% from ₱358.4 million in the year ended December 31, 2013 to ₱427.2 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

Increase in salaries and employee benefits by 4% from ₱100.0 million in the year ended December 31, 2013 to ₱103.6 million in the year ended December 31, 2014 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

Decrease in taxes and licenses by 1% from ₱54.9 million in the year ended December 31, 2013 to ₱54.1 million in the year ended December 31, 2014 due to the discounts on early payments of real property taxes of the various investment properties and business permits and other licenses for the operations of the malls and the corporate building.

Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss on disposal of a subsidiary increased by 100% from nil for the year ended December 31, 2013 to ₱28.2 million in the year ended December 31, 2014 with the disposal of the Company of 100% of its 1,009,960 shares of its investment in BEC in December 2014.

Tax expense for the year ended December 31, 2014 is ₱170.1 million and decreased by 13% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

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

REVIEW OF YEAR END 2013 VS YEAR END 2012[6]

RESULTS OF OPERATIONS

Revenues

Rental Revenue

Rental revenue increased from ₱1.2 billion in the year ended December 31, 2012 to ₱1.3 billion in the year ended December 31, 2013. The 6% increase was due to the increase in occupancy of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

[6] Based on 2013 Audited Consolidated Financial Statements

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2013. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking Fees
Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2012 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

Real Estate Sales
The Company recorded real estate sales of ₱19.5 million in the year ended December 31, 2013 in Brittany's Island Park project in Dasmariñas, Cavite.

Other operating income
Other operating income decreased from ₱128.0 million in the year ended December 31, 2012 to ₱95.7 million in the year ended December 31, 2013. The 25% decrease was due to decline in other operating income such as realized gross profit on real estate sales, and lower penalties charged to tenants due to improved collection. There was also a one-time gain on de-recognition of liabilities in 2012.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱344.6 million in the year ended December 31, 2012 to ₱113.9 million in the year ended December 31, 2013. The 67% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Finance Income
Finance income increased from ₱17.1 million in the year ended December 31, 2012 to ₱21.5 million in the year ended December 31, 2013. The healthy cash balance resulting from improved revenues and collections increased in savings and time deposit accounts.

Income from Acquisition of a Subsidiary
The Group recorded a one-time gain in 2012 as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of MC at the date of the transaction over acquisition cost. This was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income under Other Income (Charges) as Income from acquisition of a subsidiary.

Gain (Loss) from Disposal of an Investment in an Associate
In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35.2 million. In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million.

Costs and Expenses

Operating Expenses
Cost and expenses increased from ₱977.4 million in the year ended December 31, 2012 to ₱1,141.3 million in the year ended December 31, 2013. The 17% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 30% from ₱443.6 million in the year ended December 31, 2012 to ₱578.5 million in the year ended December 31, 2013 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

- Increase in service fees by 29% from ₱118.4 in the year ended December 31, 2012 to ₱152.9 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in salaries and employee benefits by 8% from ₱92.3 million in the year ended December 31, 2012 to ₱100.0 million in the year ended December 31, 2013 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Increase in rentals by 22% from ₱69.0 million in the year ended December 31, 2012 to ₱83.8 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

- Increase in repairs and maintenance by 4% from ₱33.3 million in the year ended December 31, 2012 to ₱34.8 million in the year ended December 31, 2013 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in light and power by 108% from ₱17.0 million in the year ended December 31, 2012 to ₱35.3 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

- Decrease in advertising and promotion by 11% from ₱20.6 million in the year ended December 31, 2012 to ₱18.3 million in the year ended December 31, 2013 due to cost efficiencies done for marketing, advertising and promotions for the malls.

- Increase in insurance expense by 13% from ₱13.1 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

- Decrease in professional fees by 58% from ₱36.5 million in the year ended December 31, 2012 to ₱14.7 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

- Cost of real estate sales increased by 100% from nil in the year ended December 31, 2012 to ₱11.6 million in the year ended December 31, 2013 due to real estate sales made by BEC in its Island Park project in 2013.

- Decrease in other operating expenses by 48% from ₱78.7 million in the year ended December 31, 2012 to ₱41.1 million in the year ended December 31, 2013 due to the decrease in various expenses such as rehabilitation and communication expenses and the non-incurrence of impairment loss on investment property in 2013.

Interest and Financing Charges
Interest and financing charges decreased by 8% from ₱33.0 million in the year ended December 31, 2012 to ₱30.4 million in the year ended December 31, 2013. This was due capitalization of interest on loans made for the re-development of Starmall EDSA, Starmall Alabang, and Starmall San Jose del Monte and the construction of the new projects of the group.

Other Charges
Other charges decreased by 97% from ₱55.5 in the year ended December 31, 2012 to ₱1.6 million in the year ended December 31, 2013. This was due non-recurrence of various expenses incurred by the group in 2012 in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Provision for Income Tax

Tax expense for the year ended December 31, 2013 is ₱195.6 million and decreased by 19% from ₱241.4 million for the year ended December 31, 2012. This is due to the net effect of the tax payments made and accrued for capital gains tax, stock transaction taxes, regular income tax, minimum corporate income tax and final taxes on deposits.

Net Income

As a result of the foregoing, the Company's comprehensive income increased from ₱9.8 billion in the year ended December 31, 2012 to ₱1.3 billion in the year ended December 31, 2013.

For the year ended December 31, 2013, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2013 vs. December 31, 2012

Total assets as of December 31, 2012 were ₱21.7 billion compared to ₱24.3 billion as of December 31, 2013, or a 12% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2013 as a result of payments to suppliers and contractors for the on-going projects of the Group.

- Net Receivables increased by 34% from ₱630.3 million as of December 31, 2012 to ₱846.0 million as of December 31, 2013 mainly due increase in receivables from tenants as a consequence of improved mall and BPO office occupancy.
- Due from related parties increased by 822% from ₱335.2 million as of December 31, 2012 to ₱3.1 billion as of December 31, 2013 primarily due to receivables from the sale of VLL shares which is payable annually up to 2019 and bears interest at a fixed annual rate of 4%.

- Available for sale financial assets increased by 3,008% from ₱29.2 million as of December 31, 2012 to ₱906.2 million as of December 31, 2013 due mainly to the various investments made in debt and equity securities.

- Prepayments and other current assets increased by 65% from ₱454.0 million as of December 31, 2012 to ₱747.6 million as of December 31, 2013 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

- Investment in associate decreased by 100% from ₱1.68 billion as of December 31, 2012 to nil as of December 31, 2013 due to the disposal of remaining VLL shares in 2013.

- Property and equipment increased by 33% from ₱239.4 million as of December 31, 2012 to ₱318.5 million as of December 31, 2013 due refurbishment of cooling system of Starmall Bulacan and Starmall Alabang.

- Investment properties increased by 2% from ₱16.0 billion as of December 31, 2012 to ₱16.4 billion as of December 31, 2013. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

- Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2013 due to the increase in refundable deposits.

Total liabilities as of December 31, 2012 were ₱2.5 billion compared to ₱3.8 billion as of December 31, 2013, or a 50% increase. This was due to the following:

- Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 to ₱39.5 million as of December 31, 2013 due to the payments made for the land in San Jose del Monte, Bulacan.

- Interest bearing loans and borrowings increased by 135% from ₱752.8 million as of December 31, 2012 to ₱1.8 billion as of December 31, 2013 due to the additional interest bearing loans obtained in 2013.

- Accounts and other payables increased by 20% from ₱832.9 million as of December 31, 2012 to ₱991.2 million as of December 31, 2013 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties decreased by 6% from ₱270.0 million as of December 31, 2012 to ₱254.8 million as of December 31, 2013 to payments made to affiliates in 2013.

- Income tax payable increased by 35% from ₱30.9 million as of December 31, 2012 to ₱41.8 million as of December 31, 2013 to due to the income tax payable of MC.

- Other current liabilities increased by 87% from ₱13.4 million as of December 31, 2012 to ₱25.1 million as of December 31, 2013 to due to the increase in customer advances and deposits.

- Retirement benefit obligation increased by 39% from ₱26.8 million as of December 31, 2012 to ₱37.4 million as of December 31, 2013 due to increased headcount and actuarial adjustments.

- Deferred gross profit decreased by 27% from ₱38.2 million as of December 31, 2012 to ₱27.7 million as of December 31, 2013 due to the recognition of deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted an increase of 138% from ₱41.3 million as of December 31, 2012 to ₱98.2 million as of December 31, 2013. The difference is due to the increased in temporary tax differences of MAPI and MC.

- Other non-current liabilities increased by 3% from ₱441.7 million as of December 31, 2012 to ₱455.0 million as of December 31, 2013 due to the increase in security deposits from tenants of the existing malls and corporate building.

Total stockholder's equity increased by 7% from ₱19.2 billion as of December 31, 2012 to ₱20.5 billion as of December 31, 2013 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2013	12/31/2012
Current ratio [(a)]	3.25:1	2.82:1
Debt-to-equity ratio [(b)]	0.19:1	0.13:1
Interest coverage [(c)]	33.7	27.1
Return on assets [(d)]	1.1%	2.0%
Return on equity [(e)]	1.3%	2.2%

Notes:

(a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*

(b) *Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*

(c) *Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*

(d) *Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*

(e) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2013 decreased from that of December 31, 2012 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2013 increased because of the improved EBITDA of the Group in 2013.

Return on asset decreased as of December 31, 2013 compared to that as of December 31, 2012 due to higher asset base in 2013.

Return on equity is decreased due to higher equity base in 2013.

Material Changes to the Company's Balance Sheet as of December 31, 2013 compared to December 31, 2012 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2013 as a result of payments to suppliers and contractors for the on-going projects of the Group.

Net Receivables increased by 34% from ₱630.3 million as of December 31, 2012 to ₱846.0 million as of December 31, 2013 mainly due increase in receivables from tenants as a consequence of improved mall and BPO office occupancy.

Due from related parties increased by 822% from ₱335.2 million as of December 31, 2012 to ₱3.1 billion as of December 31, 2013 primarily due to receivables from the sale of VLL shares which is payable annually up to 2019 and bears interest at a fixed annual rate of 4%.

Available for sale financial assets increased by 3,008% from ₱29.2 million as of December 31, 2012 to ₱906.2 million as of December 31, 2013 due mainly to the various investments made in debt and equity securities.

Prepayments and other current assets increased by 65% from ₱454.0 million as of December 31, 2012 to ₱747.6 million as of December 31, 2013 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

Investment in associate decreased by 100% from ₱1.68 billion as of December 31, 2012 to nil as of December 31, 2013 due to the disposal of remaining VLL shares in 2013.

Property and equipment increased by 33% from ₱239.4 million as of December 31, 2012 to ₱318.5 million as of December 31, 2013 due refurbishment of cooling system of Starmall Bulacan and Starmall Alabang.

Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 to ₱39.5 million as of December 31, 2013 due to the payments made for the land in San Jose del Monte, Bulacan.

Interest bearing loans and borrowings increased by 135% from ₱752.8 million as of December 31, 2012 to ₱1.8 billion as of December 31, 2013 due to the additional interest bearing loans obtained in 2013.

Accounts and other payables increased by 20% from ₱832.9 million as of December 31, 2012 to ₱991.2 million as of December 31, 2013 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 6% from ₱270.0 million as of December 31, 2012 to ₱254.8 million as of December 31, 2013 to payments made to affiliates in 2013.

Income tax payable increased by 35% from ₱30.9 million as of December 31, 2012 to ₱41.8 million as of December 31, 2013 to due to the income tax payable of MC.

Other current liabilities increased by 87% from ₱13.4 million as of December 31, 2012 to ₱25.1 million as of December 31, 2013 to due to the increase in customer advances and deposits.

Retirement benefit obligation increased by 39% from ₱26.8 million as of December 31, 2012 to ₱37.4 million as of December 31, 2013 due to increased headcount and actuarial adjustments.

Deferred gross profit decreased by 27% from ₱38.2 million as of December 31, 2012 to ₱27.7 million as of December 31, 2013 due to the recognition of deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted an increase of 138% from ₱41.3 million as of December 31, 2012 to ₱98.2 million as of December 31, 2013. The difference is due to the increased in temporary tax differences of MAPI and MC.

Total stockholder's equity increased by 7% from ₱19.2 billion as of December 31, 2012 to ₱20.5 billion as of December 31, 2013 to due to the earnings for the year.

Material Changes to the Company's Statement of income for the year ended December 31, 2013 compared to the year ended December 31, 2012 (increase/decrease of 5% or more)

Rental revenue increased from ₱1.2 billion in the year ended December 31, 2012 to ₱1.3 billion in the year ended December 31, 2013. The 6% increase was due to the increase in occupancy of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2013. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2012 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

The Company real estate sales increased by 100% from nil for the year ended December 31, 2012 to ₱19.5 million in the year ended December 31, 2013 due to sales of Brittany's Island Park project in Dasmariñas, Cavite.

Other operating income decreased from ₱128.0 million in the year ended December 31, 2012 to ₱95.7 million in the year ended December 31, 2013. The 25% decrease was due to decline in other operating income such as realized gross profit on real estate sales, and lower penalties charged to tenants due to improved collection. There was also a one-time gain on de-recognition of liabilities in 2012.

Equity in net earnings of an associate decreased from ₱344.6 million in the year ended December 31, 2012 to ₱113.9 million in the year ended December 31, 2013. The 67% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Finance income increased by 27% from ₱17.1 million in the year ended December 31, 2012 to ₱21.5 million in the year ended December 31, 2013. The healthy cash balance resulting from improved revenues and collections in savings and time deposit accounts.

Income from acquisition of subsidiary declined by 100% from ₱9.3 billion for the year ended December 31, 2012 to nil for the year ended December 31, 2013. The Group recorded a one-time gain in 2012 as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of MC at the date of the transaction over acquisition cost.

In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35.2 million. In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million.

Increase in depreciation and amortization by 30% from ₱443.6 million in the year ended December 31, 2012 to ₱578.5 million in the year ended December 31, 2013 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

Increase in service fees by 29% from ₱118.4 in the year ended December 31, 2012 to ₱152.9 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in salaries and employee benefits by 8% from ₱92.3 million in the year ended December 31, 2012 to ₱100.0 million in the year ended December 31, 2013 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

Increase in rentals by 22% from ₱69.0 million in the year ended December 31, 2012 to ₱83.8 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

Increase in light and power by 108% from ₱17.0 million in the year ended December 31, 2012 to ₱35.3 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

Decrease in advertising and promotion by 11% from ₱20.6 million in the year ended December 31, 2012 to ₱18.3 million in the year ended December 31, 2013 due to cost efficiencies done for marketing, advertising and promotions for the malls.

Increase in insurance expense by 13% from ₱13.1 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

Decrease in professional fees by 58% from ₱36.5 million in the year ended December 31, 2012 to ₱14.7 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

Cost of real estate sales increased by 100% from nil in the year ended December 31, 2012 to ₱11.6 million in the year ended December 31, 2013 due to real estate sales made by BEC in its Island Park project in 2013.

Decrease in other operating expenses by 48% from ₱78.7 million in the year ended December 31, 2012 to ₱41.1 million in the year ended December 31, 2013 due to the decrease in various expenses such as rehabilitation and communication expenses and the non-incurrence of impairment loss on investment property in 2013.

Interest and financing charges decreased by 8% from ₱33.0 million in the year ended December 31, 2012 to ₱30.4 million in the year ended December 31, 2013. This was due capitalization of interest on loans made for the re-development of Starmall EDSA, Starmall Alabang, and Starmall San Jose del Monte and the construction of the new projects of the group.

Other charges decreased by 97% from ₱55.5 in the year ended December 31, 2012 to ₱1.6 million in the year ended December 31, 2013. This was due non-recurrence of various expenses incurred by the group in 2012 in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Tax expense for the year ended December 31, 2013 is ₱195.6 million and decreased by 19% from ₱241.4 million for the year ended December 31, 2012. This is due to the net effect of the tax payments made and accrued for capital gains tax, stock transaction taxes, regular income tax, minimum corporate income tax and final taxes on deposits.

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

COMMITMENTS AND CONTINGENCIES

The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.
There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the Audited Consolidated Financial Statements as of and for the years ended December 31, 2013, 2014 and 2015.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the Audited Consolidated Financial Statements as of and for the years ended December 31, 2013, 2014 and 2015.

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

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

IV. NATURE AND SCOPE OF BUSINESS

Starmalls Inc. (the "Company"), formerly Polar Property Holdings Corp, was incorporated in Metro Manila, Philippines, on October 16, 1969 originally to pursue mineral exploration. After obtaining SEC approval in 2004, the Company changed its primary business and is now presently engaged in investment and real estate business.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corp. to Starmalls, Inc. The SEC approved the Company's application for the change in corporate name on June 22, 2012.

The Company's subsidiaries include the following:

- ***Masterpiece Asia Properties Inc. (MAPI)***. MAPI is currently in the operations and development of commercial properties for lease.

- ***Manuela Corporation (MC)***. MC is currently in the operations and development of commercial properties for lease.

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines. Brittany Estates Corporation (BEC) was deconsolidated from the Group in December 2014.

The Company's principal place of business is at the 3rd Floor, Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

Registrant's common shares are listed with the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2016		2015		2014	
	High	Low	High	Low	High	Low
1st	8.00	4.08	7.46	6.81	4.09	3.51
2nd			7.70	6.56	4.05	3.70
3rd			8.37	6.98	3.95	3.70
4th			8.39	3.89	3.75	3.40

The market capitalization of STR as of December 31, 2015, based on the closing price of ₱7.00 per share, was approximately ₱59.0 billion.

As of March 31, 2016, STR's market capitalization stood at ₱59.5 billion based on the ₱7.06 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low	Close
11 May 2016	6.60	6.60	6.60

Stockholders

Common Shares

There are approximately 440 holders of common equity security of the Company as of April 30, 2016 (based on the number of accounts registered with the Stock Transfer Agent). As of 30 April 2016, the following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[7]
1.	Vista Land & Lifescapes, Inc.[8]	7,443,192,641	88.3362%
2.	Land & Houses Public Company Limited	808,431,465	9.5945%
3.	PCD Nominee Corporation (Filipino)	164,788,327	1.9557%
4.	PCD Nominee Corporation (Foreign)	3,791,703	0.0450%
5.	Peter O. Tan	1,798,000	0.0213%
6.	Peter Tan &/Or Marilou Tan	1,524,000	0.0181%
7.	Arthur Winikoff FAO OBMVM	120,000	0.0014%
8.	Orion-Squire Capital, Inc.	82,000	0.0010%
9.	Orion-Squire Sec., Inc.	77,900	0.0009%
10.	Cua, Ang & Chua Securities Inc.	66,000	0.0008%
11.	Dees Securities Corp.	60,715	0.0007%
12.	Paic Securities Corporation	60,400	0.0007%
13.	Tansengco & Co., Inc.	56,000	0.0007%
14.	Ansaldo, Godinez & Co. Inc.	54,286	0.0006%
15.	Filinvest Sec. Co. Inc.	50,000	0.0006%
16.	Mario Osmena Jr.	50,000	0.0006%
17.	Benito Penalosa	50,000	0.0006%
18.	David Limqueco Kho	40,000	0.0005%
19.	Gilbert M. Tiu	40,000	0.0005%
20.	Oh Siong Yu	39,942	0.0005%
		8,424,373,379	**99.9809%**

[7] *based on the total shares issued of 8,425,981,156*
[8] *Shares are under PCD Nominee Corporation (Filipino)*

Preferred Shares

As of April 30, 2016, there is only one (1) holder of the preferred shares of the Company:

	Stockholders Name	No. of Preferred Shares	Percentage (of Common Shares)
1.	Fine Properties, Inc.	2,350,000,000	100.00%
		2,350,000,000	**100.00%**

Dividends

The Company did not declare any dividends in 2015, 2014 and 2013. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There are no restrictions that limit the ability of the Company to pay dividends on common equity other than the above mentioned conditions.

Dividend Policy

The Registrant's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Registrant's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Registrant's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Banko Sentral ng Pilipinas.

The Registrant is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Company's Board has adopted a Revised Manual on Corporate Governance. The Company's Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value. Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's three standing committees:

- The Audit Committee is charged with internal audit oversight over all of the Company's business transactions and the effective management of risk.
- The Nomination Committee is charged with ensuring that potential candidates for the Board are fully qualified as well as ensuring that the Board maintains adequate independent membership.
- The Compensation and Remuneration Committee is charged with ensuring that fair and competitive compensation policies are maintained.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business. Each January, the Company will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of December 31, 2015, there are no known material deviations from the Company's Manual of Corporate governance. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

Starmalls, Inc.
3rd Level Starmall Las Piñas C.V. Starr Avenue,
Philamlife Village, Pamplona, Las Piñas City,
Philippines

Attention: Jo L. Ilijay

<u>REPORT ACCOMPANYING INFORMATION SHEET</u>

(A) Notice of Agenda for the Annual Stockholder's Meeting

(B) 2015 Annual Report

(C) Financial Statements as of 31 December 2015

(D) Interim Financial Statements

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this Report is true, complete and correct. This Report is signed in Mandaluyong City on 13 May 2016.

By:

JO MARIE C. LAZARO-LIM
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAY 1 4 2016, affiant exhibiting to me her Passport No. EB2730402 valid until 16 June 2016 issued in DFA - Manila.

Doc. No. 107;
Page No. 23;
Book No. III;
Series of 2016.

ATTY. ARTHUR IMANUEL N. ZAPANTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
ROLL NO. 62513
IBP No. 1020719 / 05 Jan. 2016 / Quezon City
PTR No. 2599907 / 04 Jan. 2016 / Mandaluyong City
MCLE Compliance No. V-0019609, issued dated 21 April 2016
Notarial Commission Appointment No. 0430-16
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

STARMALLS, INC.

(Company's Full Name)

3RD LEVEL STARMALL LAS PIÑAS, CV STARR AVENUE, PHILAMLIFE VILLAGE, PAMPLONA, LAS PINAS CITY

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

Jo L. Ilijay	571-5948
Contact Person	Company Telephone Number

12	31	17-A		
Month	*Day*	FORM TYPE	*Month*	*Day*
Calendar Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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, 2015**

2. SEC Identification Number **39587**   3. BIR Tax Identification No. **000-806-396-000**

4. Exact name of issuer as specified in its charter **STARMALLS, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **3rd Floor Starmall Las Piñas CV Starr Ave. Philamlife Village Pamplona, Las Piñas City** — **1746**
   Address of principal office — Postal Code

8. **(632) 571-5948 / (632) 571-5949**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	**8,425,981,156 shares**
Preferred stock	**2,350,000,000 shares**

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

    Yes [**x**]   No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common Stocks**

12. Check whether the issuer:

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

    Yes [**x**]   No [ ]

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

Yes [**x**]   No [ ]

13. Aggregate market value of voting stocks held by non-affiliates:

₱ 6.9 Billion as of December 31, 2015

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

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

Yes [ ]   No [x]   **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Consolidated Financial Statements as of and for the year ended December 31, 2015
(incorporated as reference for Items 7 and 12 of SEC Form 17-A)

TABLE OF CONTENTS

PART I – BUSINESS

Item 1. Business

Overview

Starmalls Inc. (the "Company") was incorporated in Metro Manila, Philippines, on October 16, 1969 originally to pursue mineral exploration. After obtaining SEC approval in 2004, the Company changed its primary business and is now presently engaged in investment, real estate and leasing business.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corp. to Starmalls, Inc. The SEC approved the Company's application for the change in corporate name on June 22, 2012.

As of December 31, 2015 and 2014 the Company has equity interests in the following entities:

	Percentage of Ownership	
Subsidiaries / Associate	2015	2014
Subsidiaries:		
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (MC)	**98.4%**	98.4%

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines.

The Company's principal place of business is at the 3rd Floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

Recent Developments

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLL) signed an agreement with Fine Properties, Inc. ("Fine Properties"), Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar (collectively, the "Fine Group") to acquire approximately 88.25% or 7,436.22 million shares of the Company for a total consideration of ₱33,537.36 million.

In December 2015, VLL acquired 6,692.93 million shares of Starmalls, Inc. from the Fine Group for a total consideration of ₱30,185.11 million (the "First Closing Date"). As at December 31, 2015, VLL completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares from the Fine Group. Further, VLL has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

The second closing date which is after the tender offer period in February 10, 2016, VLL acquired the remaining 743.29 million shares of Starmalls, Inc. from the Fine Group in the amount of ₱3,352.25 million. As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

Brittany Estates Corporation (BEC). is engaged in developing and selling real estate properties, particularly residential house and lot. In December 2014, in order to focus in the mall and office building development and operations, the Company disposed of its shareholdings in BEC.

Description of the Business of the Registrant and its Subsidiaries

The Company and its subsidiaries are incorporated in the Philippines. MAPI and MC are both in the commercial property development and operations.

Products

MAPI and MC combined have ten (10) malls and two (2) corporate buildings namely: Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig, Starmall Talisay, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus, Worldwide Corporate Center and Optimum Bank Building. The malls house various retail establishments and the corporate building caters to the office space needs of the business process outsourcing companies.

In 2015, the Group has on-going construction of a corporate building in Las Piñas City and a mall in Balanga in Bataan. Expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Star. Rosa and Starmall San Jose del Monte were also being done.

Distribution Methods of Products

Leasing of commercial and office space is done by the Company's leasing team. The internal team is augmented by major international property companies for the sourcing of prospective tenants for BPO office spaces.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The Company has registered with the Intellectual Property Office ("IPO") the trademarks "starmalls.inc" and "starmall prima". The Company's subsidiary, MC, on the other hand, registered with the IPO the trademark "starmall", which was subsequently assigned to the Company. The Company has applied for the registration of the revised design of "starmall".

<table>
<tr><th>Trademark</th><th>Registrant</th><th>Registration Date</th><th>Term</th><th>Principal Conditions</th></tr>
<tr><td>starmalls.inc.</td><td>Starmalls, Inc.</td><td>14 February 2013</td><td>Ten (10) Years</td><td rowspan="4">(1) Renewable upon payment of the prescribed fee and filing of request;

(2) Registrant must file a declaration of actual use within three (3) years from filing of the Application and pay the required fee;

(3) Registrant must again file a declaration of actual use or non-use together with the evidence of use or reasons for non-use within one (1) year from the 5th Anniversary of the date of registration/renewal and pay the required fee.</td></tr>
<tr><td>starmall</td><td>Manuela Corporation</td><td>16 August 2012</td><td>Ten (10) Years</td></tr>
<tr><td>starmall prima</td><td>Starmalls, Inc.</td><td>10 September 2015</td><td>Ten (10) Years</td></tr>
<tr><td>starmall (revised design)</td><td>Starmalls, Inc.</td><td>28 May 2015</td><td>Ten (10) Years</td></tr>
</table>

Development of the business of the registrant and its key operating subsidiaries or affiliates

Starmalls Inc. – parent company was incorporated on October 16, 1969 and presently engaged in investment and real estate business.

Masterpiece Asia Properties Inc. – incorporated in October 4, 2001 and is wholly owned by STR. The Company's mall developments are Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall San Jose del Monte, Starmall Talisay, Starmall Imus, and Optimum Bank Building. In 2015, it has on-going construction of Starmall Prima Bataan in Balanga City, Bataan and the expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa and Starmall San Jose del Monte.

Manuela Corporation – incorporated in February 22, 1972 and is 98.36% wholly owned by STR. The Company's mall developments are Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang. Its corporate building is known as the Worldwide Corporate Center. In 2015, it opened the redeveloped Starmall Las Piñas complex which includes a multi-level parking. In the same year, the construction of a corporate building in Las Piñas City is on-going.

The Company virtually conducts all of its operations through its subsidiaries.

The Company's subsidiaries are involved in the acquisition of undeveloped land, the planning and design of developments, the securing of regulatory approvals for development and sale or lease, the supervision of land development and construction and the marketing and selling/leasing of it products.

Bankruptcy, Receivership or Similar Proceeding

As of December 31, 2015, there is no bankruptcy, receivership or similar proceedings involving the Group.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

In May 2013, the Company sold the remaining 399,397,000 shares of its investment in VLL, hence, it ceased to be an associate as of December 31, 2013.

In December 2014, the Company sold 1,009,960 shares of its investment in BEC. This disposal of 100% of the investment in BEC resulted to its cessation as a subsidiary.

Various diversification/ new product lines introduced by the Company during the last three years

In April 2012, MAPI opened its first mall development in what is known as Starmall San Jose Del Monte in Bulacan. It opened Starmall Prima Taguig and Starmall Talisay in 2014. In 2015, it opened Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus, and Optimum Bank Building. As of end of 2015, it has on-going construction of Starmall Prima Bataan in Balanga City, Bataan and the expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa and Starmall San Jose del Monte.

After its acquisition of MC in June 2012, the Company increased its mall portfolio to include Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang and a corporate building, Worldwide Corporate Center. MC redeveloped Starmall EDSA-Shaw and Starmall Alabang in 2013. In 2015, it opened the redeveloped Starmall Las Piñas complex which includes a multi-level parking. As of end of 2015, construction of a corporate building in Las Piñas City is on-going.

Competition

Our shopping malls compete with other shopping malls in the geographic areas in which they operate. The other major shopping mall operators in the Mega Manila are Robinsons, SM and Ayala. We believe that we are well-positioned to face increased competition in the shopping mall industry given the competitive advantages we have including, among other things, the location of our existing shopping malls, the land bank of the Company and its affiliates, our balance sheet strength, a successful tenant mix and selection criteria and our strategic partnership with the Villar Family Companies. Our experience and understanding of the retail industry has also been a contributing factor to our competitive advantage in the industry.

WCC competes with other BPO commercial centers and office buildings in the geographic area in which it operates. The major BPO office building commercial center developers in Metro Manila are Ayala Land, Robinsons Land, Megaworld and Filinvest Land. These developers have undertaken mixed-use residential, office and commercial developments in and around the major CBDs in Metro Manila as well as in key provincial cities. Apart from these real estate companies, there are many other independent developers in Metro Manila who have undertaken construction of new BPO buildings or conversion of existing buildings into BPO facilities in anticipation of a growing demand for BPO office spaces. We believe that we are well- positioned to face increased competition in the BPO commercial development given the competitive advantages we have including, among other things, the strategic location of our existing BPO commercial center, our strong and stable partnership with our existing BPO tenants and our expertise in flexible build-out arrangements to suit the requirements of our BPO tenants. Our experience and understanding of the BPO industry has also been a contributing factor to our competitive advantage in the industry

Suppliers

Site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as major repair or construction work, contracts are awarded on the basis of competitive bidding. For operational repairs and maintenance projects, we hire contractors without a competitive process based on our previous experience with the contractor. In all cases, our accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. We maintain relationships with various accredited independent contractors and deal with each of them on an arm's length basis. We are not and do not expect to be dependent upon one or a limited number of suppliers or contractors.

Dependence on a Few Major Customers

The target customer segment of the commercial leasing business consists of broad C retail consumers. We believe that our shopping malls address the needs and aspirations of our target customers through our wide selection of retail outlets, supermarkets and department stores, together with other attractions, such as food courts, cinemas and other entertainment facilities. We attract local chains and franchises, to satisfy the preferences of our target customers.

The management team also took a proactive approach towards managing the tenant mix at its existing assets to ensure optimal alignment with the needs of its target market, including removing and replacing delinquent tenants with tenants that provide more suitable retail concepts and offerings and reorganizing mall layouts to address customers' needs as well as increasing the efficiency of available leasable area.

The remaining house and lot business is not dependent on repeat business from customers. MC has a marketing agreement with Crown Asia Properties, Inc., a subsidiary of VLL, which has a broad market base including local and foreign buyers.

Transactions with related parties

The Company and its subsidiaries, in their ordinary course of business, engage in significant commercial transactions with certain companies controlled by the Villar Family, including the Villar Family Companies and their respective subsidiaries. We have signed a memorandum of agreement with certain subsidiaries of Vista Land under which we have been granted a right of first refusal and right of first offer in respect of certain commercial properties by such VLL subsidiaries.

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms that are comparable to those available from unrelated third-parties.

Government approvals

The Company secures various government approvals such as license to sell, building and development permits, environmental compliance certificate, business permits, etc. as part of the normal course of its business.

The Company has no principal product that has pending government approval as of December 31, 2015.

Effect of Existing or Probable Governmental Regulations

By the nature of its business, the Company's subsidiaries are subject to governmental regulations on its land development and marketing activities, which includes, among others, zoning and environmental laws, development permit and license to sell regulations. The Company's subsidiaries comply with the said regulations in the regular conduct of its business operations.

As of December 31, 2015, the Company is not aware of any existing or probable governmental regulations that will have an effect on the Company's business operations.

Compliance With Environmental Laws

Prior to any land development activity, the subsidiaries of the Company secure the requisite environmental permits, including environmental compliance certificate and drainage permit for the sewage treatment plants, from the appropriate government agencies.

Costs and Effects of Compliance with Environmental Laws

The subsidiaries of the Company pay such amount as may be imposed by the appropriate government agencies for the procurement of all necessary environmental permits prior to commencement of any development project. The costs are generally minimal and vary from time to time.

Unless pertinent environmental laws are complied with, and requisite permits are secured, the Company's subsidiaries cannot and do not proceed with its projects.

Research and Development Costs

Research and development activities, such as market research, training and contractor's development programs, are treated as normal operating expense. For 2014, the amount that the Company spent for research and development is minimal and does not constitute a significant percentage of the Company's revenues.

Employees

As of December 31, 2015, the Company and its subsidiaries, had a total of 190 employees. This is broken down by function as follows:

Function	Number of employees
Operations	48
Administrative	85
Technical	57
Total	190

The Company has no collective bargaining agreements with its employees and none of the Company's employees belong to a union. In addition to the regular remuneration packages being given by the Company, it also adopts a performance-based incentive scheme to employees holding strategic positions, such as foreign travel grants. The Company has no employee stock option plan.

Risks related to the Companies Business

Each of the businesses of the Company and its Subsidiaries would inevitably involve some risks factors such as:

- Competition;
- Socio-economic conditions of the country;
- Effect of the changes in global economy;
- Foreign exchange devaluation;
- Changes in the country's political and economic situation;
- Inflation of prices affecting the cost and expenses;
- Reforms in the applicable rules and regulations affecting the Philippine Real Estate industry; and
- Changes in Philippine and International interest rates, with respect to the Company's borrowings.

To mitigate the aforementioned risks, the Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures. With respect to competitive pressures among the industry players, the Company shall continue to compete through project concept, quality, affordability, and location of projects.

Item 2. Properties

Details of the Company's properties as of December 31, 2015 are set out in the table below:

LAND

Location	Owner	Use
Valenzuela City	STR	Land bank
Bacoor, Cavite	MAPI	Land bank/ Mall
San Jose del Monte, Bulacan	MAPI	Mall
Taguig City	MAPI	Mall
Imus, Cavite	MAPI	Mall
Balanga, Bataan	MAPI	Mall
Mandaluyong City	MAPI	Office Building
Naga City	MAPI	Land bank
Dasmariñas, Cavite	MC	Residential
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall

BUILDING AND IMPROVEMENTS

Location	Owner	Use
San Jose del Monte, Bulacan	MAPI	Mall
Bacoor, Cavite	MAPI	Mall
Taguig City	MAPI	Mall
Talisay, Cebu	MAPI	Mall
Imus, Cavite	MAPI	Mall
Sta. Rosa, Laguna	MAPI	Mall
Balanga, Bataan	MAPI	Mall
EDSA, Mandaluyong City	MAPI	Office Building
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall
EDSA-Shaw	MC	Office Building
Las Piñas City	MC	Office Building

As of December 31, 2015, investment properties with fair value of ₱10.2billion were used to secure the bank loans of MAPI and MC (see Note 12 of the 2015 Audited Financial Statements).

Item 3. Legal Proceedings

The Group is currently involved in litigation over portions of its properties located in Molino, Bacoor, Cavite comprising of an aggregate area of 117,480 square meters (the "Bacoor Property"). The case is an administrative action pending before the Land Management Bureau, the government agency responsible for administering disposable land in the Philippines. The plaintiffs claim to be the heirs of the rightful owner of the Bacoor Property and dispute the authenticity of MAPI's title; however, the plaintiffs do not possess a certificate of title over the property. A civil case based on a similar cause of action has been dismissed by the Regional Trial Court of Bacoor.

There is another case pending before the Regional Trial Court of Bacoor, Cavite filed by MAPI for quieting of title and annulment of titles involving portions of the Bacoor Property. The Judicial Dispute Resolution has been terminated and the case shall now be re-raffled to another court.

