SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
- ☐ Preliminary Information Statement
- ☑ Definitive Information Statement

2. Name of Registrant as specified in its charter

   EMPIRE EAST LAND HOLDINGS, INC.

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

   Metro Manila

4. SEC Identification Number

   AS094-006430

5. BIR Tax Identification Code

   003-942-108

6. Address of principal office

   21st Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, Philippines
   Postal Code
   1227

7. Registrant's telephone number, including area code

   (632) 8678826 to 40

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

   June 13, 2017, 9 a.m., Grand Ballroom Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City

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

   May 15, 2017

10. In case of Proxy Solicitations:

   Name of Person Filing the Statement/Solicitor

   Dominic V. Isberto

   Address and Telephone No.

   28th Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, (632) 8678826

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

☑ Yes ☐ No

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

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

Empire East

Empire East Land Holdings, Inc.

ELI

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting

References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 13, 2017
Type (Annual or Special)	Annual
Time	9:00 a.m.
Venue	Grand Ballroom Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City
Record Date	Apr 21, 2017

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
None

Filed on behalf by:

Name	Dohrie Edangalino
Designation	Authorized User

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-1S
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 **EMPIRE EAST LAND HOLDINGS, INC.**

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

4. SEC Identification Number **AS094-006430**

5. BIR Tax Identification Code **003-942-108**

6. **21st Floor The World Centre**
   330 Sen. Gil Puyat Avenue
   Makati City, Philippines **1227**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 867-8351 to 59**

8 **13 June 2017, 9:00 a.m.**
   Grand Ballroom, Eastwood Richmonde Hotel
   17 Orchard Road, Eastwood City
   Bagumbayan, Quezon City, Philippines
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **13 May 2017**

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

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

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

    Yes [X] No [ ]

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

Empire East

21st Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS
Empire East Land Holdings, Inc.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Empire East Land Holdings, Inc. will be held on 13 June 2017, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, with this agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Approval of Minutes of the Previous Annual Meeting
4. Annual Report of Management
5. Amendment of Principal Office Address
6. Appointment of External Auditors
7. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
8. Election of Directors
9. Other Matters
10. Adjournment

Stockholders of record as of 21 April 2017 will be entitled to notice of, and to vote at, the Annual Meeting.

We are not soliciting your proxy. However, if you would like to appoint proxies to represent you in the Annual Meeting, you may submit your proxy instruments on or before 5 June 2017 to the office of the Corporate Secretary, 28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City. Validation of proxies will be held on 5 June 2017, 9:00 a.m. Sample proxy forms are enclosed for your convenience.

Makati City, Philippines, May 9, 2017.

DENNIS E. EDAÑO
Corporate Secretary

SAMPLE ONLY
PROXY
EMPIRE EAST LAND HOLDINGS, INC.
2017 STOCKHOLDERS' MEETING

I/WE hereby name and appoint, ____, or in his absence, the Chairman of the meeting, as my/our proxy at the annual stockholders' meeting of **EMPIRE EAST LAND HOLDINGS, INC.** ("Empire East") to be held on 13 June 2017 at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of Empire East, which appointment shall not exceed five (5) years from date hereof.

In particular, I hereby direct my said proxy to vote all my shares on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

Items No.	Subject	Action		
		For	**Against**	**Abstain**
3.	Approval of Minutes of the Previous Annual Meeting			
5.	Amendment of Principal Office Address			
6.	Appointment of External Auditors			
7.	Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management			
8.	Election of Directors			
	a. Andrew L. Tan			
	b. Anthony Charlemagne C. Yu			
	c. Gerardo C. Garcia			
	d. Enrique Santos L. Sy			
	e. Alejo L. Villanueva, Jr.			
	f. Kevin Andrew L. Tan			
	g. Evelyn G. Cacho			
FULL DISCRETION				

______________________________ ______________________________
PRINTED NAME OF STOCKHOLDER AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 5 JUNE 2017.

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.

THIS PROXY DOES NOT NEED TO BE NOTARIZED.
(Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories)

Empire East

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual meeting of stockholders of the Company will be held on 13 June 2017, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines.

The Company's principal office address is at the 21/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, Philippines.

Copies of this information statement will be sent on or before 13 May 2017 to all stockholders on record as of 21 April 2017.

The Company is not soliciting proxies. We are not asking you for a proxy. Neither are you required to send us a proxy.

Dissenters' Right of Appraisal

There is no proposed corporate action or matter that will grant appraisal rights pursuant to the Corporation Code of the Philippines to dissenting stockholders.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case the corporation decides to invest its funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and 4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.** Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) 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 the fair value is not determined, within sixty (60) days from the date the corporate action was approved by the ckholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

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

No director or officer of the Company, or any nominee for election as a director of the Company, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the annual meeting of stockholders.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of Shares Outstanding

As of 30 March 2017, the Company had 14,676,199,167 outstanding shares of common stock. Each common share shall be entitled to one (1) vote.

Record Date of Meeting

All owners on record of the Company's common shares as of 21 April 2017 will be entitled to notice of, and to vote at, the annual meeting of stockholders.

Cumulative Voting Rights

Each common share entitles the person in whose name it is registered in the books of the Company to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. Each holder of common stock shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Security Ownership of Record and Beneficial Owners of more than
5% of the Company's Shares of Common Stock as of March 31, 2017

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City	Megaworld Corporation	Filipino	11,994,426,438	81.7271%

Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Filipino	1,514,810,997[1]	10.3215%
Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Non-Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Non-Filipino	752,276,449	5.1258%

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

<u>Security Ownership of Management as of March 31, 2017</u>

Title of Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.165422%
		11,994,426,438[2] (indirect)	Filipino	81.727062%
		138,133,820[3] (indirect)	Filipino	0.941210%
Common	Gerardo C. Garcia	636,277 (direct)	Filipino	0.004335%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.000000%
Common	Kevin Andrew L. Tan	1 (direct)	Filipino	0.000000%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.000081%

[1] This includes 1,000,000 shares beneficially owned by Megaworld Corporation.
[2] The shares are held by Megaworld Corporation had authorized Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.
[3] The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.

Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.000240%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.000000%
President and Four Most Highly Compensated Officers				
Common	Anthony Charlemagne C. Yu	Same as above		
Common	Ricky S. Libago	0	Filipino	n/a
Common	Evelyn G. Cacho	Same as above		
Common	Ricardo B. Gregorio	0	Filipino	n/a
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
Other Executive Officers				
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Celeste Z. Sioson-Bumatay	0	Filipino	n/a
Common	All directors and executive officers as a group	25,053,721 (direct)	Filipino	0.170708%

Voting Trust Holders of 5% or More

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

Changes in Control

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

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the annual meeting of stockholders held on 14 June 2016 and will hold office for one (1) year and/or until their successors are elected and qualified.

Information concerning the background of the directors and executive officers of the Company is provided in pages 20 to 24 of the Company's Annual Report to Stockholders.

Procedure for Nomination and Election of Independent Directors

Pursuant to Article II, Section 2 of the Company's By-Laws, the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.

2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.

3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, 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 Company is required to submit to the Commission. The name of

the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.

4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. 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' meeting.

5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.

6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.

7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

<u>Nominees</u>

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Nomination Committee composed of Enrique Santos L. Sy as Chairman, Gerardo C. Garcia and Alejo L. Villanueva, Jr. as members accepts nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

1. Andrew L. Tan
2. Anthony Charlemagne C. Yu
3. Enrique Santos L. Sy
4. Evelyn G. Cacho
5. Kevin Andrew L. Tan
6. Gerardo C. Garcia – Independent Director
7. Alejo L. Villanueva, Jr. – Independent Director

<u>Independent Directors</u>

This year's nominees for directors include two persons who qualify as independent directors. Mr. Carmelo Jose J. Canto III nominated incumbent independent director, Mr. Gerardo C. Garcia, for another term, while Ms. Maria Rosario Justo nominated incumbent independent director, Mr. Alejo L. Villanueva, for another term. Ms. Justo and Messrs. Canto, Garcia and Villanueva are not related by consanguinity or affinity up to the fourth civil degree.