The rehabilitation of MC was terminated on January 25, 2012. The final report and accounting has been completed and the rehabilitation proceedings have been terminated on November 29, 2013.

We are subject to various civil lawsuits and legal actions arising in the ordinary course of our business. Typical cases include adverse claims regarding the title to parcels of land. In the Group's opinion, none of the lawsuits or legal actions to which we are currently subject will materially affect the daily operations of our business or have a material adverse effect on our consolidated financial position and results of operations.

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

Except for matters taken up during the Annual Stockholders Meeting, 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 Issuer's Common Equity and Related Stockholders Matters

Market Information

The Company's common shares are being traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last three fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2016		2015		2014	
	High	Low	High	Low	High	Low
1st	8.00	4.08	7.46	6.81	4.09	3.51
2nd			7.70	6.56	4.05	3.70
3rd			8.37	6.98	3.95	3.70
4th			8.39	3.89	3.75	3.40

The market capitalization of STR as of December 31, 2015, based on the closing price of ₱7.00 per share, was approximately ₱59.0 billion.

As of March 31, 2016, STR's market capitalization stood at ₱59.5 billion based on the ₱7.06 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low
08 April 2016	7.06	6.99

Stockholders

There are approximately 441 holders of common equity security of the Company as of December 31, 2015 (based on the number of accounts registered with the Stock Transfer Agent).

The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[1]
1.	Vista Land & Lifescapes, Inc.[2]	6,692,928,686	79.4320%
2.	Land & Houses Public Company Limited	808,431,465	9.5945%
3.	Fine Properties, Inc.[3]	743,293,328	8.8214%
4.	PCD Nominee Corporation (Filipino)	171,448,134	2.0348%
5.	PCD Nominee Corporation (Foreign)	3,894,403	0.0462%
6.	Peter O. Tan	1,798,000	0.0213%
7.	Peter Tan &/Or Marilou Tan	1,524,000	0.0181%

[1] *based on the total shares issued of 8,425,981,156*
[2] *Shares are under PCD Nominee Corporation (Filipino)*
[3] *Shares are under PCD Nominee Corporation (Filipino)*

8.	Campos, Lanuza & Co., Inc.	210,000	0.0025%
9.	Arthur Winikoff FAO OBMVM	120,000	0.0014%
10.	Orion-Squire Capital, Inc.	82,000	0.0010%
11.	Orion-Squire Sec., Inc.	77,900	0.0009%
12.	Cua, Ang & Chua Securities Inc.	66,000	0.0008%
13.	Dees Securities Corp.	60,715	0.0007%
14.	Paic Securities Corporation	60,400	0.0007%
15.	Tansengco & Co., Inc.	56,000	0.0007%
16.	Ansaldo, Godinez & Co. Inc.	54,286	0.0006%
17.	Filinvest Sec. Co. Inc.	50,000	0.0006%
18.	Mario Osmena Jr.	50,000	0.0006%
19.	Benito Penalosa	50,000	0.0006%
20.	David Limqueco Kho	40,000	0.0005%
		8,424,295,317	**99.9799%**

Dividends

The Company did not declare any dividends in 2015, 2014 and 2013. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There are no restrictions that limit the ability of the Company to pay dividends on common equity other than the above mentioned conditions.

Recent Sale of Unregistered Securities

There have been no sales of unregistered securities in the past three years.

Stock Options

None

Item 6. Management's Discussion and Analysis or Plan of Operation

REVIEW OF YEAR END 2015 VS YEAR END 2014

RESULTS OF OPERATIONS

Revenues

Operating revenue
Operating revenue increased from ₱1.92 billion in the year ended December 31, 2014 to ₱2.62 billion in the year ended December 31, 2015. The 36% increase in the account was primarily attributable to the following:

- Rental income increased from ₱1.62 billion in the year ended December 31, 2014 to ₱2.38 billion in the year ended December 31, 2015. The 47% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig and Starmall Talisay and Worldwide Corporate Center as well as the opening of Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus and Optimum Bank Building.

- Parking fee revenue increased from ₱40.8 million in the year ended December 31, 2014 to ₱121.7 million in the year ended December 31, 2015. The 199% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

- Real estate sales decreased from ₱85.3 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015. The 100% decrease was due to none recognition of real estate sales with the deconsolidation of BEC.

- Other operating income decreased from ₱180.0 million in the year ended December 31, 2014 to ₱114.3 million in the year ended December 31, 2015. The 36% decrease was due to decrease in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance Income
Finance income decreased from ₱35.6 million in the year ended December 31, 2014 to ₱23.9 million in the year ended December 31, 2015. The 33% decrease resulted primarily from the decrease in available-for-sale financial assets of the Group.

Costs and Expenses

Operating Expenses
Cost and expenses increased from ₱1.1 billion in the year ended December 31, 2014 to ₱1.2 billion in the year ended December 31, 2015. The 14% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 12% from ₱427.2 million in the year ended December 31, 2014 to ₱479.5 million in the year ended December 31, 2015 due to additional depreciation from the newly opened malls and corporate building.

- Increase in outside services by 26% from ₱161.4 in the year ended December 31, 2014 to ₱202.9 million in the year ended December 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office buildings.

- Increase in rentals by 2% from ₱104.9 million in the year ended December 31, 2013 to ₱107.3 million in the year ended December 31, 2015 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

- Increase in salaries and employee benefits by 26% from ₱103.6 million in the year ended December 31, 2014 to ₱130.7 million in the year ended December 31, 2015 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 28% from ₱54.1 million in the year ended December 31, 2014 to ₱69.5 million in the year ended December 31, 2014 due to additional taxes with the increase of the Group's investment portfolio.

- Increase in light and power by 53% from ₱39.4 million in the year ended December 31, 2014 to ₱60.2 million in the year ended December 31, 2015 due to the increase in consumption and rate of utilities as well as due to the newly opened malls and corporate buildings.

- Increase in repairs and maintenance by 23% from ₱47.3 million in the year ended December 31, 2013 to ₱58.0 million in the year ended December 31, 2014 due to the refurbishment of the older malls and WCC building.

- Increase in advertising and promotion by 29% from ₱23.4 million in the year ended December 31, 2014 to ₱30.1 million in the year ended December 31, 2015 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings.

- Increase in professional fees by 61% from ₱16.9 million in the year ended December 31, 2014 to ₱27.3 million in the year ended December 31, 2015 as a result of increase in audit and other professional fees paid in 2015.

- Decrease in cost of real estate sales by 100% from ₱66.1 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015 due to the non-recognition of real estate sales with the deconsolidation of BEC in 2014.

- Increase in other operating expenses by 70% from ₱58.5 million in the year ended December 31, 2013 to ₱99.2 million in the year ended December 31, 2015 primarily due to the recognition of impairment losses on accounts receivables in 2015.

Interest and Financing Charges
Interest and financing charges decreased by 21% from ₱64.5 million in the year ended December 31, 2014 to ₱50.5 million in the year ended December 31, 2015. This was decrease in interest on borrowings due to capitalization of the borrowing cost for the year.

Loss from Sale of AFS Financial Asset
The company incurred a loss amounting to ₱0.22 million with the disposal of its available-for-sale financial assets in 2015.

Provision for Income Tax

Tax expense for the year ended December 31, 2015 is ₱405.1 million and increased by 138% from ₱170.1 million for the year ended December 31, 2014. This is due to the primarily to the deferred tax liabilities on rental income and capitalized interest.

Other Comprehensive Income (Loss)

The Group reported a net gain for the year ended December 31, 2014 in the amount of ₱58.5 million while it incurred a net loss for the year ended December 31, 2015 in the amount of ₱1.49 billion arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

Net Income

As a result of the foregoing, the Company incurred total comprehensive loss for the year ended December 31, 2015 in the amount of ₱583.9 million.

For the year ended December 31, 2015, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2015 vs. December 31, 2014

Total assets as of December 31, 2014 were ₱19.6 billion compared to ₱31.8 billion as of December 31, 2015, or a 62% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 48% from ₱1.9 billion as of December 31, 2014 to ₱1.0 billion as of December 31, 2013 as disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

- Trade Receivables – net increased by 151% from ₱608.2 million as of December 31, 2014 to ₱1.52 billion as of December 31, 2015 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Due from related parties decreased by 8% from ₱4.0 billion as of December 31, 2014 to ₱3.7 billion as of December 31, 2015 primarily due to settlements from affiliates.

- Available for sale financial assets increased by 1,045% from ₱343.9 million as of December 31, 2014 to ₱3.94 billion as of December 31, 2015 due acquisition of VLL shares by MC after its disposal of its investment in STR shares.

- Prepayments and other current assets increased by 36% from ₱1.4 billion as of December 31, 2014 to ₱1.9 billion as of December 31, 2015 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings as well as creditable withholding taxes.

- Property and equipment decreased by 69% from ₱201.6 million as of December 31, 2014 to ₱61.0 million as of December 31, 2014 due to reclassification made for various equipment to investment property account and retirement of aged equipment.

- Investment properties increased by 81% from ₱10.6 billion as of December 31, 2014 to ₱19.2 billion as of December 31, 2015. The increase was due to the construction and development of new projects and purchase of various properties to be used for commercial development. .

- Other non-current assets increased by 7% from ₱150.0 million as of December 31, 2014 to ₱161.0 million as of December 31, 2014 due to the increase in refundable deposits.

Total liabilities as of December 31, 2014 were ₱7.6 billion compared to ₱14.9 billion as of December 31, 2015, or a 96% increase. This was due to the following:

- Liability for land acquisition increased by 104% from ₱270.2 million as of December 31, 2014 from ₱552.2 million as of December 31, 2015 due to the land acquired on account during the year for new project sites.

- Interest bearing loans and borrowings increased by 119% from ₱4.9 billion as of December 31, 2014 from ₱10.7 billion as of December 31, 2015 due to the additional interest bearing loans obtained from various banks in 2015 for the development of new projects.

- Accounts and other payables increased by 15% from ₱1.5 billion as of December 31, 2014 to ₱1.7 billion as of December 31, 2015 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties increased by 298% from ₱180.9 million as of December 31, 2014 to ₱719.9 million as of December 31, 2015 to advances made from affiliates in 2015.

- Income tax payable decreased by 33% from ₱55.9 million as of December 31, 2014 to ₱37.2 million as of December 31, 2015 to due to settlement for the year.

- Retirement benefit obligation increased by 19% from ₱50.8 million as of December 31, 2014 to ₱50.8 million as of December 31, 2015 due to increased headcount and actuarial adjustments.

- Deferred tax liabilities posted an increase of 358% from ₱73.5 million as of December 31, 2014 to ₱336.6 million as of December 31, 2015. The difference is due to the increase in temporary tax differences of MAPI and MC.

- Other non-current liabilities and refundable deposits increased by 23% from ₱548.3 million as of December 31, 2014 to ₱676.4 million as of December 31, 2015 due to the increase in security deposits from tenants of the existing malls and corporate buildings.

Total stockholder's equity increased from ₱11.9 billion as of December 31, 2014 to ₱16.9 billion as of December 31, 2015 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2015	12/31/2014
Current ratio [(a)]	1.33:1	1.50:1
Debt-to-equity ratio [(b)]	0.87:1	0.36:1
Interest coverage [(c)]	35.4	19.5
Return on assets [(d)]	2.8%	1.3%
Return on equity [(e)]	5.3%	2.0%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(d) Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2015 decreased from that of December 31, 2014 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2015 increased because of the increase in EBITDA for the year 2015.

Return on asset increased as of December 31, 2015 compared to that as of December 31, 2014 due to higher income in 2015.

Return on equity is increased as a result of higher income made in 2015.

Material Changes to the Company's Balance Sheet as of December 31, 2015 compared to December 31, 2014 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 48% from ₱1.9 billion as of December 31, 2014 to ₱1.0 billion as of December 31, 2013 as disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

Trade Receivables – net increased by 151% from ₱608.2 million as of December 31, 2014 to ₱1.52 billion as of December 31, 2015 mainly due increase in rental revenue with the opening of the new malls and corporate building.

Due from related parties decreased by 8% from ₱4.0 million as of December 31, 2014 to ₱3.7 billion as of December 31, 2015 primarily due to receipt of payments from affiliates.

Available for sale financial assets increased by 1,045% from ₱343.9 million as of December 31, 2014 to ₱3.94 billion as of December 31, 2015 due acquisition of VLL shares by MC after its disposal of its investment in STR shares.

Prepayments and other current assets increased by 36% from ₱1.4 billion as of December 31, 2014 to ₱1.9 billion as of December 31, 2015 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings as well as creditable withholding taxes.

Property and equipment decreased by 69% from ₱201.6 million as of December 31, 2014 to ₱61.0 million as of December 31, 2014 due to reclassification made for various equipment to investment property account and retirement of aged equipment.

Investment properties increased by 81% from ₱10.6 billion as of December 31, 2014 to ₱19.2 billion as of December 31, 2015. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

Other non-current assets increased by 7% from ₱150.0 million as of December 31, 2014 to ₱161.0 million as of December 31, 2014 due to the increase in refundable deposits.

Liability for land acquisition increased by 104% from ₱270.2 million as of December 31, 2014 from ₱552.2 million as of December 31, 2015 due to the land acquired during the year for new project sites.

Interest bearing loans and borrowings increased by 119% from ₱4.9 billion as of December 31, 2014 from ₱10.7 billion as of December 31, 2015 due to the additional interest bearing loans obtained in 2015 for the development of new projects.

Accounts and other payables increased by 15% from ₱1.5 billion as of December 31, 2014 to ₱1.7 billion as of December 31, 2015 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 298% from ₱180.9 million as of December 31, 2014 to ₱719.9 million as of December 31, 2015 to advances made from affiliates in 2015.

Income tax payable decreased by 33% from ₱55.9 million as of December 31, 2014 to ₱37.2 million as of December 31, 2015 to due to the temporary difference in the income tax computation of MC.

Retirement benefit obligation increased by 19% from ₱50.8 million as of December 31, 2014 to ₱50.8 million as of December 31, 2015 due to increased headcount and actuarial adjustments.

Deferred tax liabilities posted an increase of 358% from ₱73.5 million as of December 31, 2014 to ₱336.6 million as of December 31, 2015. The difference is due to the increase in temporary tax differences of MAPI and MC.

Other non-current liabilities and refundable deposits increased by 23% from ₱548.3 million as of December 31, 2014 to ₱676.4 million as of December 31, 2015 due to the increase in security deposits from tenants of the existing malls and corporate buildings.

Material Changes to the Company's Statement of income for the year ended December 31, 2015 compared to the year ended December 31, 2014 (increase/decrease of 5% or more)

Rental income increased from ₱1.62 billion in the year ended December 31, 2014 to ₱2.38 billion in the year ended December 31, 2015. The 47% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig and Starmall Talisay and Worldwide Corporate Center as well as the opening of Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus and Optimum Bank Building.

Parking fee revenue increased from ₱40.8 million in the year ended December 31, 2014 to ₱121.7 million in the year ended December 31, 2015. The 199% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Real estate sales decreased from ₱85.3 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015. The 100% decrease was due to none recognition of real estate sales with the deconsolidation of BEC.

Other operating income decreased from ₱180.0 million in the year ended December 31, 2014 to ₱114.3 million in the year ended December 31, 2015. The 36% decrease was due to decrease in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance income decreased from ₱35.6 million in the year ended December 31, 2014 to ₱23.9 million in the year ended December 31, 2015. The 33% decrease resulted primarily from the decrease in available-for-sale financial assets of the Group.

Increase in depreciation and amortization by 12% from ₱427.2 million in the year ended December 31, 2014 to ₱479.5 million in the year ended December 31, 2015 due to additional depreciation from the newly opened malls and corporate building.

Increase in outside by 26% from ₱161.4 in the year ended December 31, 2014 to ₱202.9 million in the year ended December 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office buildings.

Increase in salaries and employee benefits by 26% from ₱103.6 million in the year ended December 31, 2014 to ₱130.7 million in the year ended December 31, 2015 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 28% from ₱54.1 million in the year ended December 31, 2014 to ₱69.5 million in the year ended December 31, 2014 due to additional taxes with the increase of the Group's investment portfolio.

Increase in light and power by 53% from ₱39.4 million in the year ended December 31, 2014 to ₱60.2 million in the year ended December 31, 2015 due to the increase in consumption and rate of utilities.

Increase in repairs and maintenance by 23% from ₱47.3 million in the year ended December 31, 2013 to ₱58.0 million in the year ended December 31, 2014 due to the refurbishment of the older malls and WCC building.

Increase in advertising and promotion by 29% from ₱23.4 million in the year ended December 31, 2014 to ₱30.1 million in the year ended December 31, 2015 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings.

Increase in professional fees by 61% from ₱16.9 million in the year ended December 31, 2014 to ₱27.3 million in the year ended December 31, 2015 as a result of increase in audit and other professional fees paid in 2015.

Decrease in cost of real estate sales by 100% from ₱66.1 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015 due to the non-recognition of real estate sales with the deconsolidation of BEC in 2014.

Increase in other operating expenses by 70% from ₱58.5 million in the year ended December 31, 2013 to ₱99.2 million in the year ended December 31, 2015 primarily due to the recognition of impairment losses on accounts receivables in 2015.

Interest and financing charges decreased by 21% from ₱64.5 million in the year ended December 31, 2014 to ₱64.5 million in the year ended December 31, 2015. This was decrease in interest on borrowings due to principal loan payments made in 2015.

Loss from sale of available-for-sale financial assets increased by 100% from nil in the year ended December 31, 2014 to ₱0.22 million in the year ended December 31, 2015.

Tax expense for the year ended December 31, 2015 is ₱405.1 million and increased by 138% from ₱170.1 million for the year ended December 31, 2014. This is due to the primarily to the deferred tax liabilities on rental income and capitalized interest.

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

REVIEW OF YEAR END 2014 VS YEAR END 2013

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱1.58 billion in the year ended December 31, 2013 to ₱1.92 billion in the year ended December 31, 2014. The 21% increase in the account was primarily attributable to the following:

- Rental income increased from ₱1.43 billion in the year ended December 31, 2013 to ₱1.62 billion in the year ended December 31, 2014. The 13% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Talisay.

- Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

- Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

- Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance Income
Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain from Disposal of an Investment in an Associate
In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million. There was no similar transaction made in 2014.

Costs and Expenses

Operating Expenses
Cost and expenses increased from ₱921.2 million in the year ended December 31, 2013 to ₱1.1 billion in the year ended December 31, 2014. The 21% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 19% from ₱358.4 million in the year ended December 31, 2013 to ₱427.2 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

- Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

- Increase in salaries and employee benefits by 4% from ₱100.0 million in the year ended December 31, 2013 to ₱103.6 million in the year ended December 31, 2014 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Decrease in taxes and licenses by 1% from ₱54.9 million in the year ended December 31, 2013 to ₱54.1 million in the year ended December 31, 2014 due to the discounts on early payments of real property taxes of the various investment properties and business permits and other licenses for the operations of the malls and the corporate building.

- Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

- Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

- Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

- Increase in insurance expense by 3% from ₱14.7 million in the year ended December 31, 2013 to ₱15.1 million in the year ended December 31, 2014 due to the lower insurance premiums paid for the buildings, equipment and service vehicles used in operations in 2014.

- Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

- Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and Financing Charges
Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss from Disposal of an Investment in an Associate
In order to focus in the mall and office building development and operations, the Company sold 100% of its 1,009,960 shares of its investment in BEC, with a carrying amount of ₱535.3 million for a total consideration of ₱507.2 million in December 2014. The Group recognized a loss from this transaction amounting to ₱28.2 million.

Provision for Income Tax

Tax expense for the year ended December 31, 2014 is ₱170.1 million and decreased by 13% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

Other Comprehensive Income (Loss)

The Group reported a net gain for the year ended December 31, 2014 in the amount of ₱58.5 million while it incurred a net loss for the year ended December 31, 2013 in the amount of ₱79.5 million arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

Net Income

As a result of the foregoing, the Company's comprehensive income decreased from ₱1.5 billion in the year ended December 31, 2013 to ₱634.3 million in the year ended December 31, 2014.

For the year ended December 31, 2014, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2014 vs. December 31, 2013

Total assets as of December 31, 2013 were ₱15.1 billion compared to ₱19.6 billion as of December 31, 2014, or a 29% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

- Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱608.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

- Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

- Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

- Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

- Property and equipment decreased by 34% from ₱308.9 million as of December 31, 2013 to ₱201.6 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

- Investment properties increased by 45% from ₱7.3 billion as of December 31, 2013 to ₱10.6 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

- Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Total liabilities as of December 31, 2013 were ₱3.8 billion compared to ₱7.6 billion as of December 31, 2014, or a 100% increase. This was due to the following:

- Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

- Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

- Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

- Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

- Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

- Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

- Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted a decrease of 25% from ₱98.2 million as of December 31, 2013 to ₱73.5 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

- Other non-current liabilities and refundable deposits increased by 10% from ₱500.1 million as of December 31, 2013 to ₱548.3 million as of December 31, 2014 due to the increase in security deposits from tenants of the existing malls and corporate building.

Total stockholder's equity increased from ₱11.3 billion as of December 31, 2013 to ₱11.9 billion as of December 31, 2014 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2014	12/31/2013
Current ratio [a]	1.50:1	3.25:1
Debt-to-equity ratio [b]	0.36:1	0.19:1
Interest coverage [c]	19.0	33.7
Return on assets [d]	1.4%	1.1%
Return on equity [e]	2.0%	1.3%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(d) Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2014 decreased from that of December 31, 2013 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2014 decreased because of the increase in interest-bearing loans and accounts payable.

Return on asset increased as of December 31, 2014 compared to that as of December 31, 2013 due to higher income in 2014.

Return on equity is increased as a result of higher income made in 2014.

Material Changes to the Company's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱608.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

Property and equipment decreased by 34% from ₱308.9 million as of December 31, 2013 to ₱201.6 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

Investment properties increased by 45% from ₱7.3 billion as of December 31, 2013 to ₱10.6 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted a decrease of 25% from ₱98.2 million as of December 31, 2013 to ₱73.5 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

Other non-current liabilities and refundable deposits increased by 10% from ₱500.1 million as of December 31, 2013 to ₱548.3 million as of December 31, 2014 due to the increase in security deposits from tenants of the existing malls and corporate building.

Material Changes to the Company's Statement of income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Rental income increased from ₱1.43 billion in the year ended December 31, 2013 to ₱1.62 billion in the year ended December 31, 2014. The 13% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Talisay.

Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain on sale of investment in an associate decreased by 100% from ₱993.9 million in the year ended December 31, 2013 to nil in the same period in 2014 due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Increase in depreciation and amortization by 19% from ₱358.4 million in the year ended December 31, 2013 to ₱427.2 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

Increase in salaries and employee benefits by 4% from ₱100.0 million in the year ended December 31, 2013 to ₱103.6 million in the year ended December 31, 2014 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

Decrease in taxes and licenses by 1% from ₱54.9 million in the year ended December 31, 2013 to ₱54.1 million in the year ended December 31, 2014 due to the discounts on early payments of real property taxes of the various investment properties and business permits and other licenses for the operations of the malls and the corporate building.

Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss on disposal of a subsidiary increased by 100% from nil for the year ended December 31, 2013 to ₱28.2 million in the year ended December 31, 2014 with the disposal of the Company of 100% of its 1,009,960 shares of its investment in BEC in December 2014.

Tax expense for the year ended December 31, 2014 is ₱170.1 million and decreased by 13% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

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

Commitments and Contingencies

The Group is contingently liable with respect to guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.
The Philippines continues to experience economic difficulties relating to currency fluctuations, volatile stock markets and slowdown in growth. Management is of the opinion that losses, if any, from these events and conditions will not have material effects on the Group's financial statements.

Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant shall indicate balance sheet conditions or an income or cash flow item that it believes may be indicators of its liquidity condition.

The Group sourced its capital requirements through a mix of bank borrowings, internally generated cash, and divestment of shares in BEC. The Group does not expect any material cash requirements beyond the normal course of the business.

Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

None, except for those items disclosed in the 2015 Audited Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 2015 Audited Financial Statements.

Item 7. Financial Statements

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2015 are incorporated herein in the accompanying Index to Financial Statements and/Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountant

From 2004 to 2014, the external auditor of the Company was the accounting firm of Punongbayan and Araullo. Ms. Dalisay B. Duque has been the Partner In-charge since 2004. Pursuant to the General Requirements of SRC Rule 68, Par 3 (Qualifications and Reports of Independent Auditors), Ms. Mailene Sigue-Bisnar became the Partner In-charge for the year 2009. Mr. Nelson J. Dinio has been the partner designated for the financial statements for the year ended December 31, 2010 to 2014.

SGV & Co., independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2013, 2014 and 2015, included in this report. Michael C. Sabado is the current audit partner for the Company and its subsidiaries.

External Audit Fees and Services

External Audit Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Company and Punongbayan & Araullo, respectively.

	2015	2014
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 4.31	₱ 2.65
All other fees	–	–
Total	**₱ 4.31**	**₱ 2.54**

Both SGV & Company and Punongbayan & Araullo do not have any direct or indirect interest in the Company

Tax Fees

Tax accounting, compliance, advice, planning and other form of tax services are not rendered by the appointed external auditor of the Company, but are secured from other entities.

All Other Fees

The appointed External Auditor of the Company does not render and/or provide product or service to the Company other than those provided under the caption "External Audit Fees".

Audit Committee's Approval Policies and Procedure for the Services of the External Auditor

The scope, extent and nature of the services to be referred to, and/or to be rendered by, the appointed External Auditor of the Company has to be unanimously approved by the Audit Committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Group has adopted some revisions and annual improvements to the PFRS (Philippine Financial Reporting Standards) that are relevant to the Group and effective for the financial statements beginning on or after January 1, 2015 as discussed in Note 3 of the Notes to Consolidated Financial Statements for the years ended December 31, 2015, 2014 and 2011.

As such, the comparative amounts contained in the audited financial statements may differ from those previously presented in the consolidated financial statements for the year ended December 31, 2014, 2013 and 2012.

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Executive Officers

The table below sets forth the members of the Company's Board and Executive Officers as of December 31, 2015.

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	66	Chairman	Filipino
Jerry M. Navarrete	61	President	Filipino
Benjamarie Therese N. Serrano	52	Director, Chief Operating Officer	Filipino
Manuel Paolo A. Villar	39	Director	Filipino
Adisorn Thananun-Narapool	61	Director	Thai
Joel L. Bodegon	67	Independent Director	Filipino
Raul Juan N. Esteban	51	Independent Director	Filipino
Frances Rosalie T. Coloma	52	Chief Financial Officer	Filipino
Ma. Nalen Rosero-Galang	44	Corporate Secretary & Compliance Officer	Filipino

** Business Experience of the named directors and officers covers the past five (5) years.*

MANUEL B. VILLAR JR., *Chairman*, was a Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served as Speaker of the House of Representatives from 1998 to 2000. A certified public accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. In the early 1970's he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been Chairman of the Board of the Company since 2012.

JERRY M. NAVARRETE, *President*, graduated from the Lyceum of the Philippines with a Bachelor's degree in Economics and from Ateneo de Manila University with a Master's degree in Business Administration. He previously worked as research analyst with Aguilar Shipping for one year. Mr. Navarrete has been with the Villar Family Companies for more than 35 years. Mr. Navarrete has been President and Chief Executive Officer of the Company since 2004.

BENJAMARIE THERESE N. SERRANO, *Director and Chief Operating Officer,* graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since 2007.

ADISORN THANANUN-NARAPOOL, *Director*, holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee Realestate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since 2010. Atty. Bodegon possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

RAUL N. ESTEBAN, *Independent Director*, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc.

FRANCES ROSALIE T. COLOMA, *Chief Financial Officer*, graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. She is a Certified Public Accountant. She worked as Finance Manager of Alcatel Philippines Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines Inc., and Deal Finance Manager of Accenture Delivery Center, Philippines. Before joining the Starmalls group in February, 2011, she was the Assistant General Manager of Maersk Global Services, Philippines. Ms. Coloma has been a Director of the Company since 2011.

MA. NALEN SJ. ROSERO-GALANG, *Compliance Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with Manuela since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She is currently a director of Masterpiece Asia Properties, Inc. and Manuela Corporation. She is also the Corporate Secretary of the subsidiaries of Vista Land.

Resignation of Directors

Ms. Carolina C. Mejias resigned as director of the Company in June 2014. Mr. Raul Juan N. Esteban was elected in her place.

Ms. Frances Rosalie T. Coloma was not nominated for re-election in June 2014. Ms. Benjamarie Therese N. Serrano was nominated in her place.

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's policies, practices and operations.

Family relationships

Manuel B. Villar, Jr., is the father of Manuel Paolo A. Villar. There are no other family relationships among the directors and executive officers.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Directors and Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

(a) None of them has been involved in any bankruptcy petition.

(b) None of them has been convicted by final judgment in a criminal proceeding or being subject to any pending criminal proceeding, both domestic and foreign.

(c) None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (both domestic and foreign) permanently or temporarily enjoining, barring, suspending or likewise limiting their involvement in any type of business, securities, commodities or banking activities.

(d) None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), by the Commission or comparable body, or by a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Names	Position	Year	Salary	Bonus
Jerry Navarrete Frances Rosalie T. Coloma Benjamarie Therese N. Serrano Florence R. Bernardo Shiela Joy L. Sanchez **Aggregate executive compensation for above named officers**	President Chief Financial Officer Chief Operating Officer Mall operations BPO operations	**Actual 2014** **Actual 2015** **Projected 2016**	**₱ 6.6 M** **₱ 8.0 M** **₱ 8.5 M**	**₱ 0.6 M** **₱ 0.7 M** **₱ 0.9 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2014** **Actual 2015** **Projected 2016**	**₱ 4.0 M** **₱ 4.5 M** **₱ 5.0 M**	**₱ 0.4 M** **₱ 0.5 M** **₱ 0.6 M**

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

Standard arrangements

Other than payment of reasonable per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2015 and 2014.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2013 and 2014 for any service provided as a director.

Employment Contracts and Termination of Employment and Change in Control Arrangements

The Company has not entered into any contract or arrangement for payment of compensation other than what has been included above. Executive officers are considered employees of the Company, but their contracts with the Company are not in writing. The Company has no arrangement for termination of employment.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Significant employee

The Company has high regard for its human resources. It expects each employee to do his part in achieving the Company's goals and objectives.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of December 31, 2015:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Vista Land & Lifescapes, Inc.[4] 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	6,692,928,686	79.4320%
Common	Land & Houses Public Company Limited Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	808,431,465	9.5945%

[4] *includes the shares assigned to Mr. Manuel B. Villar Jr. and Mr. Manuel Paolo A. Villar*

Common	Fine Properties, Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	743,293,328	8.8214%
Preferred	Fine Properties Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,350,000,000	100.000%

Security Ownership of Management

Security ownership of certain management as of December 31, 2015:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr.[5] C. Masibay Street, BF Resort Village, Las Piñas City	-	Filipino	00000%
Common Shares	Manuel Paolo A. Villar[6] C. Masibay Street, BF Resort Village, Las Piñas City	-	Filipino	00000%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	.00030%
Common Shares	Benjamarie Therese N. Serrano 103 Parklane St. La Marea Subdivision, San Pedro, Laguna	1,000 - Direct	Filipino	.00000%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 – Direct	Thai	.00000%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.00000%
Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Direct	Filipino	.00000%

[5] *Mr. Manuel B. Villar Jr. holds legal title to 1,000 common shares in Starmalls, Inc. by virtue of, and pursuant to, a Deed of Assignment and Declaration of Trust with VLL*
[6] *Mr. Manuel Paolo A. Villar holds legal title to 1,000 common shares in Starmalls, Inc. by virtue of, and pursuant to, a Deed of Assignment and Declaration of Trust with VLL*

Common Shares	Frances Rosalie T. Coloma Block 1 Lot 10 Granwood Villas, Quezon City	3,500 - Direct	Filipino	.00000%

AGGREGATE SHAREHOLDINGS	**32,500**	**0.0004%**

Voting Trust Holders of 5.0% or More

As of December 31, 2015, there is no party holding any voting trust for 5% or more of total shares outstanding.

Changes In Control

As of December 31, 2015, there was no arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company is a subsidiary of Vista Land & Lifescapes, Inc. (VLL). It enters into transactions with associates and related parties, in its regular course of business, consisting mainly of advances and reimbursement of expenses and purchase and sell of real estate properties. These transactions to and from related parties are made on arm's length basis and at current market prices at the time of the transactions.

No transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of its immediate family was involved or had a direct or indirect material interest.

No single Director or Executive Officer, nominee for election as Director, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.

Please refer to Notes on Related Party Transactions of the Notes to Consolidated Financial Statements of the 2015 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the attached Annual Corporate Governance Report

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 A

Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2015.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

Reports on SEC Form 17-C

The following current reports have been reported by Starmalls, Inc. during the year 2015 through official disclosure letters dated:

January 7, 2015
In compliance with the Code of Corporate Governance, the Company submitted the Sworn Certification on the attendance of the members of the Board of Directors in the meetings for the year 2014.

April 10, 2015
The Board of Directors approved the Annual Report and Audited Financial Statements for the year 2014.

May 15, 2015
The Board of Directors approved the Quarterly Report for the three (3) months ended 31 March 2015; setting of the Annual Stockholders' Meeting of STR on 29 June 2015, with record date of 28 May 2015; amendment of the principal office in the Company's Articles of Incorporation; and amendment of the first article of the Company's By-Laws.

June 29, 2015
During the Annual Stockholders' Meeting of the Company, the members of the Board Directors of the Company were elected. The stockholders approved the amendment of the principal office in the Company's Articles of Incorporation; and amendment of the first article of the Company's By-Laws. During the organizational meeting of the Board of Directors, members of the Nomination Committee, Audit Committee and Compensation and Remuneration Committee were elected.

July 16, 2015
The Board of Directors authorized the Company to act as continuing surety for all obligations arising from or in connection with the credit accommodation extended or to be extended by BDO Unibank, Inc. in favor of MC.

August 14, 2015
The Board of Directors approved the Quarterly Report for the six (6) months ended 30 June 2015.

November 10, 2015
The Board of Directors approved the Quarterly Report for the nine (9) months ended 30 September 2015. Also in said meeting, the Board of Directors authorized the Company to act as continuing surety for all obligations arising from or in connection with the credit accommodation extended or to be extended by China Banking Corporation in favor of Manuela Corporation. Disclosure was also made regarding the execution of a Sale and Purchase Agreement between Vista Land & Lifescapes, Inc. ("VLL") with the majority shareholders of the Company, namely, Fine Properties, Inc., Althorp Holdings, Inc., Manuela Corporation, Manuel Paolo A. Villar, and Manuel B. Villar Jr. (collectively, the "Fine Group"), for the acquisition by VLL of all the common shares in STR held by the Fine Group, representing approximately 88.25% of the total issued and outstanding common capital stock of STR.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in MANDALUYONG CITY on APR 1 4 2016.

By:

MANUEL B. VILLAR JR.
Chairman

JERRY M. NAVARRETE
President and Chief Executive Officer

FRANCES ROSALIE T. COLOMA
Chief Financial Officer

MA. NALEN ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 1 4 2016 at MANDALUYONG CITY affiants exhibiting to me their respective Passports, to wit:

Name	Valid ID No.	Valid Until
Manuel B. Villar Jr.	Passport DE0011147	10/14/2019
Jerry M. Navarrete	Passport EC4138755	05/10/2020
Ma. Nalen Rosero-Galang	Passport EC5435543	09/21/2020
Frances Rosalie T. Coloma	Passport EB6724938	11/09/2017

Doc. No. 38
Page No. 78
Book No. VI
Series of 2016.

ATTY. JO MARIE C. LAZARO-LIM
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
ROLL NO. 43438
IBP No. 1020715 / 05 Jan. '2016 / RSM
PTR No. 2599903 / 04 Jan. 2016 / Mandaluyong City
MCLE Compliance No. IV-0010805, Issued dated 27 Dec. 2012
Notarial Commission Appointment No. 0254-15
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

[Signature page of 17-A]

STARMALLS, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

starmalls.inc
3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City
Tel. No. (+632) 532 0605 / (+632) 871 4001 | Fax No. (+632) 872 4697
Website: www.starmallsinc.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Starmalls, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this ________ day of MAY 1 4 2016 2016.