<u>Significant Employees</u>

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

<u>Family Relationships</u>

Chairman Andrew L. Tan and Mr. Kevin Andrew L. Tan, both directors of the Company, are father and son.

<u>Material Pending Legal Proceedings</u>

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

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

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

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

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

Related Transactions

In 2015, total commissions earned by a subsidiary from the sale of its parent company's real estate properties amounted to P143.3 million.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. The related parties that have entered into transactions with the Company are identified in Schedules C & F of the SEC Supplementary Schedules as of December 31, 2015. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 23 of the Notes to the Audited Consolidated Financial Statements of the Company and its Subsidiaries attached as Exhibit 1 hereof and incorporated herein by reference.

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

Resignation/Disagreement

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

Compensation of Directors and Executive Officers

Compensation of Certain Officers

The total annual compensation paid to the President/CEO and four most highly compensated executive officers of the Company amounted to Php20,670,344 in 2016 and Php16,313,817 in 2015. The projected total annual compensation of the named executive officers for the current year is Php23,707,663.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2016, the Company paid a total of Php700,000 for directors' per diem and has allocated the same amount for 2017.

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

Summary of Compensation Table

The following table identifies the President and the four most highly compensated officers of the Company and summarizes their aggregate compensation in 2015 and 2016 and estimated aggregate compensation for 2017:

Name and Principal Position	Year	Salary	Others Variable Pay	Total Annual Compensation
Anthony Charlemagne C. Yu, President & CEO				
Ricky S. Libago Executive Vice President				
Evelyn G. Cacho SVP				
Ricardo B. Gregorio FVP for HR, General and Administrative Services				
Jhoanna Lyndelou T. Llaga FVP for Marketing				
President and 4 Most Highly Compensated Officers	2015	13,204,104	3,109,713	16,313,817
	2016	16,831,840	3,838,504	20,670,344
	2017	19,356,616	4,351,047	23,707,663
All Other Officers and Directors as a Group	2015	23,623,852	4,784,634	28,408,486
	2016	29,276,744	5,933,822	35,210,566
	2017	33,668,255	6,736,275	40,404,530

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

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

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

Outstanding Warrants and Options

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

Independent Public Accountants

The Board of Directors of the Company, in consultation with the Audit Committee, composed of Gerardo C. Garcia as Chairman and Alejo L. Villanueva, Jr. and Evelyn G. Cacho as Members, will recommend to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for 2017.

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2016, Mr. Renan A. Piamonte, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Mr. Nelson Dinio, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2011 to 2015.

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

Representatives of Punongbayan & Araullo are expected to be present at the annual meeting of stockholders. They 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.

Corporate Governance

Compliance with Leading Practices on Corporate Governance

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the principles of good corporate governance in the entire organization. Pursuant to the Company's Manual on Corporate Governance, the Company's Board of Directors created the following committees and appointed members thereto.

Audit Committee

The Audit Committee assists the Board in the performance of its oversight of the financial reporting process, system of internal control, audit process, and compliance with applicable laws, rules and regulations. The Committee provides oversight over financial management functions, including the internal and external auditors and the financial statements of the Company. On October 3, 2012, the Board approved the Audit Committee Charter which states its purpose, membership, structure, operations, duties and responsibilities. The Audit Committee has three members, two of whom are independent directors. An independent director serves as its head.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on remuneration of the directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Compensation and Remuneration Committee consists of three members, including at least one independent director.

Nomination Committee

The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Nomination Committee has three members, including at least one independent director.

In 2016, the members of the Board were required to take a Corporate Governance Orientation course and were also encouraged to undergo further training in corporate governance. Some directors have attended the Professional Directors Program of the Institute of Corporate Governance and participated in Corporate Governance roundtable conferences. The Company complies with its Manual on Corporate Governance requirement that it rotate its external auditor or change the handling partner every five (5) years or earlier. The Company likewise increased the number of independent directors in its Audit Committee, from one independent director to two independent directors, and appointed an independent director to head the Audit Committee, in accordance with SEC Memorandum Circular No. 6.

Evaluation System

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Manual.

Deviations from Manual and Sanctions Imposed

In 2016, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions were imposed on any director, officer or employee on account of non-compliance with the Company's Manual on Corporate Governance

Plan to Improve Corporate Governance

Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as further amended by SEC Memorandum Circular No.9, Series of 2014, the Company revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance. The Company is also in the process of updating its Manual of Corporate Governance to comply with SEC Memorandum Circular No. 19, Series of 2016 and will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

Financial Information

Financial Statements of the Company and its subsidiaries as of 31 December 2016, 2015 and 2014, and the Management's Discussion and Analysis of Results of Operations and Financial Condition for the corresponding periods are contained in the Company's Annual Report to Stockholders and are incorporated herein by reference.

OTHER MATTERS

Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 14 June 2016 will be submitted to the Company's stockholders for approval. The minutes will refer to the adoption of stockholders' resolutions pertaining to, among others, the following matters:

1. Approval of Minutes of the Previous Annual Meeting
2. Appointment of External Auditors
3. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
4. Election of Directors

The approval or disapproval of said minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the minutes.

Amendment of Charter, Bylaws, or Other Documents

The Corporation will submit for the approval of its stockholders the proposed amendment to the third Article of its Amended Articles of Incorporation ("AOI") to change its principal office address. The amendment is being made to align with the planned transfer of the Corporation to its new office address at The Alliance Global Tower in Uptown Bonifacio, Taguig City which is expected to be completed on or about January 2018. In connection with such amendment, approval will also be sought to authorize any of the officers of the Corporation to finalize, execute and deliver the necessary certificates and other documents with the Securities and Exchange Commission and other government agencies and perform all actions as may be necessary to fully implement the foregoing resolution and the change in principal office address.

Other Proposed Action

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Board Committees and Management adopted during the period covering 1 January 2016 through 31 December 2016.

These acts are covered by resolutions duly adopted by the Board of Directors and its Board Committees, such as:

1. Appointment of Contract Signatories
2. Appointment of Proxies and Nominees
3. Application for Permits and Licenses for Projects
4. Operation of Bank Accounts and other Bank Transactions
5. Development and Operation of Projects
6. Property Acquisitions, Dispositions, Leases and Joint Ventures
7. Application for Telecommunication Subscriptions
8. Holding of 2016 Annual Meeting of Stockholders
9. Registration of Master Deeds and Restrictions covering Projects
10. Application for, and renewal of, corporate permits, licenses and accreditations

Voting Procedures

Vote Required

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be at least two (2) independent directors in the Company's board of directors.

For the proposed amendment to the AOI, 2/3 of the outstanding capital stock will be required for approval while for all other matters proposed to be acted upon, the vote of majority of the outstanding capital stock will be required for approval.

Method of Counting of Votes

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders. In the election of directors, each holder of common share may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee 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 nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including two (2) independent directors. In the event that the number of nominees to the board of directors should exceed the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors will not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Empire East Land Holdings, Inc., Attention: Mr. Dennis E. Edaño, Corporate Secretary, 21st Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 9, 2017.

EMPIRE EAST LAND HOLDINGS, INC.

By:

EVELYN G. CACHO
Senior Vice President

ANNUAL REPORT TO STOCKHOLDERS

Business Development

Empire East Land Holdings, Inc. (the "Company") was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly, Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now the Company for the purpose of separating its high-end residential and office business from its lower and middle-income housing business. As of December 2016, Megaworld holds 81.73% of the Company.

As of December 31, 2016, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. ("VVPI"); Sherman Oak Holdings, Inc. ("SOHI") Empire East Communities, Inc. ("EECI") and 20th Century Nylon Shirt Co., Inc. (20th Century); 73% in Laguna BelAir Science School, Inc. (LBASSI); 60% in Sonoma Premier Land, Inc. ("SPLI") (formerly, "Galleria Corsini Holdings, Inc."); and 47% in Gilmore Property Marketing Associates, Inc. ("GPMAI") and 20% in Pacific Coast Megacity Inc. (PCMI).