MANUEL B. VILLAR, JR.
Chairman of the Board

JERRY M. NAVARRETE
President and Chief Executive Officer

FRANCES ROSALIE T. COLOMA
Chief Financial Officer

SUBSCRIBED AND SWORN, to before me this MAY 1 4 2016 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date and Place of Issue
Manuel B Villar, Jr.	DE0011147	14 Oct 2014 / DFA MANILA
Jerry M. Navarrete	EC4138755	10 May 2015 / DFA MANILA
Frances Rosalie T. Coloma	EB6724938	09 Nov 2012/ DFA NCR East

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

Doc No. 106
Page No. 23
Book No. III
Series of 2016.

ATTY. ARTHUR IMANUEL N. ZAPANTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
ROLL NO. 62513
IBP No. 1020719 / 05 Jan. 2016 / Quezon City
PTR No. 2599907 / 04 Jan. 2016 / Mandaluyong City
MCLE Compliance No. V-0019609, issued dated 21 April 2016
Notarial Commission Appointment No. 0430-16
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	0	0	0	0	3	9	5	8	7

C O M P A N Y   N A M E

STARMALLS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

3rd Floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
www.starmallsinc.com.ph	**571 5948**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
441	**06/29**	**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
Frances Rosalie T. Coloma	**salie_coloma @vistaland.com.ph**	**02-874-4399**	**0917-569-7066**

CONTACT PERSON's ADDRESS

3rd Floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City

NOTE 1 : 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.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Starmalls, Inc.
3rd Floor Starmall Las Piñas
CV Starr Avenue, Philamlife Village
Pamplona, Las Piñas City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Starmalls, Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 audit. We conducted our audit 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.

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statement present fairly, in all material respects, the financial position of Starmalls, Inc. and its subsidiaries as at December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of Starmalls, Inc. and subsidiaries for the years ended December 31, 2014 and 2013 (not presented herein) were audited by another auditor who expressed an unmodified opinion on those statements on April 10, 2015. As part of our audit of the 2015 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to the 2014 and 2013 consolidated financial statements, and the consolidated statement of financial position as at December 31, 2013 for the purpose of determining the balances for the consolidated statement of financial position as at January 1, 2014, which are presented herein as corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 and 2013 consolidated financial statements of the company other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2014 and 2013 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321688, January 4, 2016, Makati City

March 16, 2016

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(With Comparative Figures for 2014)

	December 31		January 1
	2015	2014 (As restated - Note 2)	2014 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 7 and 28)	**₱1,008,053,273**	₱1,960,276,632	₱1,124,306,207
Trade receivables (Notes 8 and 28)	**1,527,211,987**	608,166,919	816,076,243
Due from related parties (Notes 24 and 28)	**186,940,286**	860,675,322	496,970,020
Real estate properties for sale (Note 9)	**323,383,321**	323,441,376	715,556,362
Available-for-sale (AFS) financial assets (Notes 10, 27 and 28)	**36,961,985**	340,656,543	903,039,131
Prepayments and other current assets (Note 11)	**1,869,204,031**	1,372,956,610	777,487,270
Total Current Assets	**4,951,754,883**	5,466,173,402	4,833,435,233
Noncurrent Assets			
Due from related parties (Note 24)	**3,556,024,295**	3,189,815,581	2,592,652,336
Available-for-sale (AFS) financial assets (Notes 10 and 28)	**3,899,642,724**	3,204,170	3,204,170
Property and equipment (Note 12)	**61,032,161**	201,569,322	308,923,236
Investment properties (Notes 13 and 27)	**19,154,159,238**	10,556,009,317	7,280,645,621
Other non-current assets (Note 11)	**161,020,976**	150,035,893	119,828,652
Total Noncurrent Assets	**26,831,879,394**	14,100,634,283	10,305,254,015
	₱31,783,634,277	₱19,566,807,685	₱15,138,689,248

LIABILITIES AND EQUITY			
Current Liabilities			
Liability for land acquisition (Notes 14, 27 and 28)	**₱502,526,652**	₱246,757,369	₱21,685,532
Interest-bearing loans and borrowings (Notes 16, 27 and 28)	**868,191,397**	1,383,863,652	294,136,138
Trade and other payables (Note 15)	**1,736,092,221**	1,507,427,810	999,112,850
Due to related parties (Note 24)	**326,680,195**	25,935,787	106,293,430
Income tax payable	**37,177,708**	55,869,585	41,845,895
Other current liabilities	**275,118**	275,120	25,148,122
Total Current Liabilities	**3,470,943,291**	3,220,129,323	1,488,221,967
Noncurrent Liabilities			
Liability for land acquisition (Notes 14, 27 and 28)	**49,628,952**	23,473,236	17,849,625
Interest-bearing loans and borrowings (Notes 16, 27 and 28)	**9,880,059,709**	3,518,035,302	1,477,439,536
Due to related parties (Notes 24 and 28)	**393,257,223**	154,919,075	148,502,161
Post-employment defined benefit obligation (Note 19)	**60,696,193**	50,819,318	37,338,199
Deferred gross profit on real estate sales	**–**	–	27,721,650
Deferred tax liabilities - net (Note 23)	**342,768,358**	73,541,228	98,172,965
Refundable deposits	**94,602,538**	72,602,802	45,145,549
Other non-current liabilities (Note 17)	**581,839,712**	475,697,625	454,984,050
Total Noncurrent Liabilities	**11,402,852,685**	4,369,088,586	2,307,153,735
Total Liabilities	**14,873,795,976**	7,589,217,909	3,795,375,702

(Forward)

	December 31		January 1
	2015	2014 (As restated - Note 2)	2014 (As restated - Note 2)
Equity (Note 18)			
Equity attributable to parent company's stockholders:			
Capital stock	**₱8,449,481,156**	₱8,449,481,156	₱8,449,481,156
Additional paid-in capital	**6,389,314,354**	2,451,348,760	2,451,348,760
Treasury stock	**–**	(1,578,227,989)	(1,578,227,989)
Other comprehensive income	**(1,343,564,493)**	2,001,344	(56,380,556)
Retained earnings	**3,347,702,798**	2,517,193,441	1,955,924,562
	16,842,933,815	11,841,796,712	11,222,145,933
Non-controlling interest	**66,904,486**	135,793,064	121,167,613
Total Equity	**16,909,838,301**	11,977,589,776	11,343,313,546
	₱31,783,634,277	₱19,566,807,685	₱15,138,689,248

See accompanying Notes to Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Figures for 2014 and 2013)

	Years Ended December 31		
	2015	2014 (As restated - Note 2)	2013 (As restated - Note 2)
REVENUE			
Rental income (Note 13)	**₱2,380,179,636**	₱1,615,026,079	₱1,432,482,709
Parking fees	**121,746,680**	40,773,513	36,669,167
Real estate sales	**–**	85,322,949	19,548,234
Other operating income (Note 20)	**114,328,820**	180,030,185	95,700,501
	2,616,255,136	1,921,152,726	1,584,400,611
COST AND EXPENSES			
Depreciation and amortization (Notes 12 and 13)	**479,507,582**	427,196,686	358,412,818
Outside services	**202,937,734**	161,423,883	152,907,999
Rentals	**107,286,569**	104,931,735	83,825,183
Salaries and employee benefits	**130,668,569**	103,630,832	100,014,197
Taxes and licenses	**69,515,732**	54,147,139	54,931,262
Light and power	**60,156,420**	39,401,871	35,323,626
Repairs and maintenance	**58,033,061**	47,340,342	34,794,719
Advertising and promotions	**30,071,874**	23,357,276	18,287,772
Professional fees	**27,254,964**	16,911,529	15,199,778
Insurance	**15,077,636**	15,111,380	14,742,364
Cost of real estate sales	**–**	66,078,352	11,635,515
Other operating expenses (Note 20)	**99,212,961**	58,535,630	41,137,508
	1,279,723,102	1,118,066,655	921,212,741
INCOME FROM OPERATIONS	**1,336,532,034**	803,086,071	663,187,870
OTHER INCOME (CHARGES) - Net			
Finance costs (Note 21)	**(50,529,983)**	(64,536,296)	(30,354,838)
Finance income (Note 21)	**23,917,351**	35,622,165	21,525,005
Gain (loss) on disposal of investments in shares of stocks (Notes 10, 24 and 32)	**(222,772)**	(28,156,760)	993,936,785
Equity in net earnings of an associate	**–**	–	113,923,650
Miscellaneous charges (Note 22)	**–**	–	(1,560,779)
	(26,835,404)	(57,070,891)	1,097,469,823
INCOME BEFORE INCOME TAX	**1,309,696,630**	746,015,180	1,760,657,693
PROVISION FOR INCOME TAX (Note 23)	**405,247,851**	170,120,850	195,622,970
NET INCOME	**904,448,779**	575,894,330	1,565,034,723

(Forward)

	Years Ended December 31		
	2015	2014 (As restated - Note 2)	2013 (As restated - Note 2)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Fair value loss (gain) on available-for-sale financial asset reclassified to profit or loss (Note 10)	**(₱16,735,567)**	₱45,418,786	(₱25,663,240)
Unrealized fair value gain (loss) on available-for-sale financial assets (Note 10)	**(1,472,596,174)**	16,735,567	(47,710,869)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement on post-employment defined benefit obligation (Note 19)	**1,339,863**	(4,528,713)	(7,195,767)
Tax income (expense)	**(401,959)**	756,260	1,055,780
	(1,488,393,837)	58,381,900	(79,514,096)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱583,945,058)**	₱634,276,230	₱1,485,520,627
Attributable to:			
Parent company's stockholders	**(₱515,056,480)**	₱619,650,779	₱1,474,037,683
Non-controlling interest	**(68,888,578)**	14,625,451	11,482,944
	(₱583,945,058)	₱634,276,230	₱1,485,520,627
Earnings per share - Basic and Diluted (Notes 2 and 25)	**₱0.117**	₱0.078	₱0.216

See accompanying Notes to Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Figures for 2014 and 2013)

	Capital Stock (Note 18)	**Additional Paid-in Capital** (Note 18)	**Treasury Stock** (Note 18)	**Other Comprehensive Income** (Note 18)	**Retained Earnings** (Note 18)	**Total**	**Non-controlling Interest**	**Total**
Balances as at January 1, 2015, as restated (Note 2)	**₱8,449,481,156**	**₱2,451,348,760**	**(₱1,578,227,989)**	**₱2,001,344**	**₱2,517,193,441**	**₱11,841,796,712**	**₱135,793,064**	**₱11,977,589,776**
Net income	**–**	**–**	**–**	**–**	**830,509,357**	**830,509,357**	**73,939,422**	**904,448,779**
Other comprehensive loss	**–**	**–**	**–**	**(1,345,565,837)**	**–**	**(1,345,565,837)**	**(142,828,000)**	**(1,488,393,837)**
Total comprehensive loss	**–**	**–**	**–**	**(1,345,565,837)**	**830,509,357**	**(515,056,480)**	**(68,888,578)**	**(583,945,058)**
Sale of treasury shares	**–**	**3,937,965,594**	**1,578,227,989**	**–**	**–**	**5,516,193,583**	**–**	**5,516,193,583**
Balances as at December 31, 2015	**₱8,449,481,156**	**₱6,389,314,354**	**₱–**	**(₱1,343,564,493)**	**₱3,347,702,798**	**₱16,842,933,815**	**₱66,904,486**	**₱16,909,838,301**

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Treasury Stock (Note 17)	Other Comprehensive Income (Note 17)	Retained Earnings (Note 17)	Total	Non-controlling Interest	Total
Balances as at January 1, 2014, as restated (Note 2)	₱8,449,481,156	₱2,451,348,760	(₱1,578,227,989)	(₱56,380,556)	₱1,955,924,562	₱11,222,145,933	₱121,167,613	₱11,343,313,546
Net income, as restated (Note 2)	–	–	–	–	561,268,879	561,268,879	14,625,451	575,894,330
Other comprehensive income	–	–	–	58,381,900	–	58,381,900	–	58,381,900
Total comprehensive income	–	–	–	58,381,900	561,268,879	619,650,779	14,625,451	634,276,230
Balances as at December 31, 2014, as restated (Note 2)	₱8,449,481,156	₱2,451,348,760	(₱1,578,227,989)	₱2,001,344	₱2,517,193,441	₱11,841,796,712	₱135,793,064	₱11,977,589,776

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Treasury Stock (Note 17)	Other Comprehensive Income (Note 17)	Retained Earnings (Note 17)	Total	Non-controlling Interest	Total
Balances as at January 1, 2013, as previously reported (Note 2)	₱8,449,481,156	₱976,058,769	(₱1,578,227,989)	₱23,133,540	₱11,087,294,578	₱18,957,740,054	₱238,578,154	₱19,196,318,208
Effect of realignment of accounting policy (Note 2)	–	1,475,289,991	–	–	(10,684,921,795)	(9,209,631,804)	(128,893,485)	(9,338,525,289)
Balances as at January 1, 2013, as restated (Note 2)	8,449,481,156	2,451,348,760	(1,578,227,989)	23,133,540	402,372,783	9,748,108,250	109,684,669	9,857,792,919
Net income, as restated (Note 2)	–	–	–	–	1,553,551,779	1,553,551,779	11,482,944	1,565,034,723
Other comprehensive income	–	–	–	(79,514,096)	–	(79,514,096)	–	(79,514,096)
Total comprehensive income	–	–	–	(79,514,096)	1,553,551,779	1,474,037,683	11,482,944	1,485,520,627
Balances as at December 31, 2013, as restated (Note 2)	₱8,449,481,156	₱2,451,348,760	(₱1,578,227,989)	(₱56,380,556)	₱1,955,924,562	₱11,222,145,933	₱121,167,613	₱11,343,313,546

See accompanying Notes to Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

(With Comparative Figures for 2014 and 2013)

	Years Ended December 31		
	2015	2014 (As restated - Note 2)	2013 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,309,696,630**	₱746,015,180	₱1,760,657,693
Adjustments for:			
Depreciation and amortization (Notes 12 and 13)	**479,507,582**	427,196,686	358,412,818
Impairment losses on trade and other receivables (Notes 8 and 20)	**50,544,672**	–	2,464,076
Interest expense (Note 21)	**48,470,983**	61,365,180	26,714,405
Loss (gain) on sale of AFS financial assets	**222,772**	(739,714)	–
Unrealized foreign currency gains - net	**(839,167)**	(833)	(173,387)
Interest income (Note 21)	**(23,917,351)**	(30,538,142)	(17,689,914)
Loss on sale of a subsidiary	–	28,156,760	–
Realized gross profit on real estate sales	–	(45,462,027)	(6,152,501)
Equity in net earnings of an associate	–	–	(113,923,650)
Gain on sale of investment in associate	–	–	(993,936,785)
Operating income before working capital changes	**1,863,686,121**	1,185,993,090	1,016,372,755
Decrease (increase) in:			
Trade and other receivables	**(966,885,768)**	198,544,404	(217,150,992)
Due from related parties (Note 30)	**445,431,164**	(1,135,315,296)	181,856,366
Real estate properties for sale	**58,055**	74,895,634	208,088
Prepayments and other current assets	**(496,247,421)**	(673,298,099)	(379,969,009)
Other non-current assets (Note 30)	**(11,433,443)**	(38,043,207)	169,170,350
Increase (decrease) in:			
Trade and other payables	**557,292,457**	558,770,498	199,791,357
Other current liabilities	–	(10,104,724)	11,715,707
Liability for land acquisition (Note 30)	**360,381,060**	–	–
Due to related parties (Note 30)	**(1,583,943,877)**	75,397,432	(163,603,507)
Post-employment defined benefit obligation	**11,216,739**	18,304,903	4,323,898
Refundable deposits	**21,999,736**	–	–
Estimated liability for property development	–	(612,626)	4,672,311
Other non-current liabilities	**106,142,087**	(264,397)	(4,226,335)
Net cash flows generated from operations	**307,696,910**	254,267,612	823,160,989
Income taxes paid	**(155,114,557)**	(122,966,837)	(25,321,244)
Net cash flows provided by operating activities	**152,582,353**	131,300,775	797,839,745

(Forward)

	Years Ended December 31		
	2015	2014 (As restated - Note 2)	2013 (As restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of AFS financial assets (Note 10)	**₱295,990,228**	₱982,589,293	₱–
Interest received	**21,213,379**	24,371,608	14,143,796
Acquisition of:			
Property and equipment (Note 12)	**(99,324,307)**	(149,982,282)	(126,617,756)
AFS financial assets (Note 10)	**(344,762,099)**	(372,063,000)	(950,750,000)
Investment property (Note 13)	**(6,792,777,302)**	(2,771,278,092)	(1,056,557,703)
Net cash flows used in investing activities	**(6,919,660,101)**	(2,286,362,473)	(2,119,781,663)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from availments of interest-bearing loans and borrowings (Note 16)	**7,273,621,392**	3,429,852,694	1,072,979,166
Repayment of interest-bearing loans and borrowings (Note 16)	**(1,427,269,240)**	(299,529,414)	(54,187,285)
Interest paid	**(377,099,029)**	(138,501,182)	(64,936,149)
Proceeds from reissuance of treasury shares	**344,762,099**	–	–
Net cash flows provided by financing activities	**5,814,015,222**	2,991,822,098	953,855,732
Cash of disposed subsidiary	**–**	(790,808)	–
Effect of exchange rate changes on cash and cash equivalents	**839,167**	833	173,387
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(952,223,359)**	835,970,425	(367,912,799)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,960,276,632**	1,124,306,207	1,492,219,006
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,008,053,273**	₱1,960,276,632	₱1,124,306,207

See accompanying Notes to Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Starmalls, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval, the Parent Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. The Parent Company is the holding company of the Starmalls Group (the Group). The Group has one wholly owned and one partially owned subsidiaries namely, Masterpiece Asia Properties, Inc. (MAPI) and Manuela Corporation (Manuela), respectively.

The Parent Company is 79.43% owned by Vista Land & Lifescapes, Inc. (VLLI or Vista Land), 8.82% owned by Fine Properties, Inc. (Fine or the Ultimate Parent) and the rest by the public. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office and principal place of business is located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City.

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless 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 comprise the financial statements of the Parent Company and its subsidiaries (the Group) as at December 31, 2015 and 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity.

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

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

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

The policy is accordance with PFRS 10, Consolidated Financial Statements.

The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

Subsidiaries	Functional Currency	Percentage of Ownership
MAPI	Philippine Peso	100.00%
Manuela	Philippine Peso	98.36%

In 2012, the Parent Company acquired 98.36% interest over Manuela, an entity under common ownership and control. The business combination was accounted using the acquisition method. Under the acquisition method, assets and liabilities acquired have been recognized and measured at fair values. This business combination resulted to negative goodwill amounting ₱9,317.89 million and reported as income in the 2012 consolidated statement of comprehensive income.

On December 29, 2014, the Parent Company disposed its 100% ownership interest in Brittany Estate Corporation (BEC). The disposal of the subsidiary resulted to the latter's deconsolidation from the Group as of December 31, 2014. BEC was engaged in the real estate business.

On November 10, 2015, Vista Land signed an agreement with the existing shareholders of the Group to acquire approximately 88.25% or 7,436.22 million shares of the outstanding capital stock of the Parent Company for a total consideration of ₱33,537.36 million.

In December 2015, Vista Land acquired 6,692.93 million shares of Starmalls, Inc. from the Fine for a total consideration of ₱30,185.11 million (the "First Closing Date"). As MAPI and Manuela are subsidiaries of Starmalls, Inc., these were included in the acquisition of Vista Land. The second closing date which is after the tender offer period in February 10, 2016, Vista Land acquired the remaining 743.29 million shares of the Starmalls, Inc. from Fine in the amount of ₱3,352.25 million.

Upon execution of the agreement, Vista Land paid ₱2,681.25 million to Fine (the "Initial Sale Payment") which was applied against the consideration in the First Closing Date.

As a condition to the acquisition of the Group, Fine agreed to invest the 97.5% of the total consideration received from the disposal of Starmalls, Inc. or ₱32,698.93 million to Vista Land representing 4,573.28 million shares of Vista Land at ₱7.15 per share. The shares will be issued out of Vista Land's increase in its authorized capital stock which was applied and approved by the SEC on November 11, 2015.

As at December 31, 2015, Vista Land completed its acquisition of Starmalls, Inc. representing 79.43% or 6.69 billion shares. Further, Vista Land has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the allowed period for the tender offer, 6.97 million shares or 0.08% of the total shares of Starmalls, Inc. tendered.

After the aforementioned transactions, Starmalls, MAPI and Manuela became subsidiaries of Vista Land as at December 31, 2015.

As at February 24, 2016, Vista Land completed its acquisition of the shares of Starmalls, Inc. and its subsidiaries MAPI and representing 88.34% or 7.44 billion shares.

Both Vista Land and Starmalls Group are entities under common control of Fine Group. Accordingly, Vista Land accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.

As a result of the acquisition, Starmalls accounting policies have been realigned to Vista Group for the uniform accounting treatment of business combination involving entities under common control. Accordingly, the fair values previously recognized on Property and equipment and Investment property of the Starmalls Group, which arose from the 2012 acquisition of Manuela that was accounted at acquisition method, have been adjusted under the pooling-of-interest method and brought back to cost.

As such, the comparative consolidated financial statements as of and for the years ended December 31, 2014 and 2013 have been restated to include the accounts of Starmalls, MAPI and Manuela, as if the entities had always been combined. The January 1, 2014 consolidated statement of financial position has been presented for the opening balances at a combined basis using the same pooling-of-interest method.

The related effects of the change in the assets, equity and the related expense accounts as at December 31, 2014 and January 1, 2014 follow:

December 31, 2014

	December 31, 2014 (Audited)	Adjustments	December 31, 2014 (As restated)
Assets			
Investment property – net	₱19,445,196,123	(₱8,889,186,806)	₱10,556,009,317
Property and equipment – net	210,667,625	(9,098,303)	201,569,322
	19,655,863,748	(8,898,285,109)	10,757,578,639
Equity			
Additional paid-in capital	976,058,769	1,475,289,991	2,451,348,760
Retained earnings, beginning	12,424,336,236	(10,468,411,674)	1,955,924,562
Non-controlling interest, beginning	246,451,129	(125,283,516)	121,167,613
	13,646,846,134	(9,118,405,199)	4,528,440,935
Expense			
Depreciation	647,316,776	(220,120,090)	427,196,686
Net income after tax	355,774,240	220,120,090	575,894,330

January 1, 2014

	December 31, 2013 (Audited)	Adjustments	January 1, 2014 (As restated)
Assets			
Investment property - net	₱16,389,454,200	(₱9,108,808,579)	₱7,280,645,621
Property and equipment - net	318,519,856	(9,596,620)	308,923,236
	16,707,974,056	(9,118,405,199)	7,589,568,857
Equity			
Additional paid-in capital	976,058,769	1,475,289,991	2,451,348,760
Retained earnings, beginning	11,087,294,578	(10,684,921,795)	402,372,783
Non-controlling interest, beginning	238,578,154	(128,893,485)	109,684,669
	12,301,931,501	(9,338,525,289)	2,963,406,212
Expense			
Depreciation	578,532,908	(220,120,090)	358,412,818
Net income after tax	1,344,914,633	220,120,090	1,565,034,723

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2015. Except as otherwise indicated, the adoption of the new and amended PFRS, PAS, Philippine Interpretations did not have any effect on the consolidated financial statements of the Group.

- 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. The amendments had no impact on the Group's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) became effective for annual periods beginning on or after January 1, 2015 and did not have any effect on the consolidated financial statements of the Group.

- 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; and
  - 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* (or PFRS 9, *Financial Instruments*, if early adopted). 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 - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  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. The amendment will have no impact on the Group's financial position or performance.

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) became effective for annual periods beginning on or after January 1, 2015 and did not have any effect on the consolidated financial statements of the Group.

- 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.

  The amendment had no impact on the Group's financial position or performance.

- 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. The amendment had no significant impact on the Group's financial position or performance.

- 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). The amendment had no significant impact on the Group's financial position or performance.

There are new PAS and PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

Standards Issued but not yet Effective

The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2015. 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. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. 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.

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 will have no significant impact on 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 will have no significant impact on the Group's financial position or performance.

- 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. These amendments are not expected to have any impact to the Group.

- 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 1 January 2016. These amendments will have no significant impact on the Group's financial position or performance.

- 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.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

- 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 consolidated 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.

Annual Improvements to PFRS (2012-2014 cycle)
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.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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). The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The requirements on hedge accounting will not have any impact on the Group's financial statements.

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

- 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 recognized 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 recognizing 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 currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*
  On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group plans to adopt the new standard on the required effective date once adopted locally but this will not have impact on the Group.

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4. **Summary of Significant Accounting Policies**

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it 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 trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Fair value measurement
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 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; and
- 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 financial reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

"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 under "Interest income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using 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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents, trade receivables, installment contract receivables (classified under current and non-current assets) and refundable deposits (classified under current and non-current assets).

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

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 in OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. 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 financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2015 and 2014, AFS financial assets comprise of unquoted and quoted equity securities. The Group's AFS financial assets in quoted equity securities pertain to investments in shares of publicly listed companies while unquoted equity securities pertain to investments in shares of non-listed companies.

Liability for land acquisition and other financial liabilities
Liability for land acquisition and other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, liability for land acquisition and 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 an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and payable to related parties and other liabilities. The financial liabilities measured at amortized cost are interest-bearing loans and borrowings and liability for land acquisition.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its 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 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 the 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 or 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.

Impairment of Financial Assets
The Group assesses at each financial 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, 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 an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, 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.

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. Financial assets carried at amortized costs, 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.

AFS financial assets carried at fair value
In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding 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 OCI is removed from OCI and recognized in profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in the profit or loss. Increases in fair value after impairment are recognized directly in OCI.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

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

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

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

For business combinations under common control an entity can choose to account for the combinations using the acquisition method or pooling of interest method. However, where an entity selects the acquisition method of accounting, the transaction must have substance from the perspective of the reporting entity. When evaluating whether the transaction has substance, the following factors are considered:

(a) the purpose of the transaction;
(b) the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
(c) whether or not the transaction is conducted at fair values;
(d) the existing activities of the entities involved in the transactions;
(e) whether or not it is bringing entities together into a "reporting entity" that didn't exist before; and

(f) where a Newco is established, whether it is undertaken as an integral part of an IPO or spin-off or other change in control and significant change in ownership.

Under acquisition method, the Group can either measure the consideration transferred at the acquisition-date fair value of the consideration actually given or elect to impute an additional equity contribution to recognize total consideration equivalent to the fair value of the business received. Whichever method is adopted should be applied consistently, and the entity should disclose its chosen accounting policy.

Real Estate Properties for Sale

Real estate properties for sale consist of raw land, subdivision land and residential house and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Acquisition cost of raw land;
- Amounts paid to contractors for construction and development of raw land and residential units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Value-Added Tax (VAT)

The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

Investment Properties

Investment properties comprise of land, building, building improvements and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Building and building improvements are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. CIP 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.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization 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 investment properties.

The EUL of buildings and building improvements is 10 to 40 years.

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 gain or loss on the retirement or disposal of an investment property is 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 the property for measurement or for 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, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the EUL of property and equipment as follows:

	Years
Building and building improvements	10 to 40
Office furniture, fixtures and equipment	3 to 5
Transportation equipment	3
Construction equipment	5

Building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed annually 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.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Impairment of Nonfinancial Assets

This accounting policy relates to property and equipment and investment properties.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the 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 assets or groups 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 assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization 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.

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries (Note 18).

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group'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 to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings account is restricted to payments of dividends to the extent of the cost of treasury shares (Note 18).

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.

Rental income
Rental income from investment property is accounted for on a straight-line basis over the lease term.

Common usage and service area charges
Revenue is recognized when the performance of contractually agreed task has been substantially rendered

Rendering of services
Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered. Revenue from rendering of services include common usage and service area charges, income from parking fees and others.

Real estate revenue
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. Collectability 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. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

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.

Income from forfeited reservations and collections
Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act,* upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest income
Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables or HTM investments) using the effective interest method and is shown as deduction for the financial assets.

Dividend and miscellaneous income
Dividend and miscellaneous income are recognized when the Group's right to receive payment is established.

Pension Cost
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

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.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

<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 are enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is provided using the liability method on 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, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Commissions

The Group recognizes commissions 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

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in “Investment properties” account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(c) there is a 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases 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.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2015 and 2014, the Group has no potential dilutive common shares (Note 25).

Segment Reporting
Presently, the Group's only significant operating segment is related to its leasing of commercial spaces operations. This is being monitored and strategic decisions are made on the basis of operating results.

Furthermore, the Group's operations are presently concentrated in the Philippines; hence, it has no geographical segment classification. The Group, however, continues to acquire properties for future development in different areas. Rentals to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

Since the Group has only one significant operating segment, the items presented in the consolidated financial statements corresponding to assets and liabilities represent virtually the entire segment assets and liabilities.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the financial reporting date. Exchange gains or losses arising from foreign exchange transactions are credited or charged against operations for the period.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in 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 Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. **Significant Accounting Judgments and Estimates**

The preparation of accompanying consolidated financial statements in compliance 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 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 and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Collectability of the sales price
For real estate sales, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification required significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS financial assets. Consequently, the investment would therefore be measured at fair value and not at amortized cost.

Operating lease commitments - the Group as lessee
The Group is engaged in contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

Classification of property as investment property or real estate properties for sale
The Group determines whether a property is classified as investment property or inventory property 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.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial 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 an 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, the property is accounted for as an 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.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group’s financial position (Note 26).

Management's Use of Estimates
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 POC measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

Determining fair values of financial assets and liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market condition, assuming an orderly liquidation over a reasonable period of time. Fair value disclosures are provided in Note 27.

Impairment of financial assets
(i) *AFS equity securities*
The Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged', greater than twelve (12) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price of similar equity securities.

In addition, in the case of unquoted equity securities, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

The carrying values of AFS financial assets amounted to ₱3,936.60 million and ₱343.86 million as of December 31, 2015 and 2014, respectively (Note 10).

(ii) *Loans and receivables*
The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Loans and receivables, net of allowance for impairment losses, amounted to ₱1,527.21 million and ₱1,608.17 million as of December 31, 2015 and 2014, respectively (Note 8). The allowance for impairment on loans and receivables amounted to ₱50.54 million and nil as of December 31, 2015 and 2014, respectively (Note 8).

Estimating allowance for impairment losses on receivables
The Group maintains allowances for impairment losses based on the results of the individual and collective assessments under PAS 39. For both individual and collective assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. The estimated cash flows considers the management's estimate of proceeds from the disposal of the collateral less cost to repair, cost to sell and return of deposit due to the defaulting party. The cost to repair and cost to sell are based on historical experience. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates made for the year. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The balance of the Group's receivables, net of allowance for impairment loss, amounted to ₱1,527.21 million and ₱608.17 million as of December 31, 2015 and 2014, respectively (Note 8).

Evaluation of net realizable value of real estate properties for sale
Real estate properties for sale are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Real estate inventories amounted to ₱323.38 million and ₱323.44 million as of December 31, 2015 and 2014, respectively (Note 9).

Evaluation of impairment
The Group reviews 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, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value les cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investment properties and property and equipment.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2015 and 2014, no indicators of impairment exist for investment properties, and property and equipment.

The aggregate carrying values of investment properties and property and equipment amounted to ₱19,215.19 million and ₱10,757.58 million as of December 31, 2015 and 2014, respectively (Notes 12 and 13).

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

The related cost, accumulated depreciation and depreciation of property and equipment and investment properties as of December 31, 2015 and 2014, respectively follow:

	2015	2014
Property and equipment (Note 12)		
Cost	**₱99,568,000**	₱377,403,599
Accumulated depreciation	**38,535,838**	175,834,277
Depreciation	**17,404,322**	45,194,485
Investment properties (Note 13)		
Cost	**22,025,357,916**	12,907,082,557
Accumulated depreciation	**2,871,198,678**	2,351,073,239
Depreciation	**462,103,260**	381,090,243

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income 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 income 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.

As of December 31, 2015 and 2014, the unrecognized deferred tax assets of the Group amounted to ₱16.91 million and ₱39.41 million, respectively (Note 23).

Estimating pension obligation and other retirement benefits
The determination of the Group's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. See Note 19 to the consolidated financial statements for the related balances.

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. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 27 to the consolidated financial statements for the related balances.

6. Segment Information

The Group's asset producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No income was derived from a single customer that constitutes 10% or more of the Group's investment income (loss) in 2015, 2014 and 2013.

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱294,500**	₱277,000
Cash in banks	**842,381,391**	1,955,548,667
Cash equivalents	**165,377,382**	4,450,965
	₱1,008,053,273	₱1,960,276,632

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	2015	2014
Philippine Peso	0.25% to 2.00%	0.40% to 2.30%
US Dollar	3.00%	3.00%

Interest earned from cash in banks and cash equivalents for the years ended December 31, 2015, 2014 and 2013 amounted to ₱10.72 million, ₱5.15 million and ₱14.14 million, respectively (Note 21).

The Group's cash and cash equivalents do not include restricted cash amounting ₱72.19 million as of December 31, 2015 and 2014, which is presented as part of Prepayments and other assets account in the consolidated statements of financial position (Note 11).

8. Trade and Other Receivables

This account consists of:

	2015	2014
Trade receivables from tenants:		
Third party	**₱1,054,511,027**	₱515,960,408
Related parties under common ownership	**505,083,858**	92,206,511
Others	**18,161,774**	–
	1,577,756,659	608,166,919
Allowance for impairment (Note 20)	**(50,544,672)**	–
	₱1,527,211,987	₱608,166,919

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2015, certain receivables from tenants were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized amounting to ₱50.54 million in 2015. In 2014, management assessed that certain receivables totaling ₱21.61 million which were previously provided with allowance should already be written off.

Receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 12 months from the end of the reporting period.

Others include receivables from employees.

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

	2015	2014
Balance at beginning of year	**₱–**	₱21,606,745
Write-off of receivables previously provided with allowance	**–**	(21,606,745)
Impairment loss during the year (Note 20)	**50,544,672**	–
Balance at end of year	**₱50,544,672**	₱–

9. Real Estate Properties for Sale

This account consists of:

	2015	2014
Land	**₱165,906,181**	₱166,083,953
Residential units for sale	**157,477,140**	157,357,423
Balance at end of year	**₱323,383,321**	₱323,441,376

Residential units for sale represent houses and lots in completed subdivision projects for which the Group has already been granted the license to sell by the HLURB of the Philippines. Residential units include units that are ready for occupancy and house models.

The real estate properties for sale are carried at cost or NRV. There is no allowance to recognize amounts of inventories that are lower than cost.

Real estate properties for sale amounting nil, ₱66.08 million and ₱11.64 million are included in as cost of real estate sales in the consolidated statement of comprehensive income for the year ended December 31, 2015, 2014 and 2013, respectively. Cost of real estate sales includes acquisition cost of raw land, subdivision and development costs paid to contractors and other costs attributable to bringing the real estate properties for sale to its intended condition.

Development cost as a percentage of cost of real estate sale is approximately 75% to 85% for the years ended December 31, 2014 and 2013, respectively.

There was no provision for impairment nor reversal recognized in 2015, 2014 and 2013.

Except as stated, there aref no real estate properties for sale used as collateral or pledged as security for liabilities (Note 16).

10. **Available-For-Sale Financial Assets**

This account consists of:

	2015	2014
Current		
Quoted equity securities	**₱36,961,985**	₱41,869,689
Debt securities	**–**	198,786,854
Bank notes	**–**	100,000,000
	36,961,985	340,656,543
Non-current		
Equity securities	**3,899,642,724**	3,204,170
	₱3,936,604,709	₱343,860,713

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

	2015	2014
Balance at beginning of year	**₱343,860,713**	₱906,243,301
Additions	**5,378,288,738**	372,063,000
Disposals	**(312,948,568)**	(951,181,155)
Fair value gains (losses) - net	**(1,472,596,174)**	16,735,567
	₱3,936,604,709	₱343,860,713

The fair values of the investments in AFS financial assets have been determined directly by reference to published prices in an active market (Note 27).

The fair value gains (losses) consist of:

	2015	2014
Unrealized fair value gains on current AFS	**₱9,254,010**	₱16,735,567
Unrealized fair value gains on noncurrent AFS	**(1,481,850,184)**	−
	(₱1,472,596,174)	₱16,735,567

As discussed in Note 2, Vista Land acquired 6,692.93 million shares of Starmalls, Inc. from Fine for a total consideration of ₱30,185.11 million (the "First Closing Date") in December 2015. As a condition to the acquisition to the acquisition of the Group, Manuela agreed to invest in Vista Land. Accordingly, Manuela subscribed to the increase in the authorized capital stock of Vista Land in the amount of ₱5,378.29 million representing 752.21 million shares. These are classified as AFS financial assets in the consolidated statement of financial position. The related unrealized fair value loss on these AFS financial assets amounted to ₱1,481.85 million in December 31, 2015.

In 2015 and 2014, certain AFS financial assets were disposed by the Group. Unrealized gain amounting ₱16.74 million and unrealized loss amounting ₱45.42 previously recognized under the other comprehensive income was reclassified to profit or loss and presented as a reclassification adjustment with other comprehensive income for the years ended December 31, 2015 and 2014, respectively. The related realized loss on sale of AFS financial assets amounted to ₱0.22 million and nil for the years ended December 31, 2015, 2014 and 2013, respectively.

The AFS financial assets classified as current assets in the consolidated statement of financial position is intended by management to be disposed within 12 months from the end of the reporting period.

Interest income from AFS financial assets amounting to ₱3.77 million and ₱22.56 million and nil for the years ended December 31, 2015, 2014 and 2013, respectively, are presented as part interest income and interest and other financial charges account in the consolidated statement of comprehensive income (Note 21).

11. Prepayments and Other Assets

This account consists of:

	2015	2014
Current		
Input VAT	**₱1,251,951,699**	₱592,917,116
Advances to contractors, brokers and others	**466,196,241**	605,338,800
Reserve fund (Notes 7 and 16)	**72,185,021**	72,185,021
Prepayments	**29,706,926**	31,068,666
Short-term installment contracts receivable (Notes 27 and 28)	**26,914,007**	9,645,634
Creditable withholding taxes	**13,991,373**	7,927,322
Advances to officers and employees	**–**	25,382,375
Advances to suppliers	**–**	13,743,363
Others	**8,258,764**	14,748,313
	1,869,204,031	1,372,956,610

(Forward)

	2015	2014
Non-current		
Refundable deposits	**₱130,803,294**	₱92,603,284
Long-term installment contracts receivable (Notes 27 and 28)	**30,217,682**	56,984,250
Others	**–**	448,359
	161,020,976	150,035,893
	₱2,030,225,007	₱1,522,992,503

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Advances to contractors, brokers and others pertain to receivables that are recouped from settlement of progress billings statements which occur within one year from the date the receivables arose.

Reserve fund represents the fund established by MAPI in 2013 in accordance with a loan agreement with a local bank (Note 16). The fund earns effective interest ranging from 0.3% to 2.5% in 2015 and 2014.

Prepayments pertain to prepaid taxes, insurance premiums, employee benefits, repairs and rent, which will be utilized within 12 months from the end of the reporting period.

Others include accrued interest receivable, penalties receivable from tenants due to late payments, security deposits, advance rentals and office supplies.

Short-term Installment Contracts Receivable
Short-term installment contracts receivable represents the current portion of the Group's installment contracts receivable.

Long-term Installment Contracts Receivable
This account principally consists of amounts arising from the sale of residential units that are noninterest-bearing and collectible within 2 to 10 years.

The corresponding titles to the real estate properties sold under installment contracts (both short-term and long-term) are transferred to the buyers only upon full payment of the contract price, effectively using the sold units as security for the installment contract receivables.

The Group recognized interest income in 2015, 2014 and 2013 amounting to ₱2.70 million, ₱2.83 million and ₱3.55 million, respectively, representing the amortization of discounts on these long-term installment contract receivables. The amounts are shown as part of interest income and interest and other financial charges account in the consolidated statements of comprehensive income (Note 21).

The Group has no provision for impairment losses for short-term and long-term installment contracts receivable in 2015, 2014 and 2013.

12. Property and Equipment

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

December 31, 2015

	Buildings and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Cost					
Balance at beginning of year	₱–	₱333,503,373	₱5,937,512	₱37,962,714	₱377,403,599
Additions	–	53,502,816	–	45,821,491	99,324,307
Retirements	–	(91,220,039)	–	–	(91,220,039)
Reclassifications	–	(8,746,336)	3,939,457	4,806,879	–
Transfers to investment property	–	(202,155,662)	–	(83,784,205)	(285,939,867)
Balance at end of year	–	84,884,152	9,876,969	4,806,879	99,568,000
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	148,009,010	2,931,832	24,893,434	175,834,276
Depreciation and amortization	–	16,478,552	925,770	–	17,404,322
Retirements	–	(91,220,039)	–	–	(91,220,039)
Reclassifications	–	(4,415,009)	782,430	3,632,579	–
Transfers to investment property	–	(38,598,140)	–	(24,884,580)	(63,482,720)
Balance at end of year	–	30,254,374	4,640,032	3,641,433	38,535,839
Net Book Value	₱–	₱54,629,778	₱5,236,937	₱1,165,446	₱61,032,161

December 31, 2014

	Buildings and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Cost					
Balance at beginning of year	₱74,173,531	₱283,027,844	₱3,703,692	₱37,962,714	₱398,867,781
Additions	855,994	142,127,554	2,233,820	–	145,217,368
Transfers to investment property	(75,029,525)	(91,652,025)	–	–	(166,681,550)
Balance at end of year	–	333,503,373	5,937,512	37,962,714	377,403,599
Accumulated Depreciation and Amortization					
Balance at beginning of year	30,184,748	126,138,627	2,239,371	17,425,274	175,988,020
Depreciation and amortization	2,343,862	34,690,002	692,461	7,468,160	45,194,485
Transfers to investment property	(32,528,610)	(12,819,618)	–	–	(45,348,228)
Balance at end of year	–	148,009,011	2,931,832	24,893,434	175,834,277
Net Book Value	₱–	₱185,494,362	₱3,005,680	₱13,069,280	₱201,569,322

The Company reclassified portion of the buildings and equipment, which was previously presented under Property and equipment to Investment properties amounting to ₱285.94 million and ₱166.68 million as of December 31, 2015 and 2014, respectively. The reclassification resulted from change in management intention to hold the related building development for rental purposes.

As of December 31, 2015 and 2014, cost of fully depreciated assets that is still actively in use amounted to ₱12.55 million and ₱62.45 million, respectively.

There were no temporarily idle property and equipment items.

13. Investment Properties

The movement in investment properties account follows:

December 31, 2015

	Land	Building and Building Improvements	Commercial buildings under construction	Total
Cost				
Balance at beginning of year	**₱4,449,031,350**	**₱6,718,360,565**	**₱1,739,690,642**	**₱12,907,082,557**
Additions	**3,366,885,662**	**471,816,585**	**5,154,075,055**	**8,992,777,302**
Disposal	**(155,429,628)**	**(6,225,104)**	**–**	**(161,654,732)**
Reclassification	**65,308,727**	**1,089,938,076**	**(1,155,246,803)**	**–**
Transfers from property and equipment	**–**	**285,939,867**	**–**	**285,939,867**
Transfers from noncurrent assets	**–**	**1,212,922**	**–**	**1,212,922**
Balance at end of year	**7,725,796,111**	**8,561,042,911**	**5,738,518,894**	**22,025,357,916**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**–**	**2,351,073,238**	**–**	**2,351,073,238**
Depreciation and amortization	**–**	**462,103,260**	**–**	**462,103,260**
Retirement	**–**	**(6,225,104)**	**–**	**(6,225,104)**
Transfers from property and equipment	**–**	**63,482,720**	**–**	**63,482,720**
Transfers from noncurrent assets	**–**	**764,564**	**–**	**764,564**
Balance at end of year	**–**	**2,871,198,678**	**–**	**2,871,198,678**
Net Book Value	**₱7,725,796,111**	**₱5,689,844,233**	**₱5,738,518,894**	**₱19,154,159,238**

December 31, 2014

	Land	Building and Building Improvements	Commercial buildings under construction	Total
Cost				
Balance at beginning of year	₱3,413,574,634	₱6,340,231,167	₱532,957,092	₱10,286,762,893
Additions	1,081,833,739	199,190,272	2,240,088,154	3,521,112,165
Reclassification	–	47,635,056	(1,008,978,595)	(961,343,539)
Transfers to BEC	(46,377,023)	–	(24,376,010)	(70,753,033)
Elimination arising from disposed subsidiary	–	(2,848,871)	–	(2,848,871)
Transfers from property and equipment	–	134,152,941	–	134,152,941
Balance at end of year	4,449,031,350	6,718,360,565	1,739,690,642	12,907,082,556
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	2,920,643,568	–	2,920,643,568
Depreciation and amortization	–	381,090,243	–	381,090,243
Reclassification	–	(961,343,539)	–	(961,343,539)
Elimination arising from disposed subsidiary	–	(2,136,653)	–	(2,136,653)
Transfers from property and equipment	–	12,819,620	–	12,819,620
Balance at end of year	–	2,351,073,239	–	2,351,073,239
Net Book Value	₱4,449,031,350	₱4,367,287,326	₱1,739,690,642	₱10,556,009,317

The Group's investment properties include several parcels of land and buildings and improvements, which are owned and held for capital appreciation and rental purposes.

The Group's investment properties generate rental income under various operating lease agreements. Rental income from the investment property amounting to ₱2,087.54 million,

₱1,408.14 million and ₱1,263.60 million for the years ended December 31, 2015, 2014 and 2013, respectively, are presented as Rental income under the Revenues and Income account in the consolidated statements of comprehensive income.

Direct costs incurred generally pertain to depreciation charges and real property taxes. As of December 31, 2015, 2014 and 2013, real property tax related to investment property amounting ₱46.90 million, ₱43.03 million and ₱43.30 million, respectively, were recognized as part of Taxes and licenses under the Costs and Expenses account in the consolidated statements of comprehensive income. Depreciation charges amounted to ₱462.10 million, ₱381.09 million and ₱315.67 million for the years ended December 31, 2015, 2014 and 2013, respectively, and are presented as part of Depreciation and amortization under the Costs and expenses account in the consolidated statements of comprehensive income.

Commercial buildings under construction pertain to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs amounting to ₱468.63 million, ₱98.00 and ₱47.84 million for the years ended December 31, 2015, 2014 and 2013, respectively representing the actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of investment property (Note 16).

Investment properties with total carrying amount of ₱10,245.50 million and ₱5,072.03 million as of December 31, 2015 and 2014, respectively, are used as collaterals for loans obtained from local creditor banks (Note 16).

Also, certain properties under the name of the Group with carrying amount of ₱1,247.4 million are used as third party real estate mortgage for the secured long-term loan obtained by the Company from PDB (Note 16).

The capitalization rate used was 4.50% to 7.25% in 2015, 4.50% to 7.00% in 2014 and 5.80% to 7.30% in 2013.

Investment Property Owned by the Parent Company
The fair value of the remaining investment property in Valenzuela amounting ₱41.52 million as of December 31, 2015 and 2014. The Parent Company's investment property has a carrying amount of ₱5.32 million and ₱5.09 million as of December 31, 2015 and 2014, respectively. This consists of parcels of land located in Valenzuela City with a total land area of 23,675 square meters. The investment property is being held for capital appreciation. There was no additional impairment loss recognized in 2015 and 2014 as determined by an independent firm of appraisers.

Investment Property Owned by MAPI
MAPI's investment property includes several parcels of land, commercial buildings which are currently held for lease (Starmall San Jose Del Monte in Bulacan, Starmall Taguig and Starmall Azienda in Cebu), a commercial building in Wack-Wack, Mandaluyong and commercial buildings under construction which are owned primarily to earn rental income in the future.

The land located in San Jose del Monte, Bulacan amounting to ₱52.5 million, which represents its purchase price, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership (Note 24). The Phase 1 and Phase 2 of Starmall San Jose Del Monte were completed in 2012 and 2014, respectively, and started their operations in 2013 and 2014, respectively. Accordingly, the Company reclassified portion of Commercial buildings under construction to Buildings and improvements amounting to ₱786.4 million and ₱56.4 million representing the completion of Phase 1 and Phase 2, respectively, of the commercial building which are already available for lease. Phase 3 of Starmall San Jose Del Monte is still in progress as of December 31, 2015.

In addition to the Phase 2 of Starmall San Jose Del Monte, Starmall Taguig and Starmall Azienda were also completed in 2014 and started operations in September and November, respectively. A commercial building in Wack-Wack in Mandaluyong was also completed during the latter part of 2014.

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounted to ₱2,090.28 million as of December 31, 2014. The parcel of land is currently being developed by the Group as a commercial center that will be available for lease in the future.

MAPI acquired certain parcels of land in several locations at a cost of ₱2,665.36 million and ₱957.10 million in 2015 and 2014, respectively, for future establishment of commercial properties.

The Phase 1 of Starmall Molino, Starmall Sta. Rosa and Starmall Imus were completed and started their operations in 2015. Accordingly, the Company reclassified portion of Commercial buildings under construction to Land and Buildings and improvements amounting to ₱65.31 million and ₱1,089.94 million, respectively.

Commercial buildings still in progress as of December 31, 2015 include Starmall Bataan, Starmall Bulacan and Phase 2 of Starmall Prima Taguig, Starmall Molino in Bacoor, Cavite and Starmall Sta. Rosa, Laguna.

Investment Property Owned by Manuela
The investment property of Manuela, with a total carrying amount of ₱4,706.23 million and ₱3,331.27 million as of December 31, 2015 and 2014, includes several parcels of land and buildings and improvements located in Mandaluyong City (Starmall EDSA - Shaw and Worldwide Corporate Center), Las Piñas City (Starmall Las Piñas and Starmall Las Piñas - Annex) and Muntinlupa City (Starmall Alabang). Part of the cost of buildings and improvements is the capitalized borrowing cost amounting to ₱57.50 million, ₱1.06 million and ₱6.05 million as of December 31, 2015, 2014 and 2013, respectively (Note 16). These properties are owned and held primarily to earn rental income. The capitalization rate used was 5.75% for December 31, 2015, 2014 and 2013.

Fair Value of Investment Properties
In 2015, the Company secured the services of an independent firm of appraisers to determine the fair market values of the Company's investment as of December 31, 2015. Fair market value of investment property is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date.

The results of the appraisal below showed that the fair market values of investment properties exceeded the related carrying amounts as of December 31, 2015.

	Land	**Buildings and Improvements**	**Total**
Company -			
Land in Valenzuela City	₱42,000,000	₱–	₱42,000,000
MAPI:			
Sta. Rosa, Laguna	1,206,000,000	1,535,000,000	2,741,000,000
Imus, Cavite	227,000,000	318,000,000	545,000,000
Land in Bacoor, Cavite	4,591,000,000	753,000,000	5,344,000,000
Starmall San Jose del Monte	210,000,000	1,511,000,000	1,721,000,000
Mandaluyong City	232,000,000	415,000,000	647,000,000
Starmall Prima Taguig	1,464,000,000	1,276,000,000	2,740,000,000
Starmall Azienda	–	368,000,000	368,000,000
Starmall Bataan	123,000,000	903,000,000	1,026,000,000
Manuela:			
Starmall Alabang	2,916,000,000	3,469,000,000	6,385,000,000
Starmall EDSA-Shaw	3,001,000,000	1,170,000,000	4,171,000,000
Starmall Las Piñas	394,100,000	1,642,900,000	2,037,000,000
Starmall Las Piñas-Annex	121,000,000	100,000,000	221,000,000
WCC	–	1,935,000,000	1,935,000,000
	₱14,527,100,000	₱15,395,900,000	₱29,923,000,000

14. Liability for Land Acquisition

This account consists of:

	2015	2014
Current	**₱502,526,652**	₱246,757,369
Non-current	**49,628,952**	23,473,236
Total	**₱552,155,604**	₱270,230,605

The movement in this account follows:

	2015	2014
Beginning	**₱270,230,605**	₱39,535,157
Additions	**699,753,293**	253,338,807
Payments	**(417,828,294)**	(22,643,359)
	₱552,155,604	₱270,230,605

Liability for land acquisition represents the outstanding payable as of December 31, 2015 and 2014 relating to the Group’s acquisition of certain parcels of land.

Additions in 2015 and 2014 pertains to land purchases in various locations from individual third parties amounting to ₱699.75 and ₱253.38 million, respectively, to be held as future commercial building construction sites. From these purchases, the Company had outstanding liability of ₱1,000.00 million, payable in the next 12 months, and ₱217.60 million with maturity of more than

1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section, respectively, of the 2015 and 2014 of financial position.

For the years ended December 31, 2015, 2014 and 2013, the Group amortized interest costs relating to this transaction amounting to ₱1.30 million, ₱1.00 million and ₱1.10 million, respectively, which are presented as part of interest income and interest and other financial charges account in the consolidated statements of comprehensive income (Note 21).

15. Trade and Other Payables

This account consists of:

	2015	2014
Retention payable	**₱584,314,257**	₱264,273,577
Trade payables	**553,884,718**	573,958,565
Accrued expenses	**62,119,723**	75,019,755
Deferred output VAT	**280,333,605**	139,633,119
Construction payable	**16,390,234**	174,269,234
Accrued rentals	**239,049,684**	252,107,294
Estimated liability on property development cost	□	4,831,199
Other payables	**–**	23,335,067
	₱1,736,092,221	₱1,507,427,810

Retentions payable pertains to 10% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Trade payables represent construction materials, marketing collaterals and office supplies ordered and delivered but not yet due. These are expected to be settled within a year after the recognition period.

Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

Construction payable pertains to contractors' billings for services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

Accrued rentals pertain to the effect of straight-line recognition of contractual rent expense as prescribed by PAS 17, Leases.

Other payables pertain to salaries related premiums and loans payable and withholding taxes payable.

The accounts and other payables are noninterest bearing and are expected to be settled within a year after the reporting date.

16. Interest-Bearing Loans and Borrowings

This account consists of:

	2015	2014
Current		
BDO Unibank, Inc. (BDO)	**₱237,340,817**	₱50,768,667
Asia United Bank (AUB)	**189,422,583**	105,000,000
Planters Development Bank (PDB)	**189,913,750**	88,895,000
Rizal Commerical Banking Corporation (RCBC)	**171,514,247**	115,902,247
Union Bank of the Philippines (UBP)	**80,000,000**	28,235,294
China Banking Corporation (CBC)	**–**	995,062,444
	868,191,397	1,383,863,652
Non-current		
RCBC	**4,384,523,892**	2,284,733,424
BDO	**3,936,771,111**	211,539,778
CBC	**1,000,000,000**	–
AUB	**327,000,000**	520,083,644
UBP	**231,764,706**	311,764,706
PDB	–	189,913,750
	9,880,059,709	3,518,035,302
Balance at end of year	**₱10,748,251,106**	₱4,901,898,954

Loans of Manuela
In 2015, the loan obtained from BDO worth ₱4,000.00 million considered general borrowings and has a maturity of seven years from the date of drawdown and bears an annual fixed interest rate of 5.75%. Real estate contracts as well as investment properties in Starmall Alabang are used as a mortgage for this loan.

In 2014, the Company obtained various loans from UBP to finance the upgrade of the air conditioning systems of Starmall Las Piñas and Starmall Las Piñas - Annex and the acquisition of generator set upgrades for all the malls of the Company. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.75%. In 2013 and previous years, the Company also obtained various term loans from BDO and PDB to finance the upgrade of the air conditioning systems of Starmall EDSA - Shaw and Starmall Alabang and the expansion of the business process outsourcing area of WCC. The loans have maturities from October 2014 to February 2020 and bear an annual fixed interest rates ranging from 7.00% to 7.25%.

Certain properties registered under the name of MAPI are used as third party real estate mortgage for the secured long-term loan obtained from PDB (Note 24).

Investment property with total carrying amount of ₱2,997.11million and ₱598.46 million as of December 31, 2015 and 2014 are used as collaterals for loans obtained from local creditor banks (Note 13).

The total interest expense incurred by the company from these loans amounted to ₱20.64 million and ₱37.91 million as of December 31, 2015 and 2014, respectively as shown as part of finance cost (Note 20).

Loans of MAPI
In 2015, MAPI entered into a secured term loan agreement with RCBC amounting to ₱2,273.62 million primarily to finance various ongoing mall constructions. The loans have maturities of seven years from the date of drawdown and bear an annual fixed interest rate of 5.75%.

In 2014, MAPI entered into a secured term loan agreement with CBC and AUB amounting to ₱1,000.00 million and ₱366.00 million, respectively, primarily to finance various ongoing mall constructions. The loan with CBC has maturities beginning December 2016 to June 2017 and bears annual interest of 4.50% while the loan with AUB has maturities beginning December 2014 to December 2019 and bears annual interest of 6.25%.

In connection with the loan entered with CBC, MAPI agreed to execute a negative pledge over certain real properties with carrying amount of ₱5,344.00 million as of December 31, 2015. MAPI cannot allow any other indebtedness to be secured by the covered real properties nor permit any other creditor to receive any priority or preference over the covered real properties, without written consent from the CBC.

In 2013, MAPI entered into a secured term loan agreement with RCBC for a total credit line of ₱2,700 billion. As of December 31, 2014 and 2013, ₱1,649.00 million and ₱651.00 million, respectively, has been drawn from this secured facility to finance the construction of various ongoing projects of MAPI. The loans have maturities beginning December 2015 to August 2020 and bear annual interest of 5.75%.

In addition, the loan agreement with RCBC and AUB requires MAPI to maintain a current ratio of not lower than 1.25:1:00 and debt-equity ratio of not higher than 3.00:1.00. MAPI has complied with these loan covenants, including maintaining certain financial ratios as at the reporting dates.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments. In accordance with the agreement, MAPI maintains a reserve fund amounting to ₱72.19 million as of December 31, 2015 and 2014, respectively, which is presented as part of the Prepayments and other assets account in the consolidated statements of financial position (Note 11).

In 2012, MAPI obtained a secured loan from AUB amounting to ₱420.00 million to finance the construction of Starmall San Jose del Monte. The loan is due to be settled until 2017 and bears annual interest rate of 5.70%. The loan provide for the Group to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

Certain investment properties with carrying amount of ₱7,248.39 million and ₱4,473.57 million as of December 31, 2015 and 2014, respectively, are used as collateral for the secured long-term loan of the Group (Note 13).

Interest expense recognized for the years ended December 31, 2015, 2014 and 2013 amounting ₱25.11 million, ₱21.24 million and ₱24.10 million, respectively, are presented as part of Interest income and interest and other financial charges account in the consolidated statements of comprehensive income (Note 21). The outstanding interest payable as of December 31, 2015 and 2014 amounting ₱11.98 million and ₱10.42 million, respectively, are presented as part of Accrued expenses under the Trade and other payables account in the consolidated statements of financial position (Note 15).

17. Other Non-current Liabilities

This account consists of:

	2015	2014
Security deposits	**₱548,485,102**	₱455,398,999
Construction bond	**28,448,976**	4,845,341
Estimated liability on property development cost	**4,831,199**	–
Customer deposits	**74,435**	74,835
Miscellaneous	**–**	15,378,450
Total	**₱581,839,712**	₱475,697,625

Security deposits pertain to the three-month rental and three-month advance rental paid by the lessees as required under lease contracts, which will be refunded upon termination of the lease term or applied to unpaid rentals and damages.

Construction bond pertains to the deposits made by the tenants payable prior to the start of construction of the leased space and to be refunded upon receipt of final clearance to operate.

In 2015, estimated liability on property development cost was reclassified from Trade and other payables to Noncurrent liability. The Group has a total estimated liability on property development cost amounting ₱4.83 million as of December 31, 2015 and 2014 (Note 15).

Customer deposits represent the initial payments received from buyers of residential units. The Group initially records the amounts received from the buyers as such until the total deposits reach 15% to 20% of the contract price, at which point, the revenue and related installment contract receivables arising from such sale are recognized and the deposits are treated as partial collections of the unit contract price.

Miscellaneous liabilities include those relating to transfer taxes, registrations and other expenses required to be settled by the Group upon full payment of the house and lots.

18. Equity

Capital Stock
Capital stock consists of:

	Shares	Amount
Preferred - voting, cumulative, non-participating, non-convertible, non-redeemable - P0.01 par value		
Authorized	10,000,000,000	₱100,000,000
Issued and outstanding	2,350,000,000	23,500,000
Common shares - P1.00 par value		
Authorized	16,900,000,000	16,900,000,000
Issued and outstanding	8,425,981,156	8,425,981,156

At the consolidation level, 1,223.10 million shares of stock of the Starmalls, Inc. held by Manuela are recognized as Treasury stock in the 2014 and 2013 consolidated financial statements and this amounted to ₱1,578.29 million.

As discussed in Note 2, Vista Land acquired Starmalls, Inc. and its subsidiaries, MAPI and Manuela, in December 2015. The Starmalls shares held by Manuela were also sold to Vista Land for ₱5,516.19 million which resulted to additional paid-in capital of ₱3,937.97 million. Prior to acquisition, these shares had been recognized as treasury stock.

Each preferred share is a voting, cumulative, non-participating, non-convertible and non-redeemable share.

The following also illustrates the additional listings made by the Company:

On November 13, 1970, the SEC approved the listing of the Company's common shares totaling 1,000.00 million. The shares were initially issued at an offer price of ₱0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to ₱4,500.00 million divided into 4,500 million shares with a par value of ₱1.00 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to ₱5,500.00 million divided into 5,500.00 million shares with a par value of ₱1.00 each, as authorized by the Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Company.

As of December 31, 2015 and 2014, respectively, 8,449.48 million and 7,202.81 million shares are listed in the PSE and closed at ₱7.00 and ₱7.20 per share, respectively.

Other comprehensive income
The component and reconciliation of items of comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Other comprehensive income are shown below.

2015

	AFS Financial Assets	**Post-Employment Defined Benefit Obligation**	**Total**
Balance as of January 1, 2015	**₱14,443,484**	**(₱12,442,140)**	**₱2,001,344**
Fair value gain on AFS financial assets	**(1,346,488,359)**	**–**	**(1,346,488,359)**
Remeasurements of post-employment defined benefit obligation (net of tax)	**–**	**922,522**	**922,522**
Balance as of December 31, 2015	**(₱1,332,044,875)**	**(₱11,519,618)**	**(₱1,343,564,493)**

2014

	AFS Financial Assets	Post-Employment Defined Benefit Obligation	Total
Balance as of January 1, 2014	(₱47,710,869)	(₱8,669,687)	(₱56,380,556)
Fair value loss on AFS financial assets reclassified to profit or loss	45,418,786	–	45,418,786
Fair value gain on AFS financial assets	16,735,567	–	16,735,567
Remeasurements of post-employment defined benefit obligation (net of tax)	–	(3,772,453)	(3,772,453)
Balance as of December 31, 2014	₱14,443,484	(₱12,442,140)	₱2,001,344

2013

	AFS Financial Assets	Post-Employment Defined Benefit Obligation	Total
Balance as of January 1, 2013	₱25,663,240	(₱2,529,700)	₱23,133,540
Fair value loss on AFS financial assets reclassified to profit or loss	(47,710,869)	–	(47,710,869)
Fair value gain on AFS financial assets	(25,663,240)	–	(25,663,240)
Remeasurements of post-employment defined benefit obligation (net of tax)	–	(6,139,987)	(6,139,987)
Balance as of December 31, 2013	(₱47,710,869)	(₱8,669,687)	(₱56,380,556)

Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2015, after reconciling items, amounted to ₱1,071.85 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱852.46 million, ₱606.39 million in 2015 and 2014, respectively, and accumulated deficiency amounting ₱239.29 in 2013. These are not available for dividends until declared by the subsidiaries.

Capital Management Objective Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Relevant information is shown below.

	2015	2014
Total liabilities	**₱11,300,406,710**	₱5,172,129,559
Total equity	**16,909,838,301**	11,977,589,776
Liabilities-to-equity ratio	**0.67 : 1.00**	0.43 : 1.00

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

19. Post-employment Defined Benefit Plan

The Group has an unfunded, noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

	2015	2014	2013
Current service cost	**₱9,348,615**	₱4,220,522	₱2,091,761
Interest cost (Note 21)	**1,868,123**	3,171,116	1,176,357
Total pension expense	**₱11,216,738**	₱7,391,638	₱3,268,118

Changes in the combined present value of the combined defined benefit obligation are as follows:

	2015	2014
Balance at beginning of year	**₱50,819,318**	₱37,338,199
Transfer in	**–**	9,408,241
Current service cost	**9,348,615**	4,220,522
Interest cost (Note 21)	**1,868,123**	3,171,116
Elimination arising from disposed subsidiary	**–**	(9,352,497)
Actuarial gain		
Experience adjustment	**(1,339,863)**	(1,443,748)
Change in financial assumptions	**–**	7,477,485
Balance at end of year	**₱60,696,193**	₱50,819,318

The movements in the combined net pension liabilities follow:

	2015	2014
Balance at beginning of year	**₱50,819,318**	₱37,338,199
Transfer in	**–**	9,408,241
Pension expense	**11,216,738**	7,391,638
Elimination arising from disposed subsidiary	**–**	(9,352,497)
Total amount recognized in OCI	**(1,339,863)**	6,033,737
Balance at end of year	**₱60,696,193**	₱50,819,318

The Group immediately recognized to OCI any actuarial gains and losses.

The assumptions used to determine the pension benefits for the Group are as follows:

	2015	2014
Discount rates	**4.58% to 5.00%**	4.50% to 4.70%
Salary increase rate	**7.00% to 11.00%**	7.00% to 11.00%

As of December 31, 2015, the Group is yet to determine how much and when to fund the post-employment defined benefit plan.

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as at December 31, 2015, assuming if all other assumptions were held constant.

	Rates		PVO
Discount rate	4.58% to 5.00%	+1.00%	₱2,350,021
		-1.00%	(2,584,672)
Salary increase	7.00% to 11.00%	+1.00%	2,207,530
		-1.00%	(2,012,558)

20. Other Operating Income and Expenses

Presented below are the details of other operating income and expenses for the years ended December 31.

Other Operating Income

	2015	2014	2013
Advertising	**₱18,953,077**	₱17,599,304	₱10,915,060
Gain on derecognition of liabilities	**17,750,625**	52,369,195	3,936,771
Equipment rental	**15,930,572**	7,601,471	6,994,328
Restroom fee	**10,602,471**	8,012,098	7,643,759
Security postings	**9,758,432**	7,606,469	3,129,071
Pest control fees	**8,980,674**	7,339,417	5,756,037
Sale of liquified petroleum gas	**8,223,260**	7,151,464	4,429,303
Bio augmentation	**4,540,722**	–	–
Management fee	**4,303,676**	16,710	5,117,143
Sale of beverages	**4,099,822**	3,427,669	3,219,485
Penalties and interest charges to tenants	**2,397,018**	5,713,528	11,454,254
Waterbill recharges	**1,522,221**	4,007,239	8,582,269
Scrap sales	**1,222,050**	3,762,042	5,612,904
Realized gross profit on real estate sales	**–**	45,462,027	6,152,501
Hauling services	**–**	–	7,894,020
Miscellaneous	**6,044,200**	9,961,552	4,863,596
	₱114,328,820	₱180,030,185	₱95,700,501

Gain on derecognition of liabilities pertains to derecognized long outstanding trade payables and retention payables in 2015, and estimated liability for property development cost and miscellaneous customers' charges in 2014 and 2013, which management assessed as no longer valid claims against the Group.

Miscellaneous income is composed of incidental income from tenants pass, grease trap and others relating to the Group's lease of commercial spaces.

Other Operating Expenses

	2015	2014	2013
Impairment loss on accounts receivables (Note 8)	**₱50,544,672**	₱–	₱–
Representation and entertainment	**19,068,837**	17,647,754	8,769,523
Transportation and travel	**8,378,303**	10,362,281	2,598,704
Supplies	**6,816,852**	5,678,243	5,083,232
Training	**3,894,973**	261,796	53,268
Registration fees	**2,774,953**	732,779	740,902
Commission	**757,507**	6,314,310	1,659,385
Dues and subscriptions	**717,188**	215,617	165,242
Subdivision maintenance	**–**	2,968,725	2,818,804
Security services	**–**	2,603,534	3,593,940
Listing fee	**–**	2,040,398	2,609,165
Rehabilitation expense	**–**	1,596,843	2,168,702
Garbage fee	**–**	262,321	1,372,941
Documentation fee	**–**	55,939	1,779,661
Donation	**–**	16,000	42,000
Communication	**–**	–	181,286
Penalties and surcharges	**–**	–	87,000
Mortgage fee	**–**	–	26,494
Miscellaneous	**6,259,676**	7,779,090	7,387,259
	₱99,212,961	₱58,535,630	₱41,137,508

Miscellaneous expenses include bank charges and postage and telegram expenses.

21. Interest Income and Interest and Other Financial Charges

Below are the details of interest income:

	2015	2014	2013
Interest income from cash and cash equivalents (Note 7)	**₱10,720,005**	₱5,147,558	₱14,143,796
Interest income from tenants penalty	**6,722,524**	–	–
Interest income from AFS financial assets (Note 10)	**3,770,850**	22,563,238	–
Amortization of discount on long-term installment contract receivables (Note 11)	**2,703,972**	2,827,346	3,546,118
Foreign currency gains - net	**–**	4,294,309	3,835,091
Others	**–**	789,714	–
	₱23,917,351	₱35,622,165	₱21,525,005

Interest and other financial charges consist of:

	2015	2014	2013
Interest expense on regular loans, short-term borrowings and liability for land acquisition (Notes 14 and 16)	**₱48,470,983**	₱61,365,180	₱26,714,405
Interest cost on post-employment defined benefit obligation (Note 19)	**1,868,123**	3,171,116	1,176,357
Bank Charges	**190,877**	–	–
Impairment loss on trade receivables and other current assets	**–**	–	2,174,191
Impairment loss on AFS financial assets	**–**	–	289,885
	₱50,529,983	₱64,536,296	₱30,354,838

22. Miscellaneous Charges

Miscellaneous charges account in the consolidated statements of comprehensive income pertains to income and costs incurred by the Group from transactions entered into other than the Group's normal operations.

23. Income Tax

Provision for income tax consists of:

	2015	2014	2013
Current:			
RCIT/MCIT	**₱135,343,514**	₱180,328,588	₱121,291,442
Final	**1,079,166**	4,436,500	16,411,917
Deferred	**268,825,171**	(14,644,238)	57,919,611
	₱405,247,851	₱170,120,850	₱195,622,970

The components of the Group's deferred tax liabilities are as follows:

	2015	2014
Deferred tax assets on:		
Rent expense	**₱77,494,142**	₱75,621,138
NOLCO	**60,247,102**	40,908,182
Carryforward benefit of MCIT	**12,521,617**	7,709,187
Accrual of retirement costs	**13,071,655**	7,649,906
Deferred gross profit	**1,342,824**	–
Allowance for impairment	**15,163,402**	–
	179,840,742	131,888,413

(Forward)

	2015	2014
Deferred tax liabilities on:		
Excess of book basis over tax basis of deferred gross profit on real estate sales		
Rental income	**(₱316,566,416)**	(₱94,898,323)
Capitalized interest and other expenses	**(206,042,684)**	(102,559,099)
Prepaid rent	**–**	(7,972,219)
	(522,609,100)	(205,429,641)
	(₱342,768,358)	(₱73,541,228)

As of December 31, 2015 and 2014, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

	2015	2014
NOLCO	**₱38,282,525**	₱115,091,582
Post-employment benefit obligation	**17,124,010**	15,761,387
MCIT	**288,834**	158,490
	₱55,695,369	₱131,011,459

The related deferred tax assets of these deductible temporary differences amounted to ₱16.91 million and ₱39.41 million as of December 31, 2015 and 2014, respectively.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2015, the details of the unused tax credits from the excess of the MCIT over RCIT and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

<u>NOLCO</u>

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2011	₱17,574,281	(₱17,574,281)	₱–	2014
2012	111,359,800	(111,359,800)	–	2015
2013	53,650,299	–	53,650,299	2016
2014	71,673,745	–	71,673,745	2017
2015	96,568,250	–	96,568,250	2018
	₱350,826,375	(₱128,934,081)	₱221,892,294	

<u>MCIT</u>

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2011	₱20,942	(₱20,942)	₱–	2014
2012	1,663,792	(1,663,792)	–	2015
2013	2,449,794	–	2,449,794	2016
2014	3,754,091	–	3,754,091	2017
2015	6,606,566	–	6,606,566	2018
	₱14,495,185	(₱1,684,734)	₱12,810,451	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2015	2014	2013
Provision for income tax at statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for income subjected to lower tax rates	–	(0.49%)	26.25%
Tax effects of:			
Nondeductible interest and other expenses	**0.10%**	11.12%	(16.24%)
Rental income adjustment in accordance with PAS 17	**–**	(4.21%)	4.21%
Recognition of deferred tax liability in excess of deferred tax asset	**–**	(11.83%)	(34.87%)
Income already subjected to final tax	**(0.12%)**	(2.85%)	3.99%
Expiration of NOLCO and MCIT	**0.36%**	0.71%	(0.16%)
Unrecognized DTA on temporary differences during the year	**0.60%**	0.35%	0.14%
Equity in net earnings of an associate	**–**	–	(1.94%)
DTA on previously unrecognized DTA on NOLCO and MCIT	**–**	–	(0.47%)
Unrecognized NOLCO, MCIT and other temporary differences	**–**	–	0.20%
Provision for income tax	**30.94%**	22.80%	11.11%

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to herein as "affiliates"). Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group's policy is to settle its intercompany receivables and payables on a net basis.