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

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

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

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

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

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

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

20th Century was incorporated in 1952. In February 2015, the company acquired 100% ownership interest in 20th Century,

PCMI was incorporated in 2012. In 2015 the Company acquired 20% ownership interest with a plan of acquiring its 100% interest over a period of five years.

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

General Nature and Scope of Business

The Company is a real estate developer of residential projects, ranging from horizontal subdivisions and mid-rise up to high-rise condominiums in highly accessible locations in metropolitan and suburban Manila.

The Company spearheaded several development concepts that have become major trends in the real estate industry in the Philippines for the last two decades. Its flagship project is Laguna BelAir, where residents dwell in a fully integrated live-work-play community. It also introduced Loft-Type Units and Cluster-Type Condominiums which have been game-changers in the residential sector.

The launching of Transit-Oriented Developments (TOD) and Urban Resort Communities by the Company opened new lifestyle choices to more Filipino homebuyers and investors. These breakthrough concepts were followed by its major competitors, especially the other developers which are also targeting the middle-income housing market.

Update on Projects

KASARA URBAN RESORT RESIDENCES along Eagle Avenue and P. E. Antonio Street near C5 Road in Ugong, Pasig City, features six high-rise towers with world-class resort-type amenities including a lake-inspired pool, infinity pools, waterfalls, bubblers and koi ponds, clubhouse with function hall and bar area, multi-purpose court, fitness gym, playground, jogging paths, and greeneries which are all dedicated to almost 65% of its 1.8-hectare property. The project's proximity to Ortigas CBD, Eastwood City and Bonifacio Global City, makes it a top choice for both investors and end-users. Both sold out, Tower 1 is near completion while Tower 2 is more than halfway finished. Towers 3 and 5 are under pre-selling and in the initial stages of construction. Towers 4 and 6 are set to be launched for pre-selling.

THE ROCHESTER located at Elisco Road, San Joaquin, Pasig City, will have -7 Asian Modern towers set to rise on a 3-hectare property. The low-rise Garden Villas 1 and 2 and the mid-rise Breeze Tower have been completed and sold out. The residents of the RFO towers are currently enjoying the clubhouse with function areas, min-bar, fitness gym, 25-meter lap pool, kiddie pool and a multi-purpose court. Parklane, Palmridge and Hillcrest Towers are nearly sold out and halfway completed. Construction for Bridgeview Tower has already started.

SAN LORENZO PLACE at EDSA corner Chino Roces Avenue in Makati City, features 4 high-rise towers standing on a podium with an upscale shopping mall directly linked to MRT-3 Magallanes station. The project offers an unparalleled luxurious city lifestyle in the Makati CBD with high-end amenities such as swimming pools, tennis court, fitness gym, jogging paths, gardens, function room, daycare center and clubhouse at the sixth level. Towers 4, 1 and 2 are ready-for-occupancy while Tower 3 is expected to be completed by end of the year. Almost all residential units in the four towers have been sold out.

PIONEER WOODLANDS offers a transit-oriented lifestyle to its residents as it is connected directly to MRT-3 Boni station. Located along EDSA corner Pioneer Street in Mandaluyong City, close to Ortigas and Makati CBDs, the project has 6 high-rise towers, recreational amenities at the 5th level, and a two-level retail arcade. Towers 1, 2 and 3 have been sold out and are now ready for occupancy. Towers 4 and 5 are in full-swing construction and both nearly sold out while the final tower, Tower 6, is set to be launched soon.

LITTLE BAGUIO TERRACES is a four-tower mid-rise condominium community in San Juan City, with gates along N. Domingo Street and Aurora Boulevard. This transit-oriented development is between Gilmore and J. Ruiz station of LRT-2, offering a quick access to the University Belts in Manila and Quezon City. Amenities at the 3rd level such as lap pool, kiddie pool, jacuzzi, jogging path, playground, fitness gym, daycare center and function area can now all be enjoyed by its residents. Towers 1, 4 and 3 are RFO and sold out, while Tower 2 is nearly sold out and scheduled for turnover by end of this year.