The consolidated statement of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) to related parties as of December 31, 2015 and 2014:

December 31, 2015

Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
All Value Group	Entity under common control	Non-trade receivables	**(₱35,815,204)**	**₱306,649,854**	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	**(137,464,878)**	**(137,577,654)**	Non-interest bearing	Unsecured, no impairment
Vista Land Group	Entity under common control	Non-trade receivables	**133,783,635**	**137,904,846**	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	**(127,132,750)**	**(107,508,329)**	Non-interest bearing	Unsecured, no impairment

(Forward)

Related Party	**Relationship**	**Nature of Transaction**	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Fine Properties, Inc.	Ultimate Parent	Sale of VLL shares	**(₱325,212,497)**	**₱2,211,684,018**	Non-interest bearing	Unsecured, no impairment
		Non-trade receivables	**(666,030,046)**	**–**	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	**172,947,164**	**–**	Non-interest bearing	Unsecured, no impairment
Althorp Holdings	Entity under common control	Non-trade payables	**(24,930,004)**	**(24,930,004)**	Non-interest bearing	Unsecured, no impairment
Georgia School	Entity under common control	Non-trade receivables	**44,233,149**	**48,805,660**	Non-interest bearing	Unsecured, no impairment
Flavors and Treats	Entity under common control	Non-trade payables	**(8,820)**	**(8,820)**	Non-interest bearing	Unsecured, no impairment
Manuela Metropolis Corporation	Entity under common control	Non-trade receivables	**119,021,373**	**502,476,241**	Non-interest bearing	Unsecured, no impairment
Parallax	Entity under common control	Non-trade receivables	**–**	**85,531,351**	Non-interest bearing	Unsecured, no impairment
			(₱846,608,878)	**₱3,023,027,163**		

December 31, 2014

Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
AllValue Group	Entity under common control	Non-trade receivables	₱285,805,946	₱342,465,058	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	(112,776)	(112,776)	Non-interest bearing	Unsecured, no impairment
Vista Land Group	Entity under common control	Non-trade receivables	(49,197,181)	17,287,287	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	4,031,588	6,458,345	Non-interest bearing	Unsecured, no impairment
Fine Properties, Inc.	Entity under common control	Sale of VLL shares	(345,792,077)	2,536,896,515	Non-interest bearing	Unsecured, no impairment
		Non-trade receivables	666,030,046	666,030,046	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	(24,930,004)	(172,947,164)	Non-interest bearing	Unsecured, no impairment
Georgia School	Entity under common control	Non-trade receivables	4,572,511	4,572,511	Non-interest bearing	Unsecured, no impairment
Althorp Holdings	Entity under common control	Non-trade payables	24,930,004	–	Non-interest bearing	Unsecured, no impairment
Manuela Metropolis Corporation	Entity under common control	Non-trade receivables	383,454,868	383,454,868	Non-interest bearing	Unsecured, no impairment
Parallax	Entity under common control	Non-trade receivables	85,531,351	85,531,351	Non-interest bearing	Unsecured, no impairment
			₱1,034,324,276	₱3,869,636,041		

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. These principally consist of dividends, advances, reimbursement of expenses and management income. As of December 31, 2015 and 2014, 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.

Except as stated in Note 16 to the consolidated financial statements, there have been no guarantees provided or received for any related party receivables or payables.

Sale of treasury shares
In 2015, treasury stock amounting ₱1,578.29 million was sold to Vista Land for ₱5,516.19 million (Note 18). The outstanding payable amounted to ₱5,171.43 million as of December 31, 2015.

Investment in Vista Land
The group acquired 752,208,215 million shares of Vista Land for ₱7.15 per share or ₱5,378.29 million. Outstanding receivable amounted to ₱5,033.53 million as of December 31, 2015.

Assignment of Receivables
Portion of the balance of Due from Related Parties as of December 31, 2013 includes the accounts receivable from Communities Philippines, Inc. (CPI), a related party under common ownership, of ₱122.9 million and from its major stockholder, FPI, of ₱51.6 million. These receivables arose in prior years from the foreclosure by the Bangko Sentral ng Pilipinas (BSP) of the Company's real estate property (Bellefonte) to pay off the loan to Optimum Development Bank (ODB). In view of the foreclosure, the Group derecognized the asset and recognized a receivable from CPI amounting to ₱122.9 million representing the amount of estimated development costs which were paid in advance by the Group to CPI upon acquisition of Bellefonte but with a provision that CPI will shoulder the development costs of the project. The Group also recognized a receivable from FPI since ODB assigned its receivables from FPI to the Company to pay off ODB's share of the cost of the asset foreclosed by the BSP. These receivables are unsecured, noninterest-bearing and have no repayment terms.

Management believes that these receivables are fully recoverable from the related parties.

The outstanding balance was accordingly excluded from the Group's consolidated financial statement as a result of the deconsolidation of BEC in 2014.
Cash Advances
In the normal course of business, the Group grants and/or receives cash advances from its major stockholder, FPI, and its subsidiaries for working capital requirements and other purposes. The advances are unsecured, noninterest-bearing, with no repayment terms and are repayable in cash.

Sale of Investment in an Associate
In May 2013, the Group sold the remaining 399,397,000 shares of its investments in VLL, with a carrying amount of ₱1,906.22 million, for a total consideration of ₱2,772.30 million to FPI. The outstanding receivable as of December 31, 2015 and 2014 amounting ₱2,027.57 million and ₱2,536.90 million, respectively is presented as part of Due from related parties under current and non-current sections of the consolidated statements of financial position and is payable annually up to 2019. The agreement also provides for interest at a fixed annual rate of 4% starting 2015.

The outstanding receivable as of December 31, 2013 is net of stock transaction tax and other charges amounting to ₱15.5 million which was paid by FPI in behalf of the Group.

<u>Transactions with Related Parties Under Common Ownership</u>
Land Purchase
In 2011, the Group acquired a parcel of land amounting ₱46.3 million from HDC to be developed as commercial property in the future whose balance is payable on a quarterly basis over a period of five years (Note 13). The liability is noninterest-bearing and measured at amortized cost using the effective interest method. The outstanding balance arising from this transaction is presented as Liability for land acquisition in the consolidated statements of financial position.

Operating Lease Agreement
In 2013, the Group entered into an operating lease agreement with HDC for the lease of parcels of land located in Ususan Taguig and Tuktukan Taguig, to be developed by the Group as commercial property in the future. The lease term is for a period of 20 years with renewal option. In 2014, the Group and HDC entered into a deed of absolute sale covering the parcel of land located in Tuktukan Taguig and cancelled the contract of lease.

Subsequent to December 31, 2014, the Group and HDC entered into another deed of absolute sale covering the parcels of land located in Ususan Taguig (Note 13).

Real Estate Sales
In 2014, the Group sold portion of its residential lots for sale for a consideration of ₱32.2 million to HDC which were recognized as part of Real Estate Sales in the 2014 consolidated statement of comprehensive income. There was no outstanding receivable arising from the transaction as of December 31, 2014.

Rental Income
The Group has operating lease agreements with certain related parties under common ownership for the lease of the Group's investment property (Note 13). The lease agreements have a term of one year and are renewable annually. The rentals earned from related parties are presented as part of Rental income under the Revenues and Income account in the consolidated statements of comprehensive income. The outstanding receivables arising from these transactions are shown as part of the Trade and other receivables account in the consolidated statements of financial position (Note 8).

Disposal of Investment in a Subsidiary
On December 29, 2014, the Company transferred, by executing a deed of assignment, all its ownership interest in BEC consisting of 1,009,960 common shares of stock with par value of ₱100 per share to HDC, a related party under common ownership, for ₱507.16 million (Note 18). As of December 31, 2014, the Group received certain parcels of land in Taguig, Imus and Las Piñas City amounting to ₱415.5 million (Note 13). The outstanding receivables arising from this transaction is shown as part of the Due from Related Party account in the current section of the 2014 consolidated statement of financial position. The disposal of the BEC shares resulted to the deconsolidation of the latter as of December 31, 2014. Loss on disposal of a subsidiary amounted to ₱28.16 million and is presented under the interest income and interest and other financial charges account in the 2014 consolidated statement of comprehensive income.

Transfer of Land
In 2015, land under investment property amounting ₱155.43 million has been transferred to related parties and was applied against corresponding due to related parties (Note 30).

Key Management Personnel Compensation
The compensation of key management personnel by benefit type follows:

	2015	2014	2013
Short-term employee benefits	**₱26,224,428**	₱22,677,368	₱17,767,887
Post-employment benefits	**9,348,615**	4,220,522	2,091,761
	₱35,573,043	₱26,897,890	₱19,859,648

25. Earnings Per Share

EPS were computed as follows:

	2015	2014	2013
Net profit attributable to parent company's stockholders	**₱830,509,357**	₱561,268,879	₱1,553,551,779
Divided by weighted average number of outstanding common shares	**7,092,378,517**	7,202,878,365	7,202,878,365
	₱0.117	₱0.078	₱0.216

The Group does not have potential dilutive shares as of December 31, 2015, 2014 and 2013. Diluted EPS is equal to basic EPS.

The 2014 and 2013 basic and dilutive EPS have been restated to consider the effects of the realignment accounting for business combination (Note 2).

26. Contingencies

The Group is contingently liable with respect to lease contracts and other transactions arising in the ordinary course of business.

Credit Line
As of December 31, 2015 and 2014, the Group has unused letters of credit with two local banks amounting to nil and ₱119.4 billion, respectively.

Legal Matters
As of December 31, 2015 and 2014, certain lawsuits and claims filed by or against the Group are still pending. Management and its legal counsel believe that the ultimate outcome of these lawsuits and claims will not have a material adverse effect on the Group's consolidated financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

Others
There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

27. Fair Value Determination

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 valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3*:* other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents: Due to the short-term nature of the account, the fair value of cash and cash equivalents approximates the carrying amounts in the consolidated statements of financial position.

Installment contracts receivables: Estimated fair value of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 12% to 20% in 2015 and 12% to 20% in 2014.

Trade and other receivables: due to the short-term nature of the account, the fair value of other receivables approximates the carrying amounts.

Due from related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

AFS financial assets: for AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

For shares in open ended investment companies, fair value is by reference to net asset value per share.

Investment properties: The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and building improvements.

Accounts and other payables: fair values of accounts and other payables approximate their carrying amounts in the consolidated statement of financial position due to the short-term nature of the transactions.

Due to related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

Interest-bearing loans and borrowings and liability for land acquisition: estimated fair values of bank loans and liability for land acquisition are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 4.50% to 7.25% in 2015 and 4.50% to 8.00% in 2014 using the remaining terms to maturity.

The following table provides the fair value measurement hierarchy of the Group’s financial assets and liabilities recognized as of December 31, 2015 and 2014:

	December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets measured at fair value:				
Installment contracts receivables (Note 11)	**₱–**	**₱–**	**₱57,131,689**	**₱57,131,689**
AFS financial assets (Note 10)	**3,933,400,539**	**–**	**3,204,170**	**3,936,604,709**
Investment properties (Note 13)	**–**	**29,923,000,000**	**–**	**29,923,000,000**
Other financial liabilities for which fair values are disclosed:				
Liability for land acquisition	**–**	**–**	**552,155,604**	**552,155,604**
Interest-bearing loans and borrowings	**–**	**–**	**10,748,251,106**	**10,748,251,106**

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value:				
Installment contracts receivables	₱–	₱–	₱66,629,884	₱66,629,884
AFS financial assets	340,656,543	–	3,204,170	343,860,713
Investment properties	–	21,260,052,234	–	21,260,052,234
Other financial liabilities for which fair values are disclosed:				
Liability for land acquisition	–	–	270,230,605	270,230,605
Interest-bearing loans and borrowings	–	–	4,901,898,954	4,901,898,954

In 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements. Financial assets determined under Level 3 include AFS investment in unquoted equity securities and installments contracts receivables.

Financial liabilities under Level 3 include liability for land acquisition and interest-bearing loans and borrowings. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Installment contracts receivables	Discounted cash flow analysis	Discount rate
Interest-bearing loans and borrowings	Discounted cash flow analysis	Discount rate
Liability for land acquisition	Discounted cash flow analysis	Discount rate
Investment property	Market Data Approach	Price per square meter, size, location, shape, time, element and corner influence

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivables, bank loans, loans payables and liabilities for purchased land.

Significant Unobservable Input

Discount Rate	The rate at which cash flows are discounted back to the value at measurement date.

28. Financial Assets and Liabilities

Financial Risk Management and Objectives

Financial risk

The Group’s principal financial liabilities comprise of interest-bearing loans and borrowings, trade and other payables and liability for land acquisition. The main purpose of the Group’s financial liabilities is to raise financing for the Group’s operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and AFS financial assets which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk
The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

	December 31, 2015		December 31, 2014	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial assets				
Fixed rate				
Cash and cash equivalents (excluding cash on hand)	**1.2% to 2.0%**	**₱1,007,758,773**	0.4% to 2.3%	₱1,959,999,632
Installment contracts receivable	**12.0% to 20.0%**	**57,131,689**	12.0% to 20.0%	66,629,884
		₱1,064,890,462		₱2,026,629,516
Financial liabilities				
Fixed rate				
Interest-bearing loans and borrowings	**4.50% to 7.25%**	**₱10,748,251,106**	4.50% to 7.00%	₱4,901,898,954
Liability for land acquisition	**5.70% to 7.50%**	**552,155,604**	5.70%	270,230,605
		₱11,300,406,710		₱5,171,947,559

As of December 31, 2015 and 2014, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exposure to foreign currency risk arises mainly when financial assets, financial liabilities, and forecasted transactions are denominated in a currency other than the Company's local currency or will be denominated in such a currency in the planned course of business. The principal foreign currency risk to which the Company is exposed involves the US Dollar (US$). Foreign currency risk is monitored and analyzed systematically and is managed by the Company.

The Company's foreign exchange risk from fluctuation of exchange rate is mainly on the Company's cash in bank.

The exchange rates as of December 31, 2015 and 2014 was ₱47.12 and ₱44.72 per US$1.00, respectively. As of December 31, 2015 and 2014, the Company's US dollar-denominated cash in banks amounted to US$13,060.39 and US$57,724.27, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual financial reporting date, with all other variables held constant, of the Company's 2015 and 2014 profit before tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2015 and 2014.

	Currency	Increase (decrease) in US dollar rate	Effect on income (loss) before income tax
2015	**US$**	**+0.75%**	**₱4,610**
		-0.75%	**(4,610)**
2014	US$	+0.84%	21,684
		-0.84%	(21,684)

Credit risk
The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Lessees and real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness. 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 house in case of refusal by the buyer to pay on time the due installment contracts receivable. 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 and the requirement for remedial procedures is minimal given the profile of buyers.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years.

The table below shows the comparative summary of maximum credit risk exposure on financial assets as of December 31, 2015 and 2014:

	2015			
	Maximum Credit Exposure	**Fair Value of Collateral**	**Net Exposure to Credit Risk**	**Financial Effect**
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand)	**₱1,007,758,773**	**₱–**	**₱1,007,758,773**	**₱1,007,758,773**
Trade receivables	**1,527,211,987**	**–**	**1,527,211,987**	**1,527,211,987**
Installment contracts receivables	**57,131,689**	**99,498,100**	**–**	**–**
	2,592,102,449	**99,498,100**	**2,534,970,760**	**2,534,970,760**
AFS Financial Assets				
Investments in mutual funds	**36,961,985**	**–**	**36,961,985**	**36,961,985**
Investments in quoted equity shares	**3,896,438,554**	**–**	**3,896,438,554**	**3,896,438,554**
Investments in unquoted equity shares	**3,204,170**	**–**	**3,204,170**	**3,204,170**
	₱6,528,707,158	**₱99,498,100**	**₱6,471,575,469**	**₱6,471,575,469**

	2014			
	Maximum Credit Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand)	₱1,959,999,632	₱–	₱1,959,999,632	₱1,959,999,632
Trade receivables	608,166,919	–	608,166,919	608,166,919
Installment contracts receivables	66,629,884	99,498,100	–	–
	2,634,796,435	99,498,100	2,568,166,551	2,568,166,551
AFS Financial Assets				
Investments in mutual funds	340,656,543	–	340,656,543	340,656,543
Investments in unquoted equity shares	3,204,170	–	3,204,170	3,204,170
	₱2,978,657,148	₱99,498,100	₱2,912,027,264	₱2,912,027,264

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2015 and 2014, the aging analyses of past due but not impaired receivables, presented per class are as follows:

December 31, 2015

	Neither Past Due Nor Impaired	**Past Due But Not Impaired**				**Total of Past Due But Not Impaired**	**Impaired Financial Assets**	**Total**
		<30 days	**30-60 days**	**60-90 days**	**>90 days**			
Trade and other receivables	**₱677,559,106**	**₱86,057,728**	**₱55,722,924**	**₱46,608,959**	**₱610,718,598**	**₱799,108,209**	**₱50,544,672**	**₱1,527,211,987**
Installment contract receivables	**57,131,689**	**–**	**–**	**–**	**–**	**–**	**–**	**57,131,689**
Total	**₱734,690,795**	**₱86,057,728**	**₱55,722,924**	**₱46,608,959**	**₱610,718,598**	**₱799,108,209**	**₱50,544,672**	**₱1,584,343,676**

December 31, 2014

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Trade and other receivables	₱208,308,737	₱68,005,982	₱25,777,879	₱–	₱306,074,321	₱399,858,182	₱–	₱608,166,919
Installment contract receivables	66,629,884	–	–	–	–	–	–	66,629,884
Total	₱274,938,621	₱68,005,982	₱25,777,879	₱–	₱306,074,321	₱399,858,182	₱–	₱674,796,803

Those accounts that are considered neither past due nor impaired are receivables without any default in payments and those accounts wherein the management has assessed that recoverability is high.

The tables below show the credit quality of the Group's financial assets as of December 31, 2015 and 2014, gross of allowance for impairment losses:

December 31, 2015

	Neither past due nor impaired						
	High grade	**Medium grade**	**Low grade**	**Total**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents (excluding cash on hand)	**₱1,007,758,773**	**₱–**	**₱–**	**₱1,007,758,773**	**₱–**	**₱–**	**₱1,007,758,773**
Trade receivables	**–**	**677,559,106**	**–**	**677,559,106**	**799,108,209**	**50,544,672**	**1,527,211,987**
Installment contract receivables	**–**	**57,131,689**	**–**	**57,131,689**	**–**	**–**	**57,131,689**
Total loans and receivables	**1,007,758,773**	**734,690,795**	**–**	**1,742,449,568**	**799,108,209**	**50,544,672**	**2,592,102,449**
AFS Financial Assets							
Investments in mutual funds	**36,961,985**	**–**	**–**	**36,961,985**	**–**	**–**	**36,961,985**
Investments in quoted equity shares	**3,896,438,554**	**–**	**–**	**3,896,438,554**	**–**	**–**	**3,896,438,554**
Investments in unquoted equity shares	**3,204,170**	**–**	**–**	**3,204,170**	**–**	**–**	**3,204,170**
	₱4,944,363,482	**₱734,690,795**	**₱–**	**₱5,679,054,277**	**₱799,108,209**	**₱50,544,672**	**₱6,528,707,158**

December 31, 2014

	Neither past due nor impaired						
	High grade	Medium grade	Low grade	Total	Past due but not impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱1,960,154,632	₱–	₱–	₱1,960,154,632	₱–	₱–	₱1,960,154,632
Trade and other receivables	–	208,308,737	–	208,308,737	399,858,182	–	608,166,919
Installment contracts receivable	–	66,629,884	–	66,629,884	–	–	66,629,884
Total loans and receivables	1,960,154,632	274,938,621	–	2,235,093,253	399,858,182	–	2,634,951,435
HTM investments	298,786,854	–	–	298,786,854	–	–	298,786,854
AFS Financial Assets							
Investments in mutual funds	41,869,689	–	–	41,869,689	–	–	41,869,689
Investments in unquoted equity shares	3,204,170	–	–	3,204,170	–	–	3,204,170
	₱2,304,015,345	₱274,938,621	₱–	₱2,578,953,966	₱399,858,182	₱–	₱2,978,812,148

High grade cash and cash equivalents are money market placements and working cash fund placed, invested or deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

The Group’s high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Medium grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Low grade accounts are accounts which have probability of impairment based on historical trend.

Based on the Group’s experience, its loans and receivables are highly collectible or collectible on demand. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The installment contract receivables are collateralized by the corresponding real estate properties. In few cases of buyer defaults, the Group can repossess the collateralized properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the “Real estate inventories” account in the consolidated statement of financial position amounted to ₱0.62 million as of December 31, 2015 and 2014, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Liquidity Risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group’s loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group’s objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2015 and 2014.

Equity Price Risk
The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment in mutual funds classified as AFS financial assets. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

In 2015, the Group determined the reasonably possible change in index using the specific adjusted data for each equity security the Group holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of AFS financial assets):

	Change in NAV per Share	Impact on Equity
December 31, 2015	**+7.64%**	**₱2,824,230**
	-7.64%	**(2,824,230)**

In 2014, the Group determined the reasonably possible change in NAV per share using the historical NAV year-end values for the past three years.

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2015 and 2014 based on undiscounted contractual payments, including interest receivable and payable.

December 31, 2015

	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	**₱1,008,053,273**	**₱–**	**₱–**	**₱–**	**₱1,008,053,273**
Due from related parties	**–**	**–**	**186,940,286**	**3,556,024,295**	**3,742,964,581**
Trade receivables	**677,559,106**	**188,389,611**	**661,263,270**	**–**	**1,527,211,987**
Installment contracts receivables	**–**	**–**	**26,914,007**	**30,217,682**	**57,131,689**
AFS Financial Assets					
Investments mutual funds	**36,961,985**	**–**	**–**	**–**	**36,961,985**
Investments in quoted equity securities	**–**	**–**	**–**	**3,896,438,554**	**3,896,438,554**
Investments in unquoted equity securities	**–**	**–**	**–**	**3,204,170**	**3,204,170**
Total undiscounted financial assets	**₱1,722,574,364**	**₱188,389,611**	**₱875,117,563**	**₱7,485,884,701**	**₱10,271,966,239**
Financial Liabilities					
Financial liabilities at amortized cost					
Liability for land acquisition	**₱–**	**₱3,276,218**	**₱499,250,434**	**₱49,628,952**	**₱552,155,604**
Interest-bearing loans and borrowings	**–**	**–**	**868,191,397**	**9,880,059,709**	**10,748,251,106**
Trade and other payables	**–**	**1,736,092,221**	**–**	**–**	**1,736,092,221**
Due to related parties	**–**	**–**	**571,920,258**	**148,017,160**	**719,937,418**
Total undiscounted financial liabilities	**₱–**	**₱1,739,368,439**	**₱1,939,362,089**	**₱10,077,705,821**	**₱13,756,436,349**

December 31, 2014

	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	₱1,960,276,632	₱–	₱–	₱–	₱1,960,276,632
Due from related parties	–	–	860,675,322	3,189,815,581	4,050,490,903
Trade receivables	208,308,737	80,608,055	319,250,127	–	608,166,919
Installment contracts receivables	–	–	9,645,634	56,984,250	66,629,884
AFS Financial Assets					0
Investments mutual funds	340,656,543	–	–	–	340,656,543
Investments in unquoted equity securities	–	–	–	3,204,170	3,204,170
Total undiscounted financial assets	₱2,509,241,912	₱80,608,055	₱1,189,571,083	₱3,250,004,001	₱7,029,425,051
Financial Liabilities					
Financial liabilities at amortized cost					
Liability for land acquisition	₱–	₱1,140,986	₱245,616,383	₱23,473,236	₱270,230,605
Interest-bearing loans and borrowings	–	–	1,383,863,652	3,518,035,302	4,901,898,954
Trade and other payables	–	1,507,427,810	–	–	1,507,427,810
Due to related parties	–	–	25,935,787	154,919,075	180,854,862
Total undiscounted financial liabilities	₱–	₱1,508,568,796	₱1,655,415,822	₱3,696,427,613	₱6,860,412,231

29. **Lease Commitments**

Operating Lease Commitments - Group as Lessee

The Group leases a parcel of land from LECA Properties, Inc. (LECA) where WCC is situated for an original period of 25 years commencing on August 1, 1995 until July 31, 2020 with rental escalation every year at an agreed rate ranging from ₱44.20 to ₱44.89 per square meter. The lease contract includes a clause that the lessee shall be responsible for all real property taxes, assessments or charges on the improvements on the leased property.

On August 25, 2010, Manuela executed a Memorandum of Agreement (MOA) whereby LECA agreed to a reduction of the amount of outstanding rentals and arrearages and set a schedule of payment of the agreed amount. Furthermore, on the same MOA, LECA agreed for an extension of the term of the original lease, for an addition 10 years from the expiration of the original lease period, under the same terms and conditions, except as to the rate of rentals which the parties shall agree prior to the expiration of the original lease term.

Also, the Group is a lessee under various operating leases covering parcels of land where some on-going mall projects are being constructed. These leases have terms ranging from 20 to 25 years, with rental escalation clauses and renewal options.

Subsequent to December 31, 2014, the Group entered into deeds of absolute sale to acquire certain parcels of the aforementioned land, thus resulting to the termination of the related lease contracts (Note 24). These were taken into consideration in computing for the future minimum rental commitments as of December 31, 2015.

Rental expense from these operating leases amounted to ₱107.29 million, ₱104.93 million and ₱83.83 million in 2015, 2014 and 2013, respectively, and is presented as part of rentals under the costs and expenses account in the consolidated statements of comprehensive income.

The future minimum rental commitments arising from their agreements as of December 31 are as follows:

	2015	2014
Less than one year	**₱107,351,659**	₱100,153,956
Between one and five years	**566,672,997**	529,658,655
More than five years	**2,015,115,699**	2,147,795,459
	₱2,689,140,355	₱2,777,608,070

Operating Lease Commitments - Group as Lessor
The Group leases out properties under various operating leases with various escalation clauses and renewal rights. Rental income from these operating leases in 2015, 2014 and 2013 amounted to ₱2,087.54 million, ₱1,408.14 million and ₱1,263.60 million, respectively, and is presented as rental income under the revenues and income account in the consolidated statements of comprehensive income.

The future minimum lease receivables under these non-cancelable leases as of December 31 are as follows:

	2015	2014
Less than one year	**₱1,003,313,954**	₱854,985,334
Between one and five years	**1,765,142,467**	1,171,195,358
More than five years	**893,246,101**	507,353,973
	₱3,661,702,522	₱2,533,534,665

Stated in the lease agreements is the payment of refundable security deposits equivalent to 3-month's rent which is remitted by the tenants upon the commencement of their lease contracts. The Group has outstanding liability as of December 31, 2015 and 2014 amounting ₱94.60 million and ₱72.60 million, respectively, and is presented under non-current liabilities section of the consolidated statements of financial position.

30. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing and financing activities pertain to the following:

a) In 2015, land under investment property amounting ₱155.43 million has been transferred to related parties and was recorded as due from related parties (Note 24).

b) Transfer from other noncurrent assets to investment property amounting ₱0.34 million as of December 31, 2015 (Notes 11 and 13).

c) The Group purchased land that is payable to related party under common control amounted to ₱78.46 million and to other related parties amounting ₱2,200.00 million as of December 31, 2015. The acquisition costs have been charged to due to related parties.

d) In 2015, the Group applied the ₱5,171.43 million outstanding payable to shareholders arising from the sale of treasury shares recorded as due from related parties (Note 24).

e) In 2015, the Group acquired 752.21 million shares of Vista Land for ₱7.15 per share or ₱5,378.29 million. Outstanding payable amounting ₱5,033.53 has been applied against due from related parties (Note 24).

f) In 2014, the Group transferred its 100% ownership interest in Brittany Estates Corporation (BEC) consisting of 1,009,960 shares to Household Development Corporation in exchange for lands amounting to ₱507.2 million. The Company received certain parcels of land in Taguig, Imus and Las Pinas City amounting ₱415.5 million. The outstanding receivables arising from this transaction is shown as part of the Due from related party account in the current section of the 2014 consolidated statement of financial position.

g) In 2014, the Group reclassified Construction-in-progress and Elevator equipment amounting to ₱128.5 million and ₱78.8 million, respectively, from Property and equipment account to Investment properties account in the 2014 consolidated statement of financial position.

h) In 2013, the Group sold the remaining 399,397,000 shares of its investment in VLL, with carrying amount of ₱1.8 billion, for a total consideration of ₱2.8 billion to Fine Properties, Inc., a related party under common ownership, which remained outstanding as of December 31, 2014 and 2013 (Notes 12 and 22).

i) In 2014 and 2013 the Group capitalized borrowing costs amounting to ₱98.0 million and ₱41.2 million, respectively, representing the actual borrowing costs incurred on loans obtained to fund the development of the Company's investment property (Note 11).

j) In 2014, the Group acquired parcels of land in various locations amounting to ₱700.5 million to be developed as commercial property in the future. Out of which, ₱231.9 million is still outstanding, and payable in the next twelve months, and ₱14.3 million with maturity of more than 1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section of the 2014 consolidated statement of financial position (Note 14).

k) In 2014, the Group transferred certain parcels of land to BEC amounting to ₱70.8 million (Note 11).

31. Reclassifications

In 2015, the Group opted to reclassify the following accounts into new groupings that management believes is more useful to the users of the financial statements. The reclassifications affected the amounts in the consolidated financial position and are as follows:

Accounts	**2015**	2014	Nature
Advances to officers and employees	**₱18,161,774**	₱25,382,375	Previously presented as part of
Trade and other receivables	**1,714,152,273**	608,166,919	"Prepayments and other assets"
Accrued rentals	**239,049,684**	252,107,294	Previously presented as part of
Accrued expenses	**301,169,407**	75,019,755	"Trade and other payables"
Estimated liability on property development cost	**4,831,199**	4,831,199	Previously presented as part of
Other non-current liabilities	**581,839,712**	475,697,625	"Trade and other payables"

The Group's management believes that the above presentation would be more useful to the users of the consolidated financial statements.

32. Other Matter

In May 2013, the Group sold the remaining 399.40 million shares of its investment in Vista Land with the carrying amount of ₱1,793.89 million, for a total consideration of ₱2,787.83 million. The Group recognized a gain of ₱993.94 million in 2013 which was presented as "Gain (loss) on disposal of investments in shares of stock" under the Other Income (Charges) account in the consolidated statements of comprehensive income.

There were no dividends earned in 2013 before the sale of the remaining shares of Vista Land.

33. Approval of the Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2015 was authorized for issue by the BOD on March 16, 2016.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Starmalls, Inc.
3rd Floor Starmall Las Piñas
CV Starr Avenue, Philamlife Village
Pamplona, Las Piñas City

We have audited the consolidated financial statements of Starmalls, Inc. and its subsidiaries as of and for the year ended December 31, 2015, on which we have rendered the attached report dated March 16, 2016.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Group has four hundred twenty four (424) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321688, January 4, 2016, Makati City

March 16, 2016

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
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December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors
Starmalls, Inc.
3rd Level Starmall Las Piñas
CV Starr Avenue, Philamlife Village
Pamplona, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Starmalls, Inc. and its subsidiaries (the Group) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A and have issued our report thereon dated March 16, 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. Thus, schedules are presented for purposes of complying with Securities Regulation Code Rule No. 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, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
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March 16, 2016

STARMALLS, INC. AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES

I. Supplementary schedules required by Annex 68-E

A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)

B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

D. Intangible Assets

E. Long-term Debt

F. Indebtedness to Related Parties

G. Guarantees of Securities of Other Issuers

H. Capital Stock

II. Schedule of all of the effective standards and interpretations (Part 1, 4J)

III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)

IV. Map of the relationships of the companies within the group (Part 1, 4H)

Schedule of Financial Ratios

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2015

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents (excluding cash on hand)	N/A	₱1,007,758,773	₱1,007,758,773	₱10,720,005
Trade receivables	N/A	1,527,211,987	1,527,211,987	□
Installment contracts receivables	N/A	57,131,689	57,131,689	2,703,972
Investments in mutual funds	N/A	36,961,985	36,961,985	3,770,850
Investments in quoted equity shares	N/A	3,896,438,554	3,896,438,554	□
Investments in unquoted equity shares (Manuela Metropolis Corp.)	2,432,000 shares	3,204,170	3,204,170	□
Total Financial Assets		**₱6,528,707,158**	**₱6,528,707,158**	**₱17,194,827**

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2015

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Subject to liquidation of employees	₱25,382,375	₱18,702,641	₱25,923,242	₱–	₱18,161,774	₱–	₱18,161,774

*Cash advances used for the Group’s operations

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2015

Name and Designation of Debtor/Creditor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Converted to APIC/Capital Stock	Current	Noncurrent	Balance at end of period
MC	₱909,184,619	₱1,986,207,151	₱–	₱□	₱□	₱2,895,391,770	₱2,895,391,770
MC	888,654,149	–	(550,613,495)	□	338,040,654	□	338,040,654
STR	227,885,918	2,908,927,731		□	35,115,912	3,101,697,737	3,136,813,649
MAPI	(909,184,619)	(2,227,629,030)		□	□	(3,136,813,649)	(3,136,813,649)
MAPI	(888,654,149)	(2,006,734,918)		□	□	(2,895,389,067)	(2,895,389,067)
STR	□	(338,040,654)		□	□	(338,040,654)	(338,040,654)
MC	(228,038,998)		228,038,998	□	□	□	□

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2015

Description	Beginning balance	Additions	Amount of Amortization	Current	Not Current	Ending balance

NOT APPLICABLE

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2015

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Interest rates	Amount	Number of periodic installments	Maturity date
Interest-Bearing Loans and Borrowings (BDO)	₱4,330,000,000	₱237,340,817	₱3,936,771,111	5.75%/7.00%	₱4,174,111,928	Monthly interest payment; quarterly principal payment	July 29, 2020/ February 1, 2018
Interest-Bearing Loans and Borrowings (AUB)	420,000,000	189,422,583	327,000,000	6.25%	516,422,583	Monthly interest payment; quarterly principal payment	May 1, 2015/ August 1, 2020
Interest-Bearing Loans and Borrowings (PDB)	355,580,000	189,913,750	□	7.25%	189,913,750	Monthly interest payment; quarterly principal payment	November 1, 2017/ March 1, 2018/ April 1, 0218
Interest-Bearing Loans and Borrowings (RCBC)	4,694,571,392	171,514,247	4,384,523,892	5.75%	4,556,038,139	Monthly interest payment; quarterly principal payment	March 2016/ September 2016/ August 2020
Interest-Bearing Loans and Borrowings (UBP)	340,000,000	80,000,000	231,764,706	5.75%	311,764,706	Monthly interest payment; quarterly principal payment	August 30, 2019/ December 19, 2019
Interest-Bearing Loans and Borrowings (CBC)	1,000,000,000	□	1,000,000,000	4.5%	1,000,000,000	Monthly interest payment; quarterly principal payment	Rolled over every six months
	₱11,140,151,392	₱868,191,397	₱9,880,059,709		₱10,748,251,106		

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2015

Name of related party	Balance at beginning of period	Balance at end of period
Brittany Estates Corporation	₱6,901,915	₱6,065,915
CMSTAR Properties, Inc.	112,776	137,577,654
Communities Bohol, Inc.	–	1,500
Flavors and Treats	–	8,820
Household Development Corp.	–	101,363,870
Hero Holdings	–	24,930,004
Vista Residence, Inc.	–	77,044
Fine Properties, Inc.	148,017,160	–
Total indebtedness to related party	**₱155,031,851**	**₱270,024,807**

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE G:
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding at 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 Stock, P1 par value	16,900,000,000	8,425,981,156	□	7,436,222,014	32,500	989,726,642
Preferred Stock, P0.01 par value	10,000,000,000	2,350,000,000	□	2,350,000,000	□	□

See Note 18 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2015:

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, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements 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 and PAS 27: 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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7 *(cont'd)*	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	New Hedge Accounting Requirements		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives		✓	
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

Not applicable standards have been adopted but the Company has no significant covered transactions as of and for the years ended December 31, 2015 and 2014.

STARMALLS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

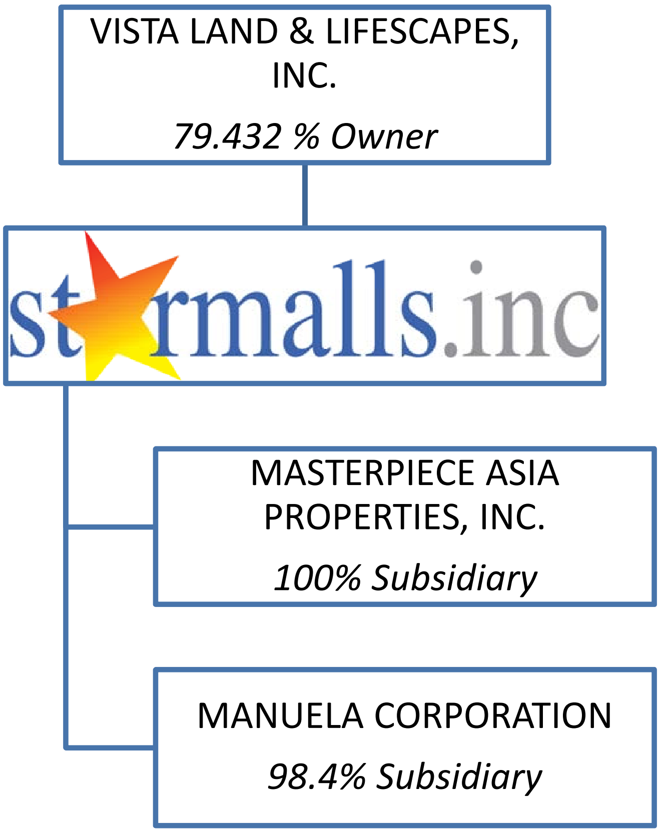
DECEMBER 31, 2015

Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	₱288,464,701
Net income during the period closed to retained earnings	838,013,088
Less: Provision for deferred tax	(54,628,934)
Net income actually earned during the year	783,384,154
Less: Dividend declarations during the year	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱1,071,848,855

See accompanying Notes to Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

Map showing the relationships between and among the Group and its ultimate parent and its subsidiaries
December 31, 2015



STARMALLS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
DECEMBER 31, 2015

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2015, 2014 and 2013.

		2015	2014	2013
Current ratio	Current assets / Current liabilities	**1.43**	1.70	3.25
Long-term debt-to-equity ratio	Long-term debt[1] / Equity	**0.59**	0.30	0.13
Debt ratio	Interest bearing debt / Total assets	**0.36**	0.26	0.12
Debt to equity ratio	Interest bearing debt[2] / Total equity	**0.67**	0.43	0.16
Net debt to equity ratio	Net debt[3] / Total equity	**0.61**	0.27	0.06
Asset to equity ratio	Total assets / Total equity	**1.88**	1.63	1.33
Interest service coverage ratio	EBITDA / Total interest paid	**4.74**	8.47	32.63
Asset to liability ratio	Total Assets / Total Liabilities	**2.14**	2.58	3.99

[1] Pertains to long term portion of the Liability for Land Acquisition and Interest-bearing Loans and Borrowings

[2] Includes Liability for Land Acquisition and Interest-bearing Loans and Borrowings

[3] Interest bearing debt less Cash and cash equivalents, Short-term and Long-Term cash investments

101082016001958

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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Company Information

SEC Registration No.	0000039587
Company Name	STARMALLS, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	101082016001958
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	January 08, 2016
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	ACGR

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

STARMALLS, INC. (FORMERLY: POLAR PROPERTY HOLDINGS CORPORATION)

(Company's Full Name)

3RD LEVEL STARMALL LAS PINAS, CV STARR AVENUE, PHILAMLIFE VILLAGE, PAMPLONA, LAS PINAS CITY

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

Jo L. Ilijay

Contact Person

571-5948

Company Telephone Number

1	2		3	1

Month *Day*

Calendar Year

ACGR

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**

2. Exact Name of Registrant as Specified in its Charter **STARMALLS, INC.**

3. **3/F Starmall Las Piñas, Philamlife Village, Pamplona, Las Piñas City** **1740**
   Address of Principal Office Postal Code

4. SEC Identification Number **39587**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **000-806-396**

7. **(+632) 571-5948 / (+632) 571-5949**
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)

Actual number of Directors for the year	Seven (7)

(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
Manuel B. Villar Jr.	NED	n/a	Fine Properties Inc.	06/18/2012	06/29/2015	2015 ASM	4
Jerry M. Navarrete	ED	n/a	Fine Properties Inc.	10/29/2004	06/29/2015	2015 ASM	12
Benjamarie Therese N. Serrano	ED	n/a	Fine Properties Inc.	06/30/2014	06/29/2015	2015 ASM	2
Manuel Paolo A. Villar	NED	n/a	Fine Properties Inc.	05/07/2007	06/29/2015	2015 ASM	9
Adisorn Thananun-Narapool	NED	n/a	Land and Houses Public Co. Ltd.	06/24/2013	06/29/2015	2015 ASM	3
Joel L. Bodegon	ID	n/a	Editha Dolon (not related to the ID)	10/04/2010	06/29/2015– 3 yr	2015 ASM	6
Raul N. Serrano	ID	n/a	Editha Dolon (not related to the ID)	06/30/2014	06/29/2015 – 2 yr	2015 ASM	2

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors, in adopting its Revised Manual on Corporate Governance, institutionalized its policy on good corporate governance that would govern the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders.

In particular, the Board of Directors has adopted a policy ensuring that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.

It is likewise an adopted policy of the Company to protect the minority stockholders' interests as minority stockholders are granted the right to propose the holding of a meeting, right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose and right to have access to any and all information relating to the matters for which the Management of the Corporation is accountable.

With respect to the rights of the other stakeholders, the Board of Directors has a clear policy that values and respects the rights of other stakeholders, particularly its suppliers, customers, creditors, as well as the community, environment and other key stakeholder group.

In relation to the Company's disclosure duties, the Board of Directors has adopted policy on public and timely disclosure of all material information about the Company which could adversely affect its viability or the interests of the stockholders.

[1] Reckoned from the election immediately following January 2, 2012.

Lastly, on the matter of board responsibilities, the Corporation has established a well-structured and functioning Board of Directors which is primarily responsible for the governance and oversight of the Company's adherence to superior corporate governance practices.

(c) How often does the Board review and approve the vision and mission?

The Board reviews and approves the vision and mission annually.

(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 Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Manuel B. Villar, Jr.	Vista Land and Lifescapes, Inc.	NED, Chairman
Manuel Paolo A. Villar	Vista Land and Lifescapes, Inc.	ED
Jerry M. Navarrete	Masterpiece Asia Properties Inc. Manuela Corporation	ED , Chairman ED, Chairman
Benjamarie Therese N. Serrano	Masterpiece Asia Properties Inc. Manuela Corporation	ED ED

(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:

None.

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.

(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
Jerry M. Navarrete	Fine Properties Inc.	President
Manuel Paolo A. Villar	Fine Properties Inc. Vista Land and Lifescapes, Inc	Treasurer President/CEO
Manuel B. Villar Jr.	Fine Properties Inc. Vista Land and Lifescapes, Inc.	Shareholder Chairman

(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

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

yes, briefly describe other guidelines:

NO. The Company has not set a limit on the number of directorships that the members of its Board of Directors and CEO can hold in other companies (publicly listed, ordinary and companies with secondary license). The Company shall adopt, in the next meeting of the Board of Directors, its policy on multiple board seats.

YES. None of the Company directors holds more than five (5) seats in other publicly listed companies.

(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
Manuel B. Villar Jr.	1,000	0	0.0000%
Jerry M. Navarrete	25,000	0	0.0003%
Benjamarie Therese N. Serrano	1,000	0	0.0000%
Manuel Paolo A. Villar	1,000	0	0.0000%
Adisorn Thananun Narapool	1,000	0	0.0000%
Joel L. Bodegon	1,000	0	0.0000%
Raul Juan N. Esteban	1,000	0	0.0000%
TOTAL	**31,000**	**0**	**0.0003%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ✓ No

Identify the Chair and CEO:

Chairman of the Board	Manuel B. Villar Jr.
CEO/President	Jerry M. Navarrete

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensures that the meetings of the Board are held in accordance with the Amended By-Laws or as the Chair may deem necessary	Exercises general supervision of the affairs of the Corporation
Accountabilities	Maintains qualitative and timely lines of communication and information between the Board and the Management	Shall see that the resolutions of the Board of Directors are duly executed and carried out
Deliverables	Supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors	(i) Shall sign and countersign all certificates, and as authorized by the Board of Directors, all contracts and other instruments of the Company, and

		(ii) Shall make reports to the Directors and Stockholders

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The adoption of management succession plan will be included in the agenda for the next meeting 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.

YES. The Nomination Committee reviews and evaluates all persons nominated and elected to the Board of Director in accordance with the qualifications, as provided by the Board of Directors, which promotes diversity of experience, background and competencies.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

YES. At least one non-executive director of the Company, namely Manuel B. Villar, Jr. has immense knowledge and experience in real estate industry to which the Company belongs.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Performs work related to the operation of the Company	Actively participates in the formulation of Company's strategic objectives and policies and periodically monitors and evaluates the implementation of such policies and strategies	Contributes independent judgment to the formulation of sound corporate strategies and policies
Accountabilities	Devote time and attention necessary to properly discharge his duties and responsibilities	Devote time and attention necessary to properly discharge his duties and responsibilities	To promote transparency, at least one independent director must be present in all meetings of the Board of Directors
Deliverables	Participates in the selection and appointment of qualified and competent management officers		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the plain meaning of "independence" as state of mind in which a person acts free from control or influence of others[3]. In compliance with this definition and in relation to the Company's firm commitment to the principles of good corporate governance, the Company has two (2) independent directors who can add value and contribute independent and unbiased judgment to the formulation of sound corporate policies and strategies.

[3] Leo James English, Dictionary, 1997.

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.

YES. In compliance with SEC Memorandum Circular No. 9 Series of 2011, the Company's independent directors can serve as such for five (5) consecutive years.

NO. Also in keeping with the aforesaid Circular, an independent director of the Company who has been re-elected as such after the "cooling off" period of two (2) years can serve for another five (5) consecutive years.

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:

None.

Name	Position	Date of Cessation	Reason

(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	In accordance with the Company's Revised Manual on Corporate Governance and Amended By-Laws, all nominations for election of director by the stockholder shall be submitted in writing to the Nominations Committee. The said Committee pre-screens the qualifications of the nominees, and prepares the final list of candidates. Such final list is made available to the stockholders through sending out the Information Statement, pursuant to SRC Rule 20. Only nominees in the final list will be eligible for election. The election of directors is held on the last Monday of June and at each annual meeting thereafter.	Pursuant to the Revised Manual on Corporate Governance of the Company, directors must have the following qualifications: 1. Holder of at least one (1) share of stock of the Company; 2. He shall be at least college graduate or have sufficient experience in managing the business to substitute for such formal education; 3. At least 21 years old; 4. Proven to possess integrity and probity, and 5. He shall be assiduous
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors shall have all the qualifications and none of the disqualifications set forth in Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations

b. Re-appointment		
(i) Executive Directors	For re-appointment of a director who held office for a year following the date of his election, the same process of nomination and election, as set forth for selection and appointment of director, is adopted. Provided further that, for the independent director, the re-appointment shall not be violative of the term limit provided for in SEC Memorandum Circular No. 9 Series of 2011	To be eligible for re-appointment, the director must possess the same qualifications set forth by the Company's Revised Manual on Corporate Governance for the selection and appointment of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors must have all the qualifications and none of the disqualifications set forth in Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations
c. Permanent Disqualification		
(i) Executive Directors	The Nomination Committee put in place screening policies and parameters to enable it to eliminate nominees suffering from permanent disqualification from its final list of candidates. Should an incumbent director suffer from permanent disqualification/s, a mere declaration by the Board of such disqualification shall be sufficient to remove him from office (SEC Opinion, 6 October 1994)	The Company's Revised Manual on Corporate Governance provided for the grounds for the permanent disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors must have none of the permanent disqualifications set forth in Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations and such other permanent disqualifications which the Company's Revised Manual of Corporate Governance provides.
d. Temporary Disqualification		
(i) Executive Directors	The Nomination Committee put in place screening policies and parameters to enable it to eliminate nominees suffering from temporary disqualification/s from its final list of candidates. Should an incumbent director suffer from temporary disqualification/s, a mere declaration by the Board of such disqualification shall be sufficient to remove him from office. As provided under the Company's Revised Manual on Good Governance, a temporarily disqualified director shall, within sixty (60)	The Company's Revised Manual on Corporate Governance provided for the grounds for the temporary disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors must have none of the temporary disqualifications set forth under Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations and such other temporary disqualifications which the Company's Revised Manual on Corporate Governance provides.

	business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	
e. Removal		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	In accordance with Section 28 of the Corporation Code, a director may be removed by a vote of the stockholders representing or holding 2/3 of the outstanding capital stock, provided that such removal shall take place either at a regular or special meeting and in either case, after previous notice to stockholders of the intention to propose such removal	Section 28 of the Corporation Code does not specify cases for removal of a director nor even require that removal shall be for sufficient cause or reason. The Company, however, complies with the limitation set forth therein that a director shall not be removed without a cause if the effect of such removal is to deprive minority stockholders of the latter's right to representation to which they may be entitled under Section 24 of the Corporation Code
f. Re-instatement		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	A declaration by the Board of such re-instatement shall be sufficient to restore to office a previously disqualified director	A temporarily disqualified director shall be re-instated as soon as the disqualification has been lifted
g. Suspension		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The manner and the cause for suspension of Company directors will be included in the agenda for the next meeting of the Board of Directors	

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Manuel B. Villar, Jr.	10,751,932,156
Jerry M. Navarrete	10,751,932,156
Manuel Paolo A. Villar	10,751,932,156
Adisorn Thananun-Narapool	10,751,932,156
Benjamarie Therese N. Serrano	10,751,932,156
Atty. Joel L. Bodegon	10,751,932,156
Raul N. Esteban	10,751,932,156

6) **Orientation and Education Program**

(a) Disclose details of the company's orientation program for new directors, if any.

In compliance with the Company's Revised Manual on Corporate Governance, a director shall, before assuming as such, is required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

(b) State any in-house training and external courses attended by Directors and Senior Management[4] for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Manuel B. Villar, Jr.	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Jerry M. Navarrete	12/15/2010	Corporate Governance & Anti-Money Laundering Act	Philippine Securities Consultancy Corporation
	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Manuel Paolo A. Villar	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Benjamarie Therese N. Serrano	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Raul N. Esteban	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Joel L. Bodegon	11/26/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Frances Rosalie T. Coloma	02/27/2012	Corporate Governance & Anti-Money Laundering Act	Philippine Securities Consultancy Corporation
	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation

[4] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Florence R. Bernardo	11/23/2015	Corporate Governance Seminar	Philippine Securities Consultancy Corporation

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

The Company directors have attended the Corporate Governance Seminar held last 23 November 2015 conducted by training providers that are duly accredited by the Commission.

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	The Company's Code of Discipline provides that conflict of interest exists in a condition where a transaction of a director, officer or employee, in any dealings with others, customers and/or suppliers, is in conflict with the interest of the Company. For avoidance of doubt, a conflict exists when the subject transaction was entered, dealt, participated and/or instructed by the employee, his relatives by affinity or consanguinity or by any person over which the employee is presumed to have reasonable control and authority. Any director, officer or employee who, at any time, finds himself/herself in a conflict-of-interest situation must immediately disclose the same to the Management For violation of this policy, the penalty to be imposed is dependent on the gravity and nature of the transaction involved which shall rest solely upon the discretion of the Company.		
(b) Conduct of Business and Fair Dealings	Every director, officer or employee of the Company, in conducting business with clients, customers, competitors and other stakeholders, must strictly adhere to the highest ethical standards of integrity, honesty and fair dealing.		
(c) Receipt of gifts from third parties	Any director, officer, employee is prohibited from receiving or accepting any monetary and non cash gifts from third parties in connection with the performance of his duties or by reason of his position or office		
(d) Compliance with Laws & Regulations	Every director, officer and employee is expected to know, understand, and observe the provisions of the Company's Code of Discipline and other relevant laws and regulations.		
(e) Respect for Trade Secrets/Use of Non-public Information	Directors, officers and employees should keep secure and confidential all non-public information they may acquire or learn in the performance of their duties. Leaking out or revealing confidential or classified information, technique, method and company secret to unauthorized person or employee is an act of dishonesty deemed to be an offense against the Company's interest.		

(f) Use of Company Funds, Assets and Information	All directors, officers and employees shall be accountable for the proper use of Company funds, assets and information. It is an offense against Company property to tamper, damage, or destroy either intentionally or thru negligence any company property, held in trust or custody and to use or allow the use of Company equipment, facilities and materials, and/or vehicles for private and personal interests. Malversation of Company funds, on the other hand, is an act of dishonesty considered to be an offense against Company's interest.
(g) Employment & Labor Laws & Policies	The Company's Code of Discipline shall be construed in accordance with the pertinent provisions of the Labor Code and its implementing rules and regulations
(h) Disciplinary action	Any infraction of the Company rules and regulations shall give rise to appropriate disciplinary action taken in any of the following forms: A. Principal Penalty 1. A formal letter informing and warning the employee of his violation/s 2. Final written warning is given in the case the concerned employee continuously commits the same offense 3. Suspension is imposed for serious offenses that require stricter disciplinary action 4. Dismissal is imposed where the offense committed is grave/serious in nature B. Accessory Penalty 1. Disqualification from promotion for one or more merit rating period 2. Suspension of employee's privilege to avail of facilities 3. Other reasonable forms of disciplinary action as may be appropriate
(i) Whistle Blower	It is the duty of every director, officer and employee to immediately and fully report and disclose to the Management any information about violation of company policies, rules and regulations which has been, is being, or is about to be committed. The procedures and penalties to be meted out to those who fail to report shall be discussed in the next meeting of the Board of Directors.
(j) Conflict Resolution	In resolving conflict between and among the directors, officers, employees, the Management conducts mediation for peaceful and amicable settlement of such conflict. The procedure for conflict resolution shall be subject to discussion in the next meeting of the Board of Directors.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. The Company conducts orientation for the directors, senior management and employees informing and enjoining them to comply with the Code of Discipline adopted by the Company. Copies thereof are likewise disseminated to them for reference and guidance in the performance of their duties.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company has developed a comprehensive compliance program covering adherence to the Code of Discipline. This program includes appropriate trainings that aim to instill awareness in order to facilitate understanding, acceptance and compliance with the Code of Discipline. Furthermore, the Company has adopted clear and stringent policies and procedures on curbing and penalizing violations of said Code.

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.

All significant RPTs, 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, are presented to the Board of Directors for review and approval. In approving these RPTs, the Board ensures that these transactions to and from related parties are made on arm's length basis and at current market prices at the time of transaction. Furthermore, the Company maintains transparency and integrity in monitoring, recording and reporting its RPTs as a summary of such transaction is published in the Company's Annual Report.

(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.

As disclosed in the Company's Annual Report, the Company, in its ordinary course of business, engaged in significant commercial transactions with certain companies controlled by the family of the Company directors, i.e. Manuel B. Villar, Jr. and Manuel Paolo A. Villar, and its subsidiaries. The Company had entered into a memorandum of agreement with subsidiaries of Vista Land and Lifescapes, Inc., by virtue of which the Company has been granted a right of first refusal and right of first offer with respect to commercial properties owned by such Vista Land subsidiaries. The Company likewise executed a property management agreement with the subsidiaries of Vista Land, whereby the Company was held responsible for the property and financial management of commercial development projects within Metro Manila and key provinces owned by Vista Land subsidiaries.

Apart from the foregoing, the Company has entered into lease agreement with its significant shareholder, i.e. Fine Properties Inc., involving properties located in Molino, Bacoor, Cavite.

(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 and significant shareholders, who find themselves in any conflict-of-interest situation involving any transaction with the Company and/or its group, are enjoined to immediately disclose the same to the Management for review and resolution. Apart from such voluntary disclosure, the Company and/or the Group itself conduct an extensive background check in its business dealings and transactions for purposes of determining the existence of potential conflict-of-interest situation with the Company's directors, officers and significant shareholders.

Apart from the foregoing and in keeping with the provisions of the Corporation Code, a contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all the following conditions are present:

a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
b. The vote of such director was not necessary for the approval of the contract;
c. The contract is fair and reasonable under the circumstances;

d. In case of an officer, the contract has been previously approved by the Board of Directors

Where any of the first two conditions set forth above is absent, such contract may be ratified by the vote of the stockholders representing at least 2/3 of the members in a meeting called for the purpose: Provided that full disclosure of the adverse interest of the directors involved is made at such meeting: Provided, however, that the contract is fair and reasonable under the circumstances.

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
Manuel B. Villar Jr. Manuel Paolo A. Villar Jr. Mark A. Villar	Family	Manuel B. Villar is the father of Manuel Paolo A. Villar Jr. and Mark A. Villar
Fine Properties, Inc. Manuel B. Villar Jr. Jerry M. Navarrete Manuel Paolo A. Villar	Shareholder	Manuel B. Villar Jr., Jerry M. Navarrete and Manuel Paolo A. Villar are shareholders of Fine Properties, Inc.
Fine Properties, Inc. Vista Land and Lifescapes, Inc.	Shareholder	Fine Properties Inc. is a shareholder of Vista Land and Lifescapes, Inc.
Vista Land and Lifescapes, Inc. Manuel B. Villar, Jr. Manuel Paolo A. Villar	Shareholder	Manuel B. Villar, Jr. and Manuel Paolo A. Villar are shareholders of Vista Land and Lifescapes, Inc.

(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
Fine Properties, Inc.	Lessee	Fine Properties, Inc. and the Company executed a Lease Agreement involving properties located in Molino, Bacoor, Cavite

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None.

[5] Family relationship up to the fourth civil degree either by consanguinity or affinity.

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The matter on adoption of alternative dispute resolution system for settling conflicts between the Company and its stockholders, and the Company and third parties, including regulatory authorities shall be included in the agenda for the next meeting of the Board of Directors.

C. BOARD MEETINGS & ATTENDANCE

1) **Are Board of Directors' meetings scheduled before or at the beginning of the year?**

The Board of Directors' meetings are scheduled at the beginning of the year.

2) **Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year[6]	No. of Meetings Attended	%
Chairman	Manuel B. Villar Jr.	06/29/2015	9	8	88%
Member	Jerry M. Navarrete	06/29/2015	9	9	100%
Member	Benjamarie Therese N. Serrano	06/29/2015	9	7	78%
Member	Manuel Paolo A. Villar	06/29/2015	9	8	88%
Member	Adisorn Thananan-Narapool	06/29/2015	9	1	11%
Independent	Joel L. Bodegon	06/29/2015	9	8	88%
Independent	Raul N. Esteban	06/29/2015	9	8	88%

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

None.

4) **Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

No. A majority of the directors duly assembled shall constitute a quorum for the transaction of any business, as provided in the Company's Amended By-Laws.

5) **Access to Information**

(a) **How many days in advance are board papers[7] for board of directors meetings provided to the board?**

Board papers, as defined, are served to each director at least two (2) days prior to the meeting.

(b) **Do board members have independent access to Management and the Corporate Secretary?**

YES. In furtherance of their duties and responsibilities, directors are given independent access to the Management and the Corporate Secretary.

(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**

[6] For the year 2015

[7] 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.

relevant statutory and regulatory changes, etc?

The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company. The Corporate Secretary likewise assists the Chairman in preparing the board agenda, facilitates training of directors, and keeps directors updated regarding any statutory and regulatory changes, etc.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

YES. The Corporate Secretary has intensive experience in legal practice as she is at the same time the Company's Chief Legal Counsel.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [✓] No [ ]

To enable the members of the committees to properly fulfill their duties and responsibilities, each member is provided with complete, adequate and timely information about the matters to be taken in the meetings.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details.

None. The matter on how Company directors may seek external advice to assist them in the discharge of their function shall be discussed in the next meeting of the Board of Directors.

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:

None.

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:

The Compensation and Remuneration Committee, in determining the remuneration and bonus of the CEO and the four (4) most highly compensated management officers, ensure that their remuneration is consistent with the Corporation's culture, strategy and the business environment in which it operates. The aforesaid Committee designates the amount of remuneration of the CEO and the four (4) most highly compensated management officers in sufficient level to attract and retain them as they are needed for the successful operation of the Corporation.

There are no stock options held by the Company's CEO and the four (4) most highly compensated management officers. There are also no per diem and other arrangements pursuant to which they are compensated.

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.

The Compensation and Remuneration Committee, in fixing the compensation package for executive and non-executive directors, ensures that their remuneration is consistent with the Corporation's culture, strategy and the business environment in which it operates.

The Definitive Information Statement discloses the total annual compensation paid to executive directors which includes the basic pay, the mid-year and 13th month bonus. The non-executive directors, on the other hand, receives a reasonable per diem of Php50,000.00 for every meeting.

The Compensation and Remuneration Committee designates the amount of compensation of executive and non-executive directors based on their qualifications, experience and competencies.

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.

No.

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	Php7.7M	n/a	n/a
(b) Variable Remuneration	n/a	n/a	n/a
(c) Per diem Allowance	n/a	P50,000 per non-executive director per meeting	P50,000 per independent director per meeting
Bonuses	Php1.0M	n/a	n/a
(d) Stock Options and/or other financial instruments	n/a	n/a	n/a
(e) Others (Specify)	n/a	n/a	n/a
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	n/a	n/a	n/a
2) Credit granted	n/a	n/a	n/a
3) Pension Plan/s Contributions	n/a	n/a	n/a
(d) Pension Plans, Obligations incurred	n/a	n/a	n/a
(e) Life Insurance Premium	n/a	n/a	n/a
(f) Hospitalization Plan	n/a	n/a	n/a
(g) Car Plan	n/a	n/a	n/a

(h) Others (Specify)	n/a	n/a	n/a
Total			

As disclosed in the Definitive Information Statement and Annual Report of the Company, there are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated during 2014 for any service provided as a director.

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:

There are no stock rights, options or warrants over the Corporation's shares held by any member of the Corporation's Board of Directors.

(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:

None.

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Frances Rosalie T. Coloma – Chief Finance Officer	Php10.2M
Florence R. Bernardo – Mall Operations	
Sheila Joy L. Sanchez – BPO Operations	
Ma. Nalen SJ Rosero-Galang – Compliance Officer and Corporate Secretary	

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		None	Only to the extent allowed by law, acts on	Discusses in details the Company's plan of	Exercises the powers of the Board of

					specific matters within the competence of the Board, as may be delegated to it in the Company's Amended By-Laws or on majority vote of the board	action and strategies and reports all its adopted resolution to the Board	Directors to the extent allowed by law, as provided under the Corporation Code
Audit	1		2	Yes	Assist 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	Provides oversight over the Company's activities in managing credit, market, liquidity, operational, legal and other risks to the Company and provides oversight function over the Company's external and internal auditors	Reviewing power over the reports submitted by internal and external auditors, annual internal audit plan and the quarterly and annual financial statements before their submission to the Board of Directors
Nomination		1	2	None	Reviews and evaluates the qualifications of nominees to the Board	Assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors	Pre-screens and shortlists all candidates nominated for membership to the Board of Director
Remuneration	1		2	None	Establishes a formal and transparent process for developing policy relative to executive remuneration and for fixing the remuneration packages for corporate officers and directors	Provides oversight over remuneration of senior management and key personnel	Vested with power to designate the amount of remuneration of directors and officers
Others (specify)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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	Jerry M. Navarrete	06/29/2015	12	12	100%	11
Member (ED)	Benjamarie Therese N. Serrano	06/29/2015	12	12	100%	2
Member (NED)	Frances Rosalie T. Coloma	06/29/2015	12	12	100%	4
Member (NED)	Manuel Paolo A. Villar	06/29/2015	12	12	100%	8

Member	Sheila Joy L. Sanchez	06/29/2015	12	12	100%	3
Member	Florence R. Bernardo	06/29/2015	12	12	100%	3

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Raul N. Esteban	06/29/2015	6	6	100%	2
Member (ED)	Benjamarie Therese N. Serrano	06/29/2015	6	6	100%	2
Member (NED)						
Member (ID)	Joel L. Bodegon	06/29/2015	6	6	100%	5
Member						

Disclose the profile or qualifications of the Audit Committee members.

RAUL N. ESTEBAN, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc.

JOEL L. BODEGON, Independent Director, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since 2010.

BENJAMARIE THERESE N. SERRANO, graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of MBV Holdings Corp. and AllHome Corporation. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee performs oversight function over the Company's external auditor as it reviews the reports submitted by said auditor. Furthermore, it ensures that the external auditor acts independently from the internal auditor and that it is given unrestricted access to the all records, properties and personnel necessary in the performance of its independent audit functions.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel B. Villar Jr.	06/29/2015	1	1	100%	3
Member (ED)						
Member (NED)						
Member (ID)	Joel L. Bodegon	06/29/2015	1	1	100%	5
Member (ID)	Raul N. Esteban	06/29/2015	1	1	100%	1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jerry M. Navarrete	06/29/2015	1	1	100%	5
Member (ED)						
Member (NED)						
Member (ID)	Joel L. Bodegon	06/29/2015	1	1	100%	5
Member	Raul N. Esteban	06/29/2015	1	1	100%	1

(e) Others (Specify)

None.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

There had been no changes in committee membership during the year.

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	Received reports on the operations of the Company and approved capital expenditures	Approved capital expenditures on the basis of the requirement of the Company and laid down strategic plans and actions for the operation of the Company
Audit	Reviewed the annual and quarterly financial reports of the Company	In reviewing the financial reports of the Company, the Committee determined whether said reports are compliant with accounting standards as well as with tax, legal and regulatory requirements.
Nomination	Reviewed the qualifications of all persons nominated for membership to the Board for the year 2014.	In preparing the final shortlist of nominees for directorship, the Committee made sure that each nominee possesses all of the qualifications and none of the disqualifications, as provided in the

		Company's Revised Manual on Good Governance and Amended By-Laws
Remuneration	Designated the amount of remuneration for corporate directors and officers	In fixing the remuneration packages of corporate directors and officers, the Committee ascertained that the same is in sufficient level to attract and retain competent and qualified directors and officers
Others (specify)	n/a	n/a

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.

NONE. Committee Programs will be included in the agenda for the next meeting of each committee.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company

The Company's risk management philosophy is based on the following principles: comprehensiveness, independence, accountability, defined risk tolerance and transparency.

An effective risk management system continues to be in place for the Company, deeply imbedded in its organizational and procedural internal control mechanism, to enable the Company to anticipate, prepare and mitigate possible or actual threat/s to its operational and financial viability.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof

The Company's CEO/President and Chief Financial Officer attest in writing that a risk management system is in place and is working effectively.

(c) Period covered by the review

The review covers 2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The assessment on risk management system is done annually. The directors assess the internal control system based on internationally-recognized framework, i.e. COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

(e) Where no review was conducted during the year, an explanation why not.
n/a

2) Risk Policy

(a) Company

Give a general description of the Company's and 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
Financial Risks, i.e. credit risk, interest rate risk, liquidity risk, other market price risk	The Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures	To monitor and manage financial exposures relating to the Company's operation and investing activities
Competition	The Company shall continue to compete through project concept, quality of projects, affordability of products, location of projects and value enhancement through project management and financing	To manage competitive pressures among the industry players
Business risk	Risk Management Policy for decision making on management and operation	To facilitate good governance through accountable management of the Company's risk management framework.
Product safety risks	Project Review Policies and Guidelines CCTV Policies and Procedures	This policy covers the criteria set and the procedures involved in the review and evaluation of proposed projects. Security measures for protection and safety of customers, tenants and employees
Risk of inappropriate contact	Supplier Accreditation Policy	Ensures that all vendors who wish to provide supplies are capable of providing quality goods or services, and have technical, commercial, and financial ability, adequate equipment and facilities, good service performance, or any other measures that will ensure quality and reliability in every purchase made.

(b) Group

Give a general description of the Company's and 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
Financial Risks, i.e. credit risk, interest rate risk, liquidity risk, other market prices risk	The Group shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures	To monitor and manage financial exposures relating to the Group's operation and investing activities
Competition	The Group shall continue to compete through project concept, quality of projects, affordability of	To manage competitive pressures among industry players

	products, location of projects and value enhancement through project management and financing	
Purchase risk	Purchasing policy setting forth the bidding and procurement procedure	Provide a systematic method of accumulating, recording and processing of purchasing or bidding transactions
Information management risks	Information Management System Policy	Ensure safety against un-authorized access
Financial misconduct risks	Fraud and Corruption Policy	Prevent and minimize incidents of fraud and corruption involving Company funds

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

There is no principal risk of the exercise of controlling shareholders' voting power as the Company has adopted an effective shareholder voting mechanism such as supermajority or "majority of the minority" requirements to protect minority shareholder against action of controlling shareholders. For instance, minority shareholders may cumulate their votes and give one candidate as many votes as the numbers of directors to be elected multiplied by the number of their shares shall equal. Hence, this cumulative voting for one candidate assures minority stockholders of representation in the board of directors.

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)
Credit Risk	Risk of counterparties defaulting on its contractual obligation resulting in financial loss to the Company	Risk may be controlled by: 1. application of credit approvals, limits and monitoring procedures 2. transactions with diversity of creditworthy parties to mitigate any significant concentration of credit risk, and 3. sale of products only to customers with appropriate credit history with internal mechanism to monitor the granting of credit and management of credit exposures.
Interest rate risk	Exposure to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates.	All other financial assets and liabilities have fixed rates in 2012 and 2011
Liquidity Risk	Management of liquidity needs by carefully monitoring scheduled	Maintains cash and obtains financing to meet its liquidity requirements for

	debt servicing payments for short-term financial liabilities as well as cash outflows due in a day-to-day business.	up to 30-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured if needed
Other market price risk	Market price risk arises from AFS financial asset which is carried at fair value.	Management of risk arising from changes in market price is done by monitoring the changes in the market price of the investment.
Competition	Increased competition from other retail shopping malls for tenants and customers may adversely affect income from the businesses of the Company	The Company shall continue to compete through project concept, quality of projects, affordability of products, location of projects and value enhancement through project management and financing
Business risk regarding decision making on management and operation	Monthly operations review	Consultation throughout the company Awareness of business objectives Reliable business information Implementation of effective budgeting and business planning
Product safety risks	Semi-annual review of tenant safety audit	Implementation of Tenant Safety Audit checklist Creation of Emergency Response Team (ERT)
Risk of inappropriate contact	Review of supplier accreditation process	Management reviews and approves list of accredited suppliers

(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)
Credit Risk	Risk of counterparties defaulting on its contractual obligation resulting in financial loss to the Company	Risk may be controlled by: 1. application of credit approvals, limits and monitoring procedures 2. transactions with diversity of creditworthy parties to mitigate any significant concentration of credit risk, and 3. sale of products only to customers with appropriate credit history with internal mechanism to monitor the granting of credit and management of credit exposures.

Interest rate risk	Exposure to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates.	All other financial assets and liabilities have fixed rates in 2012 and 2011
Liquidity Risk	Management of liquidity needs by carefully monitoring scheduled debt servicing payments for short-term financial liabilities as well as cash outflows due in a day-to-day business.	Maintains cash and obtains financing to meet its liquidity requirements for up to 30-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured if needed
Other market price risk	Market price risk arises from AFS financial asset which is carried at fair value.	Management of risk arising from changes in market price is done by monitoring the changes in the market price of the investment.
Competition	Increased competition may adversely affect income from the businesses of the Company	The Group shall continue to compete through project concept, quality of projects, affordability of products, location of projects and value enhancement through project management and financing
Purchase	Monthly review of procurement records	Installation of adequate internal controls over procurement and bidding process
Information management risks	Review of back-up system and security	Identify, capture, store and manage the disposition of business records Apply security to control access to sensitive information. Creation of multiple data storage
Financial misconduct risks	Monthly review of Financial records	Strengthening of fundamental controls on handling of Company funds.

(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
Internal Auditor serves as Risk Management Officer	The Internal Auditor directly reports to the Audit Committee	Conducts independent risk and control assessment, examines the Company's operational and control environment and conducts audit designed to cover all major risk categories.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control is defined as a process, effected by the Company's Board of Directors, management , and other personnel, designed to provide reasonable assurance regarding achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Company's CEO/President and Chief Financial Officer attest in writing that a sound internal control system is in place and is working effectively.

(c) Period covered by the review;

The review covers Year 2014.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The assessment on internal controls is done annually or when there are significant changes that would entail revision or enhancement of existing controls. The criterion for assessment of internal control system is based on internationally-recognized framework, i.e. COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

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
To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the	As provided in the duly approved Internal Audit Charter: The scope of work of the Internal Audit is to determine whether the organization's network of risk management, control and governance	In-House	Hans Barbin	The Internal Audit Group, reports functionally to the Audit Committee and administratively to the Management, Its activities are

organization achieve its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.	processes, as designed and represented by management, is adequate and functioning in a manner to ensure that: Risks are appropriately identified and managed; Significant financial, managerial, and operating information is accurate, reliable and timely; Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations; Resources are acquired economically, used efficiently, and adequately protected Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and Interaction with various governance groups occurs as needed Opportunities for improving management control, profitability, and the organization's image which are identified during audits shall be communicated to the management.			guided and performed in accordance with the revised 'Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing standards as may be adopted by the Internal Audit.

(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. The Company's Revised Manual on Corporate Governance provides that the Audit Committee can consider the appointment of internal auditor and the terms and conditions of its engagement and removal.

(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?

Pursuant to the Audit Committee Charter, the internal auditor has a direct reporting line to the Audit Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally report directly to the Audit Committee. Unrestricted access to all records, properties and personnel is accorded to the internal auditor by the Company's Revised Manual on Corporate Governance to enable said internal auditor to perform its audit function.

(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
JOSELITO RIVAMONTE – Audit Officer	Transferred to Purchasing Department for career growth

(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	The progress of Annual Internal Audit Plan vs Actual is being monitored on a semi-annual basis and is reported to the Audit Committee and Management
Issues[8]	Issues are discussed with the Audit Committee during closing or exit meetings and its responses are incorporated in the Internal Audit Engagement Report
Findings[9]	Findings are reported to the Management and Audit Committee through the Internal Audit Engagement Report
Examination Trends	As a holding company, the examinations are being done mostly on the subsidiaries and investments of the company.

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;**

   The internal audit plan covers the planning and managing of internal audit activity consisting of familiarization and understanding of the business and control environment as well as assessment of risks. Work schedule, staffing and budgets are likewise set forth in the audit plan.

2) **Conduct of examination based on the plan;**

   The conduct of examination based on the plan consists of (i) identifying and gathering of data, (ii) analyzing/evaluating data/information, and (iii) documenting/recording data/information.

3) **Evaluation of the progress in the implementation of the plan;**

   The progress in the implementation of the plan is being monitored on a regular basis and the result of the Annual Internal Audit Performance vs. the Annual Internal Audit Plan is submitted to the Audit Committee and to the Management Representative (MR) under the Integrated Management System (IMS) for evaluation.

[8] "Issues" are compliance matters that arise from adopting different interpretations.
[9] "Findings" are those with concrete basis under the company's policies and rules.

4) **Documentation of issues and findings as a result of the examination;**

Documentation of the audit engagement, including issues and findings, is done thru the auditor's work papers. These work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit, conclusions and reasons thereof, and disposition of each audit finding identified during the audit and its related corrective action. The work papers are prepared in compliance with the Standards for the Professional Practice of Internal Auditing (SPPIA).

Furthermore, the findings, issues and other relevant information in the audit engagement are further documented in the minutes of the closing meeting and the final internal audit engagement report.

5) **Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**

Though the follow up and monitoring process, the status of the audit findings and issues are tracked for the Audit Committee's committed implementation plans.

6) **Conduct of the foregoing procedures on a regular basis.**

The internal control review is conducted on a yearly 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
Internal Controls for Revenue and Collections 1. The Company's billing system is designed and maintained such that the wrong person or account is not billed, that incorrect amounts are not billed and that the billing is recorded correctly ensuring reliable data for financial reporting. 2. The Company shall design, implement and maintain safeguards such that cash receipts shall be deposited to company's account promptly and that the cash amount is not recorded incorrectly whether it is to the wrong account, the wrong amount or the wrong period.	Implemented
Internal Controls for Purchasing and Accounts Payable 1. The Company's purchasing and accounts payable system should be designed and maintained such that the wrong person or account is not paid (vendor and invoice paid match goods delivered), that incorrect	Implemented

amounts are not paid and that the purchasing and accounts payable activity is recorded correctly ensuring reliable data for financial reporting. 2. Company shall design, implement and maintain safeguards such that all purchases are properly recorded and paid timely after verification that the goods or service have been supplied. Additional safeguards shall be in place to ensure that all transactions are accurate and complete.	
Internal Controls for General Ledger The Company's general ledger system should be designed and maintained such that activity is accurate and complete ensuring reliable data for financial reporting. The general ledger accounts shall be reconciled monthly and match the subsidiary systems.	Implemented
Internal Controls for Payroll 1. The Company's payroll system should be designed and maintained such that the wrong person is not paid nor paid the wrong amount; that terminated employees are not paid and that changes to the system are properly authorized. Payroll activity should be recorded correctly to ensure reliable data for financial reporting. 2. The Company shall design, implement and maintain safeguards such that all payroll expenditures are properly (authorization, budget, match time sheet, company personnel policy, etc.) recorded and paid timely. Additional safeguards shall be in place to ensure that all transactions are accurate and complete.	Implemented
Internal Controls for Personnel 1. All applicants will complete a Company application, which will be checked for completeness and reasonableness. 2. All positions will have a job description. 3. A background check will be completed on all potential employees along with a professional license as necessitated by the position. 4. The Company will only hire qualified applicants who have demonstrated evidence of integrity and ethical behavior. 5. Job descriptions should be designed such that areas of responsibilities and authority are clearly defined and understood. 6. The Company shall provide employees with ongoing and relevant training. 7. The Company will take appropriate	Implemented

disciplinary action for deviating from policies. 8. The Company has a zero tolerance for unethical or dishonest behavior. 9. There will be equal treatment for all employees regardless of position or title.	
Internal Controls for Information Technology (IT) 1. IT will ensure that the content is appropriate and needed information is available to users. 2. IT will ensure that the information is timely and available when requested. 3. IT will ensure that information is current and the latest available. 4. IT will ensure that information is accessible and easily obtained by appropriate parties.	Implemented

(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
1. For the internal auditor, a direct reporting line to the Audit Committee is established. The Audit Committee likewise ensures that, in the performance of the work of the Internal Auditor, the latter is free from interference from outside parties. 1. For the external auditor, the Audit Committee disallows any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's Annual Report	none	none	none

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all

directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

As provided under the Company's Revised Manual on Good Governance and as disclosed in the Annual Report of the Company for the year ended 2012, the Corporate Secretary, duly designated as Acting Corporate Governance Compliance Officer, is mandated to issue a certification every January 30th of the year on Company's full compliance with the SEC Code of Corporate Governance for the completed year. The Corporate Secretary will further attest that all directors, officers and employees of the Company are properly apprised of their respective duties under the Code and that internal self-rating system has been established for evaluating and monitoring adherence thereto.

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	The Company policy accord paramount consideration to tenant and customer safety	The Company conducts safety and first-aid seminars for tenants, fire protection facilities and fire drills. Furthermore, walkway provisions for handicapped are provided
Supplier/contractor selection practice	The Company policy mandates that supplies are procured from competitive suppliers, while construction works are contracted out only to qualified and accredited contractors.	Competitive accreditation and bidding are conducted which take into consideration supplier's/contractor's experience, financial capability, resources and track record of adhering to its commitments.
Environmentally friendly value-chain	It is the policy of the company to use sustainable materials, whenever appropriate	Use of environmentally friendly construction materials and promotes use of biodegradable packaging materials for products sold in the Company's malls
Community interaction	The Company strives to support community engagement initiatives which aim to foster positive relation between the Company and the community	The Company's malls are organized as event venue where various community engagement activities are held
Anti-corruption programmes and procedures	The Company policy proscribes the direct or indirect solicitation or receipt of any monetary or non cash gifts for personal benefit, from any person in consideration of any help given or to be given in connection with any contract or transaction with the Company	The Company conducted awareness initiatives through orientations and seminars to facilitate understanding, acceptance and compliance with this policy
Safeguarding creditors' rights	It is the stringent policy of the Company to honor its contractual obligations to its creditors	The Company's financial documents are made available for inspection and review by its creditors to enable the latter to assess the Company's financial and credit standing

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability**

report/section?

NONE. The matter on separate corporate responsibility report or sustainability report will be included in the agenda for the next Board of Directors' meeting.

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company values its employees and has paramount concern for their safety, health and welfare.

(b) Show data relating to health, safety and welfare of its employees.

The Company offers optimal training programs for its employees providing opportunities for professional development. Apart from this, the Company provides and maintains facilities in the work premises that ensure the safety and welfare of its employees as they are engaged in the daily performance of their duties. Emergency and evacuation plans are likewise in placed to safeguard employees in emergency cases and fortuitous events.

(c) State the company's training and development programmes for its employees. Show the data.

The Company provides its employees with on-the-job-training and other development programs that assist them in effectively carrying out their jobs and prepare them for career advancement. The Company continuously strives to position itself as an employer of choice in the Philippine real estate industry.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

Competitive salary and attractive compensation packages are offered which allows the Company to compete in the job market for quality employees.

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Every employee bears the responsibility of reporting to the management any suspected or observed illegal and unethical behavior. Upon receipt of such information, the Management shall conduct an investigation in order to validate the same. To encourage such reporting from concerned employees, the Management accords protection to the reporting employee against retaliation in the event that the reported illegal and unethical conduct was not proven.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Vista Land & Lifescapes, Inc.	Common 6,692,928,686 (D)	62.11%	Record Owner is also beneficial Owner
Fine Properties, Inc.	Common 743,293,328 (D) Preferred 2,350,000,000 (D)	6.90% 21.81%	Record Owner is also beneficial Owner
Land & Houses Public Company Limited	Common 808,431,465 (D)	7.50%	Record Owner is also beneficial Owner

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock

None.

2) **Does the Annual Report disclose the following:**

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	NO
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo	Php 2.65M	N/A

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Updated information about the Company may be found in its official website: www.starmallsinc.com.ph

5) **Date of release of audited financial report:**

In compliance with the implementing Rules and Regulations of the Securities Regulation Code, the Company releases its audited annual financial report (SEC Form 17-A) within 105 days after the end of the year, and its quarterly financial reports (SEC Form 17-Q) within 45 days after the end of each of the first three (3) quarters of each year.

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	No
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The Company does not provide briefings to analysts and media.

7) **Disclosure of RPT**

The Company is substantially controlled by Vista Land and Lifescapes, Inc. and Fine Properties, Inc. The Company entered into transactions with associates and related parties, in its regular course of business, consisting mainly of advances, lease of properties and purchase and sale of real estate properties.

These transactions to and from related parties are made on arm's length basis and at current market prices at the time of transactions.

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?

In order to safeguard the interest of the Company and its minority shareholders and other stakeholders, related party transactions are presented to the Board of Directors for review and approval. Moreover, no related party transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, nominee for election as director, or any member of its immediate family was involved or had a direct or indirect material interest.

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 all the subscribed and outstanding stock of the Corporation, as represented in person or by proxy, shall be necessary to constitute a quorum

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Through regular annual meetings.
Description	During said regular annual meetings, the stockholders ratify corporate acts that require their approval.

(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
Right to vote on all matters that require their consent or approval, right to inspect corporate books and record, right to information, right to dividend, appraisal right	Right of the minority stockholder to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes

Dividends

Declaration Date	Record Date	Payment Date
20 November 2007	5 December 2007	28 December 2007

(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.**

   To promote stockholders' participation in the 2015 ASM, notice and agenda thereof were sent out to the stockholders twenty eight (28) days prior to the scheduled date of the meeting. The stockholders were encouraged to personally attend such meeting. If they cannot attend, they were likewise apprised ahead of time of their right to appoint a proxy. During the meeting, stockholders were encouraged to actively participate in the meeting by raising their questions directly to the Chairman, individual directors or board committees. Questions proffered by other interested parties were entertained by the Board after the meeting was adjourned.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
   a. **Amendments to the company's constitution**

      As provided under the Corporation Code, the Company may, by majority vote of its Board of Directors, amend any matter or provision in its Articles of Incorporation, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose.

   b. **Authorization of additional shares**
      As provided under the Corporation Code, the Company may increase its capital stock by majority vote of the Board of Directors and by vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock.

   c. **Transfer of all or substantially all assets, which in effect results in the sale of the company.**
      As provided under the Corporation Code, the Company may transfer all or substantially all of its

assets by majority vote of the Board of Directors and by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

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?**

NO. The Company provides and distributes notice and agenda of annual stockholders' meeting at twenty eight (28) days prior to the scheduled date of said meeting.

Date of sending out notices: 30 May 2015

a. **Date of the Annual/Special Stockholders' Meeting**: 29 June 2015

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

NONE.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
Adoption and approval of the President's Report and the Annual Report of the Company for the year ended 31 December 2014	10,751,932,156	0	0
Approval of the Audited Consolidated Financial Statements of the Company for the period ended 31 December 2014	10,751,932,156	0	0
Appointment of External Auditor	10,751,932,156	0	0
Ratification/Approval of the Acts of the Board of Directors and Management for the year 2014 to 31 May 2015	10,751,932,156	0	0
Ratification/Approval of the Proposed Amendment of the By-Laws	10,751,932,156	0	0
Ratification/Approval of the Proposed Amendment of the Fourth Article of the Articles of Incorporation	10,751,932,156	0	0

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

The results of the votes taken during the 29 June 2015 ASM for all resolutions are uploaded in the Company's official website immediately after the said meeting.

(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:

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	Manuel B. Villar, Jr. Jerry M. Navarrete Benjamarie Therese N. Serrano Manuel Paolo A. Villar Atty. Joel L. Bodegon Raul N. Esteban Frances Rosalie T. Coloma	29 June 2015	Show of hands	0.0001%	99.776%	99.78%
Special	n/a	n/a	n/a	n/a	n/a	n/a

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

YES. The Company appointed Securities Transfer and Services, Inc. to count and/or validate the votes at the 2015 ASM.

(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.

YES, each common share of stock of the Company is entitled to one vote.

The Company has two (2) classes of shares, i.e. common and preferred. Both common and preferred share of stock have voting rights, as provided in the Company's Amended Articles of Incorporation.

(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 Company's Amended By-Laws states that any stockholder entitled to vote may be represented at any regular or special meeting of the stockholders by proxy duly given in writing and signed by the stockholder
Notary	The Company's Amended By-Laws does not require the proxy to be notarized
Submission of Proxy	Proxy must be presented to the Corporate Secretary for inspection and record at or prior to the opening of said meeting.
Several Proxies	Where the same stockholder gives two (2) or more proxies, the latest one given is deemed to revoke all former proxies.
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Consulate or Consular Office

Invalidated Proxy	Any dispute that may arise from the validation or invalidation of proxies shall be resolved by the SEC upon formal complaint by the aggrieved party.
Validation of Proxy	In the validation of proxies, the Securities Transfer and Services Inc. are designated to determine the validity of proxies.
Violation of Proxy	Violation of SRC Rule on Proxy shall be subjected to the administrative sanction provided for under Section 144 of the Corporation Code and Section 54 of the SRC, 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.

The Company provides and distributes notice and agenda of annual stockholders' meeting at least twenty eight (28) days prior to the scheduled date of said meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	441
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	30 May 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	30 May 2015
State whether CD format or hard copies were distributed	Hard copies were provided
If yes, indicate whether requesting stockholders were provided hard copies	Hard copies were provided to stockholders

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Company maintains policies affording protection to the interests of the minority stockholders. As provided under the Company's Revised Manual on Corporate Governance, the minority stockholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose. Furthermore, minority stockholders are ensured of 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 stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting being within the definition of "legitimate purpose".

(b) Do minority stockholders have a right to nominate candidates for board of directors?

YES.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company's external and internal communication policies mandate timely, accurate and effective dissemination of pertinent information. The Executive Committee regularly reviews and approves major company announcements before the same are released to the media and investors.

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	Investor Relations Program aims to reach out to the Company's stockholders, other stakeholders and the public in general by maintaining good and robust line of communication with them
(2) Principles	Investor Relations Program is committed to the highest standard of transparency, openness, fairness and clarity in disclosing and disseminating material information about the Company
(3) Modes of Communications	Material information about the Company, which are of utmost importance to the investing public, are posted in the Company's official website
(4) Investors Relations Officer	Frances Rosalie T. Coloma - Investor Relations Officer UGF Worldwide Corporate Center Shaw Boulevard 1552 Mandaluyong City Philippines Tel: (+632) 571-5948 email: investor.relations@starmalls.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company, in adhering to the pertinent provision of the Corporation Code, may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by majority of its Board of Directors and ratified by its stockholders representing at least 2/3 of the outstanding capital stock at a stockholder's meeting duly called for that purpose. Written notice of the proposed investment and the time and place of the meeting shall be addressed to each stockholder at his place of residence as shown on the books of the Company and deposited to the addressee in the post office with postage prepaid, or served personally: Provided that any dissenting stockholders shall have appraisal right: Provided further that where the investment by the Company is reasonably necessary to accomplish its primary purpose as stated in the Articles of Incorporation, the approval of the stockholders shall not be necessary.

On the matter of merger and sale of substantial corporate assets, the Company may, by majority vote of its Board of Directors, transfer all or substantially all of its assets or enter into merger with other corporations, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

NONE.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

1. Environment:

a. Sustainable Energy Finance Award by the International Finance Corporation

In 2014, Manuela Corporation (Starmall Alabang) was a winner in the Energy Efficiency Category of the Sustainable Energy Finance Awards. This was due to the proper use of energy when it retrofitted its cooling system, thus increasing foot traffic and tenant satisfaction. This is on top of the monthly P 3 million savings in electricity bills.

b. Sewage Treatment System

The Company responsibly converts all its waste water to clean and environmentally safe water before it goes out from any of its malls and offices.

2. Social Concerns:

a. Christmas Carols

Every year, Starmall shares its stage to kids from various organizations as they entertain mall patrons with song and dance performances. This year, Alay sa May Kapansanan Foundation and Children's Joy Foundation delighted shoppers with their Christmas revues.

b. Senior Citizen Treat

In all cinema branches of the Company, senior citizens are given free entrance to any movie of their choice.

c. Give A Toy, Share a Joy

This is a yearly program of the Company that gathers toys from all mall patrons, employees, affiliates and partners. Collected toys will then be donated. This year, the children of Baseco experienced the joy of receiving these pre-loved toys.

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.

The Company has designated the Corporate Secretary as Acting Corporate Governance Compliance Officer whose duties include the monitoring and assessing the annual performance of the Board, its committees, individual directors, CEO/President with respect to their compliance with the Company's Revised Manual on Corporate Governance.

The Company has adopted a corporate governance performance evaluation and self-rating system as approved by the Board of Directors, by which the Acting Corporate Governance Compliance Officer, in coordination with other officers of the Company, measures or determines the level of compliance by the Company, its Board of Directors, committees, individual directors and CEO/President.

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

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, management and employees in case of violation of any provision of the Revised Manual on Corporate Governance:

Violations	Sanctions
First Violation	Subject person shall be reprimanded
Second Violation	Suspension from office. The duration of suspension will depend on the gravity of the violation
Third Violation	Maximum penalty of removal from office shall be imposed

The Board shall nevertheless have the discretion either to impose additional penalties or lessen the above penalties based on the presence of aggravating or mitigating circumstances accompanying the violation of the Company's Revised Manual on Corporate Governance.

The Compliance officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

starmalls.inc
3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City
Tel. No. **(+632) 532 0605 / (+632) 871 4001** | Fax No. **(+632) 872 4697**
Website: www.starmallsinc.com.ph

REPUBLIC OF THE PHILIPPINES)
CITY OF MANDALUYONG) S.S.

SECRETARY'S CERTIFICATE

I, **MA. NALEN SJ ROSERO-GALANG,** of legal age, Filipino citizen, with office address at Upper Ground Floor, Worldwide Corporate Center, Shaw Blvd., Mandaluyong City, after having been sworn to in accordance with law, hereby depose and state:

1. I am the duly elected and qualified Corporate Secretary of **STARMALLS, INC.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office address at 3rd Floor, Starmall, CV Starr Avenue, Phil-Am Life Village, Pamplona, Las Pinas City.

2. The following updates and changes in the Company's Annual Corporate Governance Report (ACGR) for the year 2015 are supported by the Minutes of the 29 June 2015 Annual Stockholder's Meeting (ASM):

a. Stockholders' Attendance

The Corporate Secretary certified that the stockholders owning 10,751,932,156 shares representing 99.78% percent of the total issued and outstanding capital stock were present in the meeting.

b. Election of Directors

All the 7 individuals nominated to the Board of Directors of the Company for the year 2015 were elected as members of the Board of Directors. They are as follows:

(1) Manuel B. Villar Jr.
(2) Jerry M. Navarrete
(3) Manuel Paolo A. Villar
(4) AdisornThananun-Narapool
(5) Benjamarie Therese N. Serrano
(6) Atty. Joel L. Bodegon
(7) Raul N. Esteban

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c. **Resolutions Approved in the ASM**

c.1 Approval of the President's Report

The stockholders received and adopted the President's Report and the Annual Report of the Company for the year ended December 31, 2014.

c.2 Approval of the Audited Financial Statement of the Company as at 31 December 2014

The stockholders approved the Audited Financial Statements of the Company as at 31 December 2014.

c.3 Approval of the Acts of the Board of Directors and Management for the year 2014 until 31 May 2015

The stockholders confirmed and ratified all acts done or caused to be done by the Board of Directors and Management for the year 2014 until 31 May 2015.

c.4 Appointment of External Auditors

Punongbayan & Araullo was declared re-appointed as the external auditors of the Company.

c.5 Ratification/Approval of the Proposed Amendment of the Fourth Article of the Articles of Incorporation of the Company

The amendment of the Fourth Article of the Articles of Incorporation of the Company to be stated as "That the place where the principal office of said Corporation is to be established or located is 3rd Floor, Starmall, C.V. Starr Avenue, Philamlife Village, Pamplona, Las Pinas City" was confirmed and ratified.

c.6 Ratification/Approval of the Proposed Amendment of the By-Laws of the Company

The amendment of the First Article of the Company's By-Laws to be stated as "The principal office of the Corporation shall be located at the 3rd Floor, Starmall, C.V. Starr Avenue, Philamlife Village, Pamplona, Las Pinas City. The Corporation may establish and maintain branch offices or agencies elsewhere in the Philippines whenever warranted by the existence of its business affairs" was ratified and confirmed.

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Website: www.starmallsinc.com.ph

3. This Certification is being issued in compliance with the requirements of the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014.

IN WITNESS WHEREOF, I have hereunto affixed my signature this JAN 0 8 2016 at MANDALUYONG CITY.

MA. NALEN S.J. ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 0 8 2016, affiant exhibiting to me her Passport No. EB2116785 expiring on 17 March 2016.

Doc. No. 237;
Page No. 49;
Book No. V;
Series of 2016.

ATTY. CRISTY B. DIZON-VICTORIO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
ROLL NO. 59655
IBP No. 1020717 / 05 Jan. '2016 / Manila III
PTR No. 2599906 / 04 Jan. '2016 / Mandaluyong City
MCLE Compliance No. IV-0017992, issued dated 26 Apr. 2013
Notarial Commission Appointment No. 0402-15
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

STARMALLS, INC. (FORMERLY: POLAR PROPERTY HOLDINGS CORPORATION)

(Company's Full Name)

3RD LEVEL STARMALL LAS PINAS, CV STARR AVENUE, PHILAMLIFE VILLAGE, PAMPLONA, LAS PINAS CITY

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

Jo L. Ilijay
Contact Person

571-5948 / 871-4001
Company Telephone Number

1 2 **3 1**
Month *Day*
Calendar Year

17-Q
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2016

2. SEC Identification Number 39587

3. BIR Tax Identification No. 000-806-396

4. STARMALLS, INC.
   Exact name of the registrant as specified in its charter

5. Metro Manila, Philippines
   Province,country or other jurisdiction of incorporation

6. Industry Classification Code (SEC Use Only)

7. 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Avenue, Pamplona, Las Piñas City 1746
   Address of Principal Office Postal Code

8. (02) 571-5948 / (02) 871-4001
   Registrant's telephone number, including area code

9. Polar Property Holdings Corp.
   Former name, former address and former fiscal year, if change since last report.

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

Title of each Class	Number of Shares of common stock outstanding
Common stock	**8,425,981,156 shares**
Preferred stock	**2,350,000,000 shares**

11. Are any of the registrant's securities listed on the Philippine Stock Exchange?

Yes [x] No [ ]

12. Check 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 Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes [x] No [ ]

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

Yes [x] No [ ]

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STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015
(In Thousand Pesos)

	Unaudited 03/31/2016	*Audited* 2015
ASSETS		
CURRENT ASSETS		
Cash	832,240	1,008,053
Trade and other receivables - net	1,875,285	1,527,212
Due from related parties	204,061	186,940
Real estate properties for sale - net	324,064	323,383
Available-for-sale financial assets	36,962	36,962
Prepayments and other current assets	1,928,604	1,869,204
Total Current Assets	5,201,216	4,951,755
NON-CURRENT ASSETS		
Due from related parties	3,556,024	3,556,024
Available-for-sale financial assets	3,500,972	3,899,643
Investment properties	20,419,107	19,154,159
Property and equipment - net	57,724	61,032
Other non-current assets - net	161,021	161,021
Total Non-current Assets	27,694,848	26,831,879
TOTAL ASSETS	32,896,064	31,783,634
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Liability for land acquisition	528,034	502,527
Interest-bearing loans and borrowings	1,236,354	868,191
Trade and other payables	1,909,135	1,736,092
Due to related parties	326,680	326,680
Income tax payable	61,762	37,178
Other current liabilities	275	275
Total Current Liabilities	4,062,240	3,470,943
NON-CURRENT LIABILITIES		
Liability for land acquisition	114,129	49,629
Interest-bearing loans and borrowings	10,288,118	9,880,060
Retirement benefit obligation	60,696	60,696
Due to related parties	393,257	393,257
Deferred tax liabilities - net	452,669	342,768
Other noncurrent liabilities	666,543	676,442
Total Non-current Liabilities	11,975,412	11,402,853
Total Liabilities	16,037,652	14,873,796
EQUITY		
Equity attributable to parent company's shareholders		
Capital Stock	8,449,481	8,449,481
Additional paid-in capital	6,389,314	6,389,314
Revaluation reserves	(1,742,235)	(1,343,564)
Retained earnings	3,698,011	3,347,703
Total equity attributable to parent company's shareholders	16,794,572	16,842,934
Non-controlling interest	63,840	66,904
Total Equity	16,858,412	16,909,838
TOTAL LIABILITIES AND EQUITY	32,896,064	31,783,634

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2016	Unaudited Jan - Mar 2016	Unaudited Jan - Mar Q1 - 2015	Unaudited Jan - Mar 2015
REVENUES				
Rental income	839,816	839,816	444,154	444,154
Parking fees	15,644	15,644	10,711	10,711
Other operating income	36,158	36,158	17,792	17,792
	891,618	891,618	472,656	472,656
COSTS AND EXPENSES				
Depreciation & Amortization	134,544	134,544	114,877	114,877
Occupancy expenses	62,314	62,314	36,439	36,439
Outside services	59,692	59,692	50,309	50,309
Repairs and maintenance	25,649	25,649	11,782	11,782
Advertising and promotions	9,936	9,936	4,719	4,719
Salaries and employee benefits	37,306	37,306	31,872	31,872
Taxes and licenses	29,987	29,987	14,907	14,907
Others	10,769	10,769	19,974	19,974
	370,196	370,196	284,879	284,879
OPERATING PROFIT	521,422	521,422	187,778	187,778
OTHER INCOME (CHARGES)				
Finance income	3,684	3,684	6,194	6,194
Finance costs - net	(25,737)	(25,737)	(19,861)	(19,861)
	(22,053)	(22,053)	(13,666)	(13,666)
PROFIT BEFORE TAX	499,369	499,369	174,111	174,111
TAX EXPENSE -	(152,125)	(152,125)	(39,148)	(39,148)
NET INCOME	347,244	347,244	134,963	134,963
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gain (loss) on Available for Sale Financial Assets	(398,670)	(398,670)	4,986	4,986
TOTAL COMPREHENSIVE INCOME (LOSS)	(51,426)	(51,426)	139,948	139,948
Attributable to:				
Parent company's shareholders	(48,362)	(48,362)	138,335	138,335
Minority interest	(3,065)	(3,065)	1,614	1,614
	(51,426)	(51,426)	139,948	139,948
Earnings per Share	P 0.042	P 0.042	P 0.016	P 0.016

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2016	*Unaudited Jan - Mar* 2016	*Unaudited Jan - Mar* Q1 - 2015	*Unaudited Jan - Mar* 2015
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS				
COMMON STOCK				
Balance at beginning of period	8,425,981	8,425,981	8,425,981	8,425,981
Treasury shares	-	-	(1,578,228)	(1,578,228)
Balance at end of period	8,425,981	8,425,981	6,847,753	6,847,753
PREFERRED STOCK				
Balance at beginning of period	23,500	23,500	23,500	23,500
Treasury shares	-	-	-	-
Balance at end of period	23,500	23,500	23,500	23,500
ADDITIONAL PAID-IN CAPITAL	6,389,314	6,389,314	2,451,349	2,451,349
REVALUATION RESERVES				
Balance at beginning of period	(1,343,564)	(1,343,564)	2,001	2,001
Fair value gains (losses)	(398,670)	(398,670)	4,986	4,986
Balance at end of period	(1,742,235)	(1,742,235)	6,987	6,987
RETAINED EARNINGS				
Balance at beginning of period	3,347,703	3,347,703	2,517,193	2,517,193
Net income	350,308	350,308	133,349	133,349
Balance at end of period	3,698,011	3,698,011	2,650,542	2,650,542
MINORITY INTEREST				
Balance at beginning of period	66,904	66,904	135,793	135,793
Share in net income	(3,065)	(3,065)	1,614	1,614
MINORITY INTEREST	63,840	63,840	137,407	137,407
TOTAL EQUITY	16,858,412	16,858,412	12,117,538	12,117,538

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2016	*Unaudited Jan - Mar* 2016	*Unaudited Jan - Mar* Q1 - 2015	*Unaudited Jan - Mar* 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	499,369	499,369	174,111	174,111
Adjustments for:				
Finance costs	25,737	25,737	19,861	19,861
Depreciation and amortization	134,544	134,544	114,877	114,877
Interest income	(3,684)	(3,684)	(6,194)	(6,194)
Operating income before changes in operating assets and liabilities	655,965	655,965	302,655	302,655
Decrease (increase) in:				
Trade and other receivables	(348,073)	(348,073)	(84,955)	(84,955)
Real estate properties for sale	(680)	(680)	(886)	(886)
Prepayments and other current assets	(59,400)	(59,400)	(378,476)	(378,476)
Other non-current assets	-	-	(10,085)	(10,085)
Increase (decrease) in:				
Trade and other payables	173,043	173,043	(447,037)	(447,037)
Liability for land acquisition	90,007	90,007	(89,756)	(89,756)
Deferred tax liabilities	109,901	109,901	11,824	11,824
Income tax payable	24,585	24,585	(42,950)	(42,950)
Other non-current liabilities	(9,899)	(9,899)	39,331	39,331
Cash from (used in) operations	635,448	635,448	(700,335)	(700,335)
Payment of taxes	(152,125)	(152,125)	(39,148)	(39,148)
Interest received	3,684	3,684	6,194	6,194
Interest paid	(25,737)	(25,737)	(19,861)	(19,861)
Net Cash from (Used in) Operating Activities	461,270	461,270	(753,149)	(753,149)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in amounts due from related parties	(17,120)	(17,120)	(278,176)	(278,176)
Acquisition of AFS investments	-	-	(25,014)	(25,014)
Increase in investment properties and property and equipment	(1,396,183)	(1,396,183)	(993,182)	(993,182)
Net Cash Provided by (Used in) Investing Activities	(1,413,303)	(1,413,303)	(1,296,372)	(1,296,372)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in amounts due to related parties	-	-	779	779
Proceeds from bank loans	1,001,309	1,001,309	869,751	869,751
Payment of loans	(225,088)	(225,088)	(61,166)	(61,166)
Net Cash From Financing Activities	776,220	776,220	809,364	809,364
NET INCREASE IN CASH	(175,813)	(175,813)	(1,240,157)	(1,240,157)
CASH AT BEGINNING OF PERIOD	1,008,053	1,008,053	1,960,277	1,960,277
CASH AT END OF PERIOD	832,240	832,240	720,120	720,120

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Starmalls, Inc. (the Company or Parent Company) was incorporated in the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval, the Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business.

On May 14, 2012, the Company's Board of Directors (BOD) authorized the change in corporate name of Polar Property Holdings Corporation to Starmalls, Inc. The SEC approved the Company's application of change in corporate name on June 22, 2012.

The Company is owned by Vista Land & Lifescapes, Inc. or VLLI (88.34%), Land & Houses Public Company Limited or L&H (9.59%), and the rest by other entities and individuals. The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

As of March 31, 2016 and 2015, the Company has ownership interests in the following entities (the Company and subsidiaries are collectively referred herein as the Group):

Subsidiaries	Percentage of Ownership	
	2016	2015
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (Manuela)	**98.4%**	98.4%

In December 2014, the Company disposed its 100% ownership interest in Brittany Estates Corporation (BEC), a subsidiary which is engaged in developing and selling real estate properties, in order to focus in the mall and office building development and operations. The disposal of the subsidiary resulted to the latter's deconsolidation from the Group as of December 31, 2014.

All subsidiaries were incorporated in the Philippines and are primarily engaged in the development, sale of real estate properties and leasing of commercial spaces.

The Company's registered office and principal place of business is located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (the Group) as at March 31, 2016 and 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.

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

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

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

The policy is accordance with PFRS 10, Consolidated Financial Statements.

The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage of Ownership	
Subsidiaries	**2016**	2015
MAPI	100.00%	100.00%
Manuela	98.36%	98.36%

In 2012, the Parent Company acquired 98.36% interest over Manuela, an entity under common ownership and control. The acquisition was accounted for using acquisition method by adjusting the balances of the net assets of Manuela to reflect the fair value of its net assets at the time of acquisition. This resulted to a negative goodwill amounting ₱9,317.89 million.

On December 29, 2014, the Company disposed its 100% ownership interest in Britanny Estate Corporation. The disposal of the subsidiary resulted to the latter's deconsolidation from the Group as of December 31, 2014.

On November 10, 2015, VLLI signed an agreement with the existing shareholders of the Group to acquire approximately 88.25% or 7,436.22 million shares of the outstanding capital stock of the Parent Company for a total consideration of ₱33,537.36 million.

In December 2015, VLLI acquired 6,692.93 million shares of the Parent Company from the Fine Group, including Manuela for a total consideration of ₱30,185.11 million (the "First Closing Date"). The second closing date which is after the tender offer period in February 10, 2016, VLLI acquired the remaining afs743.29 million shares of the Parent Company from the Fine Group in the amount of ₱3,352.25 million.

Upon execution of the agreement, VLLI paid ₱2,681.25 million to the Fine Group (the "Initial Sale Payment") which was applied against the consideration in the First Closing Date.

As a condition to the acquisition of the Group, Fine Group agreed to invest the 97.5% of the total consideration from the disposal or ₱32,698.93 million representing 4,573.28 million shares of VLLI at ₱7.15 per share. The shares will be issued out of VLLI's increase in its authorized capital stock which was applied and approved by the SEC on November 11, 2015.

As at December 31, 2015, VLLI completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares. Further, VLLI has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

After the aforementioned transactions, Starmalls, Masterpiece and Manuela became subsidiaries of VLLI as at December 31, 2015.

As at February 24, 2016, VLLI completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

Both VLLI and Starmalls Group are entities under common control of Fine Group. Accordingly, VLLI accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.
As a result of the acquisition, Starmalls accounting policies have been realigned to Vista Group. Accordingly, the fair values previously recognized on Property and equipment, and Investment Properties of the Starmalls Group have been adjusted under the pooling-of-interest method and brought back to cost.

In addition, the financial statements as of and for the years ended December 31, 2014 and 2013 have been restated to include the accounts of Starmalls as if the entities had always been combined. The January 1, 2014 statement of financial condition has been presented for the opening balances at a combined basis using the same pooling-of-interest method.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2015. Except as otherwise indicated, the adoption of the new and amended PFRS, PAS, Philippine Interpretations did not have any effect on the consolidated financial statements of the Group.

- 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. The amendments had no impact on the Group's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
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.

- 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; and
    - 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* (or PFRS 9, *Financial Instruments*, if early adopted). 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 - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  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. The amendment will have no impact on the Group's financial position or performance.

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

Annual Improvements to PFRSs (2011-2013 cycle)
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.

- 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.

  The amendment had no impact on the Group's financial position or performance.

- 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. The amendment had no significant impact on the Group's financial position or performance.

- 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). The amendment had no significant impact on the Group's financial position or performance.

There are new PAS and PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

<u>Standards Issued but not yet Effective</u>
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2015. 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. The Group does not expect the adoption of these standards to have a significant impact in the financial statements, unless otherwise stated.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real

estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. 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.

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 will have no significant impact on 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 will have no significant impact on the Group's financial position or performance.

- 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. These amendments are not expected to have any impact to the Group.

- 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 1 January 2016. These amendments will have no significant impact on the Group's financial position or performance.

- 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.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its financial statements.

- 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 consolidated 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.

Annual Improvements to PFRS (2012-2014 cycle)
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.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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. The amendment will have no significant impact on the Group's financial position or performance.

- 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). The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous

versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The requirements on hedge accounting will not have any impact on the Group's financial statements.

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

- 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 recognized 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 recognizing 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 currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group plans to adopt the new standard on the required effective date once adopted locally but this will not have impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it 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 trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Fair value measurement

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 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; and
- 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 financial reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

"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 under "Interest income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using 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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents, trade receivables, installment contract receivables (classified under current and non-current assets) and refundable deposits (classified under current and non-current assets).

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

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 in OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. 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 financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of March 31, 2016 and December 31, 2015, AFS financial assets comprise of unquoted and quoted equity securities. The Group's AFS financial assets in quoted equity securities pertain to investments in shares of publicly listed companies while unquoted equity securities pertain to investments in shares of non-listed companies.

Liability for land acquisition and other financial liabilities
Liability for land acquisition and other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, liability for land acquisition and 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 an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and payable to related parties and other liabilities. The financial liabilities measured at amortized cost are interest-bearing loans and borrowings and liability for land acquisition.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its 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 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 the 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 or 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.

Impairment of Financial Assets
The Group assesses at each financial 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, 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 an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, 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.

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. Financial assets carried at amortized costs, 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.

AFS financial assets carried at fair value
In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding 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 OCI is removed from OCI and recognized in profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are

not recognized in the profit or loss. Increases in fair value after impairment are recognized directly in OCI.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

For business combinations under common control an entity can choose to account for the combinations using the acquisition method or pooling of interest method. However, where an entity selects the acquisition method of accounting, the transaction must have substance from the perspective of the reporting entity. When evaluating whether the transaction has substance, the following factors are considered:

(a) the purpose of the transaction;
(b) the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
(c) whether or not the transaction is conducted at fair values;
(d) the existing activities of the entities involved in the transactions;
(e) whether or not it is bringing entities together into a "reporting entity" that didn't exist before; and
(f) where a Newco is established, whether it is undertaken as an integral part of an IPO or spin-off or other change in control and significant change in ownership.

Under acquisition method, the Group can either measure the consideration transferred at the acquisition-date fair value of the consideration actually given or elect to impute an additional equity contribution to recognize total consideration equivalent to the fair value of the business received. Whichever method is adopted should be applied consistently, and the entity should disclose its chosen accounting policy.

Real Estate Properties for Sale

Real estate properties for sale consist of raw land intended for future development, subdivision land and residential house and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Acquisition cost of raw land;
- Amounts paid to contractors for construction and development of raw land and residential units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

<u>Prepaid Expenses</u>
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

<u>Creditable Withholding Tax</u>
This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

<u>Value-Added Tax (VAT)</u>
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

<u>Investment Properties</u>
Investment properties comprise of land, building, building improvements and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Building and building improvements are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. CIP 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.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization 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 investment properties.

The EUL of buildings and building improvements is 10 to 40 years.

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 gain or loss on the retirement or disposal of an investment property is 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 the property for measurement or for 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, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the EUL of property and equipment as follows:

	Years
Building and building improvements	10 to 40 years
Office furniture, fixtures and equipment	3 to 5 years
Transportation equipment	3 years
Construction equipment	5 years

Building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed annually 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.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Impairment of Nonfinancial Assets
This accounting policy relates to property and equipment and investment properties.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the 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 assets or groups 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 assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization 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.

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries (Note 17).

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group'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 to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings account is restricted to payments of dividends to the extent of the cost of treasury shares.

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.

Rental income
Rental income from investment property is accounted for on a straight-line basis over the lease term.

Common usage and service area charges
Revenue is recognized when the performance of contractually agreed task has been substantially rendered

Rendering of services
Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered. Revenue from rendering of services include common usage and service area charges, income from parking fees and others.
Real estate revenue
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. Collectability 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. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

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.

Income from forfeited reservations and collections
Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act,* upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest income
Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables or HTM investments) using the effective interest method and is shown as deduction for the financial assets.

Dividend and miscellaneous income
Dividend and miscellaneous income are recognized when the Group's right to receive payment is established.

Pension Cost
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

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.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes
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 are enacted or substantively enacted by the reporting date.
Deferred tax
Deferred tax is provided using the liability method on 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, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

<u>Commissions</u>
The Group recognizes commissions 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.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(c) there is a 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases 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.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of March 31, 2016 and December 31, 2015, the Group has no potential dilutive common shares.

Segment Reporting
Presently, the Group's only significant operating segment is related to its leasing of commercial spaces operations. This is being monitored and strategic decisions are made on the basis of operating results.

Furthermore, the Group's operations are presently concentrated in the Philippines; hence, it has no geographical segment classification. The Group, however, continues to acquire properties for future development in different areas. Rentals to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

Since the Group has only one significant operating segment, the items presented in the consolidated financial statements corresponding to assets and liabilities represent virtually the entire segment assets and liabilities.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the financial reporting date. Exchange gains or losses arising from foreign exchange transactions are credited or charged against operations for the period.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in 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 Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of accompanying consolidated financial statements in compliance 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 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 and cost recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Collectability of the sales price

For real estate sales, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Classification of financial instruments

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

In addition, the Group classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification required significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS financial assets. Consequently, the investment would therefore be measured at fair value and not at amortized cost.

Operating lease commitments - the Group as lessee

The Group is engaged in contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

Classification of property as investment property or real estate properties for sale
The Group determines whether a property is classified as investment property or inventory property 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.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial 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 an 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, the property is accounted for as an 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.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position.

Management's Use of Estimates
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 POC measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

Determining fair values of financial assets and liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market condition, assuming an orderly liquidation over a reasonable period of time.

Impairment of financial assets

(i) *AFS equity securities*

The Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged', greater than twelve (12) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price of similar equity securities.

In addition, in the case of unquoted equity securities, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

(ii) *Loans and receivables*

The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Estimating allowance for impairment losses on receivables

The Group maintains allowances for impairment losses based on the results of the individual and collective assessments under PAS 39. For both individual and collective assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. The estimated cash flows considers the management's estimate of proceeds from the disposal of the collateral less cost to repair, cost to sell and return of deposit due to the defaulting party. The cost to repair and cost to sell are based on historical experience. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates made for the year. 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 of real estate properties for sale

Real estate properties for sale are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Evaluation of impairment
The Group reviews 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, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value les cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investment properties and property and equipment.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of March 31, 2016 and December 31, 2015, no indicators of impairment exist for investment properties, and property and equipment.

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

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income 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 income 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.

Estimating pension obligation and other retirement benefits
The determination of the Group's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. See Note 18 to the consolidated financial statements for the related balances.

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. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 26 to the consolidated financial statements for the related balances.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2016 and December 31, 2015:

		31 Mar 2016		31 Dec 2015
Cash on hand	**P**	**334,500**	P	294,500
Cash in banks		**538,199,905**		842,381,391
Cash equivalents		**293,706,094**		165,377,382
	P	**832,240,499**	P	1,008,053,273

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	2016	2015
Philippine Peso	1.2% to 2.5%	1.2% to 2.0%
US Dollar	3.00%	3.00%

5. TRADE RECEIVABLES

The balance of this account is composed of the following as of March 31, 2016 and December 31, 2015:

		31 Mar 2016		31 Dec 2015
Trade receivables from tenants:				
Third party	**P**	**1,169,580,095**	P	1,054,511,027
Related parties under common ownership		**738,087,602**		505,083.858
Others		**18,161,774**		18,161,774
		1,925,829,471		1,577,756,659
Allowance for impairment		**(50,544,672)**		(50,544,672)
	P	**1,875,284,799**	P	1,527,211,987

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2015, certain receivables from tenants, contractors, suppliers, brokers, and others were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. In 2014, management assessed that certain receivables totaling P21.6 million which were previously provided with allowance should already be written off.

Receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 12 months from the end of the reporting period.

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of March 31, 2016 and December 31, 2015 are stated at cost, the details of which are shown below.

	31 Mar 2016	31 Dec 2015
Land	**P 166,467,236**	P 165,906,181
Residential units for sale	**157,596,464**	157,477,140
	P 324,063,700	P 323,383,321

Residential units for sale represent houses and lots in completed subdivision projects for which the Group has already been granted the license to sell by the HLURB of the Philippines. Residential units include units that are ready for occupancy, house models and units under construction.

7. AVAILABLE-FOR-SALE FINANCIAL ASSESTS

The breakdown of this account is as follows:

	31 Mar 2016	31 Dec 2015
Current:		
Equity securities	**P 36,961,985**	P 36,961,985
Non-current –		
Equity securities	**3,500,972,370**	3,899,642,724
	P 3,537,934,355	P 3,936,604,709

The fair values of the investments in AFS financial assets have been determined directly by reference to published prices in an active market

The AFS financial assets classified as current assets in the consolidated statements of financial position is intended by management to be disposed within 12 months from the end of the reporting period.

Interest income from AFS financial assets are presented as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income.

8. PREPAYMENTS AND OTHER ASSETS

This account is composed of the following as of March 31, 2016 and December 31, 2015:

	31 Mar 2016	31 Dec 2015
Current:		
Input VAT	**P 1,277,268,280**	P 1,251,951,699
Advances to contractors, brokers and others	**531,566,362**	466,196,241
Reserve fund	**-**	72,185,021
Prepayments	**66,809,066**	29,706,926
Short-term installment contracts receivable	**26,914,007**	26,914,007
Creditable withholding taxes	**12,778,213**	13,991,373
Others	**13,268,279**	8,258,764
	1,928,604,207	1,869,204,031
Non-current:		
Refundable deposits	**130,803,294**	130,803,294
Long-term installment contracts receivable	**30,217,68**	30,217,682
	161,020,976	161,020,976
	P 2,089,625,183	P 2,030,225,007

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Advances to contractors, brokers and others pertain to receivables that are recouped from settlement of progress billing statements which occur within one year from date the receivables arose.

Prepayments pertain to prepaid taxes, insurance premiums, employee benefits, repairs and rent, which will be utilized within 12 months from the end of the reporting period.

Short-term installment contracts receivable represent the current portion of the Group's installment contracts receivable. The long-term installment contracts receivable consists of amounts arising from the sale of residential units that are collectible within 2 to 10 years.

Others include accrued interest receivable, penalties receivable from tenants due to late payments, security deposits, advance rentals and office supplies.

9. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land and building and improvements, which are owned and held for capital appreciation and rental purposes.

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to ₱839.8 million and ₱444.2 million for the period ended March 31, 2016 and 2015, respectively, are presented as

Rental income under Revenues and Income in the consolidated statements of comprehensive income.

Direct costs incurred generally pertain to depreciation charges and real property taxes. Real property tax related to investment property was recognized as part of Taxes and Licenses in the consolidated statements of comprehensive income. Depreciation charges are presented as part of Depreciation and Amortization in the consolidated statements of comprehensive income.

The composition of this account is shown below.

	31 Mar 2016	31 Dec 2015
Land	**P 7,815,803,002**	P 7,725,796,111
Building and improvements, net of accumulated depreciation	**6,876,618,652**	5,689,844,233
Commercial building under construction	**5,726,685,383**	5,738,518,894
	P 20,419,107,037	P 19,445,196,123

Commercial building under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs amounting representing the actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of Investment Property

Investment Property Owned by the Parent Company
The fair value of the remaining investment property in Valenzuela amounting ₱41.52 million as of December 31, 2015. The Parent Company's investment property has a carrying amount of ₱5.32 million as of March 31, 2016 and December 31, 2015. This consists of parcels of land located in Valenzuela City with a total land area of 23,675 square meters. The investment property is being held for capital appreciation. There was no additional impairment loss recognized in 2015 and 2014 as determined by an independent firm of appraisers.

Investment Property Owned by MAPI
MAPI's investment property includes several parcels of land, commercial buildings which are currently held for lease (Starmall San Jose Del Monte in Bulacan, Starmall Taguig and Starmall Azienda in Cebu), a commercial building in Wack-Wack, Mandaluyong and commercial buildings under construction which are owned primarily to earn rental income in the future.

The land located in San Jose del Monte, Bulacan amounting to ₱52.5 million, which represents its purchase price, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership (Note 23). The Phase 1 and Phase 2 of Starmall San Jose Del Monte were completed in 2012 and 2014, respectively, and started their operations in 2013 and 2014, respectively. Accordingly, the Company reclassified portion of Commercial buildings under construction to Buildings and improvements amounting to ₱786.4 million and ₱56.4 million representing the completion of Phase 1 and Phase 2, respectively, of the commercial building which are already available for lease. Phase 3 of Starmall San Jose Del Monte is still in progress as of March 31, 2016.

In addition to the Phase 2 of Starmall San Jose Del Monte, Starmall Taguig and Starmall Azienda were also completed in 2014 and started operations in September and November, respectively. A commercial building in Wack-Wack in Mandaluyong was also completed during the latter part of 2014.

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounted to ₱2,090.28 million as of December 31, 2014. The parcel of land is currently being developed by the Group as a commercial center that will be available for lease in the future.

MAPI acquired certain parcels of land in several locations at a cost of ₱2,665.36 million and ₱957.10 million in 2015 and 2014, respectively, for future establishment of commercial properties.

The Phase 1 of Starmall Molino, Starmall Sta. Rosa and Starmall Imus were completed and started their operations in 2015. Accordingly, the Company reclassified portion of Commercial buildings under construction to Land and Buildings and improvements amounting to ₱65.31 million and ₱1,089.94 million, respectively.

Commercial buildings still in progress as of March 31, 2016 include Starmall Bataan, Starmall Bulacan and Phase 2 of Starmall Prima Taguig, Starmall Molino in Bacoor, Cavite and Starmall Sta. Rosa, Laguna.

Investment Property Owned by Manuela
The investment property of Manuela, with a total carrying amount of ₱4,706.23 million and ₱3,331.27 million as of December 31, 2015 and 2014, includes several parcels of land and buildings and improvements located in Mandaluyong City (Starmall EDSA – Shaw and Worldwide Corporate Center), Las Piñas City (Starmall Las Piñas and Starmall Las Piñas - Annex) and Muntinlupa City (Starmall Alabang). Part of the cost of buildings and improvements is the capitalized borrowing cost amounting to ₱57.50 million, ₱1.06 million and ₱6.05 million as of December 31, 2015, 2014 and 2013, respectively. These properties are owned and held primarily to earn rental income. The capitalization rate used was 5.75% for December 31, 2015, 2014 and 2013.

Fair Value of Investment Property
In 2015, the Company secured the services of an independent firm of appraisers to determine the fair market values of the Company's investment as of December 31, 2015. Fair market value of investment property is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date.

The results of the appraisal below showed that the fair market values of investment property exceeded the related carrying amounts as of December 31, 2015.

	Land	Buildings and Improvements	Total
Company -			
Land in Valenzuela City	₱42,000,000	₱–	₱42,000,000
MAPI:			
Sta. Rosa, Laguna	1,206,000,000	1,535,000,000	2,741,000,000
Imus, Cavite	227,000,000	318,000,000	545,000,000
Land in Bacoor, Cavite	4,591,000,000	753,000,000	5,344,000,000
Starmall San Jose del Monte	210,000,000	1,511,000,000	1,721,000,000
Mandaluyong City	232,000,000	415,000,000	647,000,000
Starmall Prima Taguig	1,464,000,000	1,276,000,000	2,740,000,000
Starmall Azienda	–	368,000,000	368,000,000
Manuela:			
Starmall Alabang	2,916,000,000	3,469,000,000	6,385,000,000
Starmall EDSA-Shaw	3,001,000,000	1,170,000,000	4,171,000,000

Starmall Las Piñas	394,100,000	1,642,900,000	2,037,000,000
Starmall Las Piñas-Annex	121,000,000	100,000,000	221,000,000
WCC	–	1,935,000,000	1,935,000,000
	₱14,404,100,000	₱14,492,900,000	₱28,897,000,000

10. LIABILITY FOR LAND ACQUISITION

Liability for land acquisition represents the outstanding payable as of March 31, 2016 and December 31, 2015 relating to the Group's acquisition of certain parcels of land.

Additions in 2016 and 2015 pertains to land purchases in various locations from individual third parties amounting to ₱90.0 million and ₱699.8 million, respectively, to be held as future commercial building construction sites. From these purchases, the Company had outstanding liability of ₱528.0 million, payable in the next 12 months, and ₱114.1 million with maturity of more than 1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section, respectively, as of March 31, 2016.

11. TRADE AND OTHER PAYABLES

This account consists of:

	31 Mar 2016	31 Dec 2015
Retention payable	**P 674,957,056**	P 584,314,257
Trade payables	**615,852,914**	553,884,718
Deferred output VAT	**228,610,188**	280,333,605
Accrued rentals	**216,437,162**	239,049,684
Construction payable	**94,991,299**	16,390,234
Accrued expenses	**71,666,993**	62,119,723
Other payables	**6,619,278**	-
	P 1,909,134,890	P 1,736,092,221

Retentions payable pertains to 10% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Trade payables represent construction materials, marketing collaterals and office supplies ordered and delivered but not yet due. These are expected to be settled within a year after the recognition period.

Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

Construction payable pertains to contractors' billings for services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

Accrued rentals pertain to the effect of straight-line recognition of contractual rent expense as prescribed by PAS 17, Leases.

Other payables pertain to salaries related premiums and loans payable and withholding taxes payable.

12. EQUITY

12.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	31 Mar 2016	31 Dec 2015	**31 Mar 2016**	31 Dec 2015
Preferred – voting, cumulative, non-participating, non- convertible, non-redeemable – P0.01 par value				
Authorized	**10,000,000,000**	10,000,000,000	**P 100,000,000**	P 100,000,000
Issued and outstanding:				
Balance at beginning of year	**2,350,000,000**	2,350,000,000	**P 23,500,000**	P 23,500,000
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**2,350,000,000**	2,350,000,000	**P 23,500,000**	P 23,500,000
Common shares – P1.00 par value				
Authorized	**16,900,000,000**	16,900,000,000	**P 16,900,000,000**	P 16,900,000,000
Issued and outstanding:				
Balance at beginning of year	**8,425,981,156**	8,425,981,156	**P 8,425,981,156**	P 8,425,981,156
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**8,425,981,155**	8,425,981,155	**P 8,425,981,155**	P 8,425,981,155
			P 8,449,481,156	P 8,449,481,156

On May 14, 2012, the BOD approved the increase in the Company's authorized capital stock from P5.5 billion divided into 5.5 billion shares with P1 par value to P17.0 billion divided into 16.9 billion common shares with P1 par value and 10.0 billion preferred shares with P0.01 par value. The application for increase in authorized capital stock was approved by the SEC on June 22, 2012.

Each preferred share is a voting, cumulative, non-participating, non-convertible and non-redeemable share.

The list of common shareholders of the Company is shown in the next page with their respective number of shares held:

	Number of Shares Issued	Percentage Ownership
VLLI	7,443,194,641	88.34%
L&H	808,431,465	9.59%
Others	174,355,050	2.07%
	8,425,981,156	100.00%

The following also illustrates the additional listings made by the Company:

On November 13, 1970, the SEC approved the listing of the Company's common shares totaling 1.0 billion. The shares were initially issued at an offer price of ₱0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to ₱4.5 billion divided into 4.5 billion shares with a par value of ₱1.00 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to ₱5.5 billion divided into 5.5 billion shares with a par value of ₱1.00 each, as authorized by the Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Company.

As of March 31, 2016 and December 31, 2015, 8,425,981,156 shares are listed in the PSE and closed at ₱7.06 and ₱7.00 per share, respectively.

12.2 Retained Earnings

The Company's BOD approved the declaration of cash dividends of ₱0.20 per share (or a total of ₱978,482,232) on November 20, 2007, payable on December 28, 2007, to stockholders of record as of December 5, 2007. As of March 31, 2016 and December 31, 2014, unpaid portion of these dividends amounting to ₱0.3 million is presented as Dividends Payable in the consolidated statements of financial position. There were no dividends declared for the period ended March 31, 2016 and the years ended December 31, 2015 and 2014.

13. EARNINGS PER SHARE

Earnings per share were computed as follows:

	31 Mar 2016	31 Mar 2015
Net profit attributable to parent company's shareholders	**P 350,308,458**	P 133,349,013
Divided by weighted outstanding common shares	**8,425,981,156**	8,425,981,156
Earnings per share	**P 0.04**	P 0.02

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2016 vs. three months ended March 31, 2015

Revenues

Rental Revenue
Rental income increased by 89% from ₱444.2 million in the three months ended March 31, 2015 to ₱839.8 million in the period ended March 31, 2016. The increase was primarily attributable the increase in occupancy and rental rates of our existing malls and additional gross floor area of our investment properties.

Parking Fees
Parking fee revenue increased from ₱10.7 million in the quarter ended March 31, 2015 to ₱15.6 million in the quarter ended March 31, 2016. The 46% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Other Operating Income
Other operating income increased from ₱17.8 million in the three months ended March 31, 2015 to ₱36.2 million in the period ended March 31, 2016. The 103% increase was due to increase in other operating income such as sale of ancillary products and services to tenants.

Finance Income
Finance income decreased from ₱6.2 million in the three months ended March 31, 2015 to ₱3.7 million in the period ended March 31, 2016. The 41% decrease was due to the increase in interest earned from AFS financial assets and the savings and time deposit accounts of the Group.

Costs and Expenses

Operating Costs and Expenses
Operating cost and expenses increased from ₱284.9 million in the three months ended March 31, 2015 to ₱370.2 million in the period ended March 31, 2016. The increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 17% from ₱114.9 million in the three months ended March 31, 2015 to ₱134.5 million in the period ended March 31, 2016 due to additional depreciation from the newly opened malls and corporate building.

- Increase in occupancy expenses by 71% from ₱36.4 million in the period ended March 31, 2015 to ₱62.3 million in the three months ended March 31, 2016 due to the increase in the rate of utilities as well as consumption due to the newly opened malls and corporate buildings.

- Increase in outside services by 19% from ₱50.3 million in the period ended March 31, 2015 to ₱59.7 million in the three months ended March 31, 2016 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in repairs and maintenance by 118% from ₱11.8 million in the period ended March 31, 2015 to ₱25.6 million in the three months ended March 31, 2016 due to the refurbishments of the equipment and facilities of the existing malls.

- Increase in advertising and promotion by 111% from ₱4.7 million in the three months ended March 31, 2015 to ₱9.9 million in the period ended March 31, 2015 due to increase in advertorials and events for the marketing and promotion of the malls and corporate buildings.

- Increase in salaries and employee benefits by 17% from ₱31.9 million in the three months ended March 31, 2015 to ₱37.3 million in the period ended March 31, 2016 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 101% from ₱14.9 million in the quarter ended March 31, 2015 to ₱30.0 million in the period ended March 31, 2016 due to additional taxes with the increase of the Group's investment portfolio.

- Decrease in other operating expenses by 46% from ₱20.0 million in the three months ended March 31, 2015 to ₱10.8 million in the period ended March 31, 2016 due to cost rationalization measures implemented.

Interest and financing charges increased by 30% from ₱19.9 million in the quarter ended March 31, 2015 to ₱25.7 million in the period ended March 31, 2016. This was due to additional interest–bearing loans obtained during the period.

Provision for tax increased by 289% from ₱39.1 million in the quarter ended March 31, 2015 to ₱152.1 million in the period ended March 31, 2016. This was due to higher operating revenues in the 1st quarter 2016.

Net Income

As a result of the foregoing, the Company's net income increased by 157% from ₱135.0 million in the three months ended March 31, 2015 to ₱347.2 million in the three months ended March 31, 2016.

Other Comprehensive Income (Loss)

The Group reported a net gain for the quarter ended March 31, 2015 in the amount of ₱4.9 million while it incurred a net loss for the quarter ended March 31, 2016 in the amount of ₱398.7 million arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

For the three months ended March 31, 2016, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between costs and revenues.

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

Financial Condition as of March 31, 2016 vs. December 31, 2015

Total assets were ₱33.2 billion as of March 31, 2016 and ₱31.8 billion as of December 31, 2015. The 5% increase is due to the following:

- Cash and cash equivalents posted a decrease of 17% from ₱1.0 billion as of December 31, 2015 to ₱832.2 million as of March 31, 2016 due to disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

- Trade and other receivables posted an increase of 23% from ₱1.5 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Available for sale financial assets decreased by 10% from ₱3.9 billion as of December 31, 2015 to ₱3.5 billion as of March 31, 2016 due to fair value loss on the Company's investment in VLL shares.

- Prepayments and other current assets increased by 3% from ₱1.87 billion as of December 31, 2015 to ₱1.93 billion as of March 31, 2016 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings.

- Investment properties increased by 7% from ₱19.2 billion as of December 31, 2015 to ₱20.4 billion as of March 31, 2016 due to the construction and development of new projects and purchase of various properties to be used for commercial development.

- Property and equipment decreased by 5% from ₱61.0 million as of December 31, 2015 to ₱57.7 million as of March 31, 2016 due to the depreciation charges during the period.

Total Liabilities as of March 31, 2016 were ₱16.0 billion compared to ₱14.9 billion as of December 31, 2015, or an 8% increase. This was due to the following:

- Liabilities for land acquisition increased by 16% from ₱552.2 million as of December 31, 2015 to ₱642.2 million as of March 31, 2016 due to purchase of new project sites.

- Interest-bearing loans and borrowings increased by 7% from ₱10.7 billion as of December 31, 2015 to ₱11.5 billion as of March 31, 2016 due to loans availed in the 1st Quarter 2016.

- Trade and other payables increased by 10% from ₱1.7 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 due mainly to payables to contractors and suppliers for on-going construction projects.

- Income tax payable increased by 66% from ₱37.2 million as of December 31, 2015 to ₱61.8 million as of March 31, 2016 due to increase in income tax payable for the year ended December 31, 2015.

- Deferred tax liabilities increased by 32% from ₱342.8 million as of December 31, 2015 to ₱452.7 million as of March 31, 2016 due to recognition of tax liabilities in the 1st Quarter 2016.

- Other non-current liabilities decreased by 1% from ₱676.4 million as of December 31, 2015 to ₱666.5 million as of March 31, 2016 due to payments of security deposits to various mall tenants.

Total stockholder's equity decreased by 0.3% from ₱16.91 billion as of December 31, 2015 to ₱16.86 billion as of March 31, 2016 due to the total comprehensive loss incurred for the three months ended March 31, 2016.

Top Five(5) Key Performance Indicators

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	03/31/2016	03/31/2015
Current ratio [a]	1.3	1.8
Debt-to-equity ratio [b]	0.95	0.37
Interest coverage ratio [c]	20	7
EBITDA margin [d]	74%	64%
Return on equity [e]	2.1%	0.5%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(d) Earnings before interest, income taxes, depreciation and amortization (EBITDA) margin: This ratio is obtained by dividing the Company's Earnings before interest, income taxes, depreciation and amortization by the total revenue. This measures the Company's operating profitability.

(e) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of March 31, 2016 decreased from that of March 31, 2015 due to the increase in current liabilities arising from bank loans.

The increase in debt-to-equity ratio as of March 31, 2016 was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the quarter ended March 31, 2016 increased because increase in revenues for the 1st Quarter 2016.

EBITDA margin increased to 74% with the improvement in operating income for the 1st Quarter 2016.

Return on equity is increased as a result of improvement in operating income for the period.

Material Changes to the Company's Statement of Financial Position as of March 31, 2016 compared to December 31, 2015 (increase/decrease of 5% or more)

Cash and cash equivalents posted a decrease of 17% from ₱1.0 billion as of December 31, 2015 to ₱832.2 million as of March 31, 2016 due to disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

Trade and other receivables posted an increase of 23% from ₱1.5 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 mainly due increase in rental revenue with the opening of the new malls and corporate building.

Available for sale financial assets decreased by 10% from ₱3.9 billion as of December 31, 2015 to ₱3.5 billion as of March 31, 2016 due to fair value loss on the Company's investment in VLL shares.

Investment properties increased by 7% from ₱19.2 billion as of December 31, 2015 to ₱20.4 billion as of March 31, 2016 due to the construction and development of new projects and purchase of various properties to be used for commercial development.

Property and equipment decreased by 5% from ₱61.0 million as of December 31, 2015 to ₱57.7 million as of March 31, 2016 due to the depreciation charges during the period.

Liabilities for land acquisition increased by 16% from ₱552.2 million as of December 31, 2015 to ₱642.2 million as of March 31, 2016 due to purchase of new project sites.

Interest-bearing loans and borrowings increased by 7% from ₱10.7 billion as of December 31, 2015 to ₱11.5 billion as of March 31, 2016 due to loans availed in the 1st Quarter 2016.

Trade and other payables increased by 10% from ₱1.7 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 due mainly to payables to contractors and suppliers for on-going construction projects.

Income tax payable increased by 66% from ₱37.2 million as of December 31, 2015 to ₱61.8 million as of March 31, 2016 due to increase in income tax payable for the year ended December 31, 2015.

Deferred tax liabilities increased by 32% from ₱342.8 million as of December 31, 2015 to ₱452.7 million as of March 31, 2016 due to recognition of tax liabilities in the 1st Quarter 2016.

Other non-current liabilities decreased by 1% from ₱676.4 million as of December 31, 2015 to ₱666.5 million as of March 31, 2016 due to payments of security deposits to various mall tenants.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 (increase/decrease of 5% or more)

Rental income increased by 89% from ₱444.2 million in the three months ended March 31, 2015 to ₱839.8 million in the period ended March 31, 2016. The increase was primarily attributable the increase in occupancy and rental rates of our existing malls and additional gross floor area of our investment properties.

Parking fee revenue increased from ₱10.7 million in the quarter ended March 31, 2015 to ₱15.6 million in the quarter ended March 31, 2016. The 46% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Other operating income increased from ₱17.8 million in the three months ended March 31, 2015 to ₱36.2 million in the period ended March 31, 2016. The 103% increase was due to increase in other operating income such as sale of ancillary products and services to tenants.

Finance income decreased from ₱6.2 million in the three months ended March 31, 2015 to ₱3.7 million in the period ended March 31, 2016. The 41% decrease was due to the increase in interest earned from AFS financial assets and the savings and time deposit accounts of the Group.

Increase in depreciation and amortization by 17% from ₱114.9 million in the three months ended March 31, 2015 to ₱134.5 million in the period ended March 31, 2016 due to additional depreciation from the newly opened malls and corporate building.

Increase in occupancy expenses by 71% from ₱36.4 million in the period ended March 31, 2015 to ₱62.3 million in the three months ended March 31, 2016 due to the increase in the rate of utilities as well as consumption due to the newly opened malls and corporate buildings.

Increase in outside services by 19% from ₱50.3 million in the period ended March 31, 2015 to ₱59.7 million in the three months ended March 31, 2016 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in repairs and maintenance by 118% from ₱11.8 million in the period ended March 31, 2015 to ₱25.6 million in the three months ended March 31, 2016 due to the refurbishments of the equipment and facilities of the existing malls.

Increase in advertising and promotion by 111% from ₱4.7 million in the three months ended March 31, 2015 to ₱9.9 million in the period ended March 31, 2015 due to increase in advertorials and events for the marketing and promotion of the malls and corporate buildings.

Increase in salaries and employee benefits by 17% from ₱31.9 million in the three months ended March 31, 2015 to ₱37.3 million in the period ended March 31, 2016 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 101% from ₱14.9 million in the quarter ended March 31, 2015 to ₱30.0 million in the period ended March 31, 2016 due to additional taxes with the increase of the Group's investment portfolio.

Decrease in other operating expenses by 46% from ₱20.0 million in the three months ended March 31, 2015 to ₱10.8 million in the period ended March 31, 2016 due to cost rationalization measures implemented.

Interest and financing charges increased by 30% from ₱19.9 million in the quarter ended March 31, 2015 to ₱25.7 million in the period ended March 31, 2016. This was due to additional interest–bearing loans obtained during the period.

Provision for tax increased by 289% from ₱39.1 million in the quarter ended March 31, 2015 to ₱152.1 million in the period ended March 31, 2016. This was due to higher operating revenues in the 1st quarter 2016.

COMMITMENTS AND CONTINGENCIES

The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.
There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 1st Quarter 2016 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 1st Quarter 2014 Financial Statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.
There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

PART II - OTHER INFORMATION

Item 3. 1st Quarter Developments

A. **New Projects or Investments in another line of business or corporation.**

In February 2016, The Group opened to the public the expansion of Starmall Prima Taguig in Cayetano Boulevard, Taguig City. The building which has a GFA of 47,631 square meters is home to three (3) cinemas and various retail shops and restaurants.

B. **Composition of Board of Directors**

Manuel B. Villar Jr.	Chairman of the Board
Jerry M. Navarrete	Director, President and CEO
Benajamarie Therese N. Serrano	Director, COO
Manuel Paolo A. Villar	Director
Anant Asavabhokin	Director
Joel L. Bodegon	Independent Director
Raul Juan N. Esteban	Independent Director

C. **Performance of the corporation or result/progress of operations.**

Please see unaudited Financial Statements and Management's Discussion and Analysis.

D. **Declaration of Dividends.**

None.

E. **Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.**

None.

F. **Offering of rights, granting of Stock Options and corresponding plans therefore.**

None.

G. **Acquisition of additional mining claims or other capital assets or patents, formula, real estate.**

None.

H. **Other information, material events or happenings that may have affected or may affect market price of security.**

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLL) signed an agreement with Fine Properties, Inc. ("Fine Properties"), Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar (collectively, the "Fine Group") to acquire approximately 88.25% or 7,436.22 million shares of the Company for a total consideration of P33,537.36 million.

In December 2015, VLL acquired 6,692.93 million shares of Starmalls, Inc. from the Fine Group for a total consideration of P30,185.11 million (the "First Closing Date"). As at December 31, 2015, VLL completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares from the Fine Group. Further, VLL has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

The second closing date which is after the tender offer period in February 10, 2016, VLL acquired the remaining 743.29 million shares of Starmalls, Inc. from the Fine Group in the amount of P3,352.25 million. As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

I. **Transferring of assets, except in normal course of business.**

None.

<u>Item 4. Other Notes as of the 1st Quarter 2016 Operations and Financials.</u>

J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

None.

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

L. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

See Notes to Financial Statements and Management Discussion and Analysis.

M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

None.

N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

None.

O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

None.

P. Existence of material contingencies and other material events or transactions during the interim period.

None.

Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None.

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

S. Material commitments for capital expenditures, general purpose and expected sources of funds.

The movement of capital expenditures being contracted arose from the regular land development, commercial building construction and requirements which are well within the regular cash flow budget coming from internally generated funds.

T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

As of March 31, 2016, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the nine months ended March 31, 2016 financial statements.

U. Significant elements of income or loss that did not arise from continuing operations.

None.

V. Causes for any material change/s from period to period in one or more line items of the financial statements.

None.

W. Seasonal aspects that had material effect on the financial condition or results of operations.

None.

X. Disclosures not made under SEC Form 17-C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

STARMALLS, INC.
Issuer

By:

FRANCES ROSALIE T. COLOMA
Chief Financial Officer

Date: May 11, 2016