THE CAMBRIDGE VILLAGE along East Bank Road in the boundary of Pasig City and Cainta, Rizal, is the Company's largest residential development in scale to date. This 37-tower mid-rise community on an 8-hectare land offers approximately 5,200 units targeted to the broad middle-income market segment. Most towers are RFO and sold out, with the few remaining towers of the Central Park phase nearing turnover and nearly sold out. Residents get a vacation lifestyle with its resort-type amenities and ground-level retail shops.

THE SONOMA is a house and lot subdivision development in Santa Rosa City, Laguna that features Asian Modern-style homes. The 50-hectare community is centered by a five-star clubhouse complete with luxurious swimming pools, open courts, function rooms and other recreational facilities. Towards the main gate of the development is 1433 West Row, a retail strip that will feature high-end shops, restaurants and other establishments. The four residential phases—Enclave, Country Club, Pavilion and Esplanade—have all been turned over and are nearly sold out.

SOUTH SCIENCE PARK is a 51-hectare property located at Gimalas, Balayan, Batangas which is master-planned to become a mixed-use development.

MANGO TREE RESIDENCES is a two-tower condominium located at the junction of M. Paterno and J. Ledesma Streets in San Juan City. Natural mango trees, landscaped gardens, and hotel-type amenities will all be located at the spacious ground level as the podium parking will be standing on stilts, providing free flow of air and natural sunlight. West Residences is under-preselling and construction has just started while East Residences is set to be launched for pre-selling.

COVENT GARDEN is along Santol Street Extension in Santa Mesa, Manila, walking distance to LRT-2 V. Mapa station, offering ultimate accessibility to the University Belts in Manila and Quezon City. Other transportation options such as jeepneys, city buses, and rail transits are also available within the area. The project promises an urban sanctuary and escape from the city through its various recreational amenities at an elevated level. South Residences is almost sold out and in full-swing construction. Pre-selling is also under way for North Residences.

Market Price of and Dividends on Common Equity

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

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015 High	0.96	0.90	0.91	1.02
Low	0.88	0.83	0.73	0.74
2016 High	0.91	0.90	0.85	0.77
Low	0.67	0.75	0.75	0.66
2017 High	0.78			
Low	0.66			
4/19/17 Close	0.70			

Holders

As of 31 March 2017, there were 12,559 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2017.

Rank	***Name of Holder***	***Number of Shares***	***Percentage of*** Ownership
1.	Megaworld Corporation	11,994,426,438	81.7271%
2.	PCD Nominee Corporation (Filipino)	1,551,094,348[1]	10.5688%
3.	PCD Nominee Corporation (Non-Filipino	720,789,029	4.9113%
4.	The Andresons Group, Inc.	138,133,820	0.9412%
5.	Andrew L. Tan	24,277,777	0.1654%
6.	Simon Lee Sui Hee	16,685,206	0.1137%
7.	Ramon Uy Ong	14,950,000	0.1019%
8.	Lucio W. Yan	10,350,000	0.0705%
9.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0303%
10.	Evangeline R. Abdullah	4,324,000	0.0295%
11.	George T. Yang	3,675,400	0.0250%
12.	Zheng Chang Hua	3,220,000	0.0219%

[1] This includes 1,000,000 shares beneficially owned by Megaworld Corporation.

13.	Tiong C. Rosario	3,138,791	0.0214%
14.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0212%
15.	Trans-Asia Securities, Inc.	3,000,000	0.0204%
16.	Luisa Co Li	2,902,908	0.0198%
17.	Edward N. Cheok	2,875,000	0.0196%
18.	Aboitiz Equity Ventures, Inc.	2,813,843	0.0192%
19.	Maximino S. Uy	2,357,500	0.0159%
20.	Aboitiz & Company	2,314,421	0.0158%

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

Dividends

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

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

No stock dividends were declared on the Company’s common shares for 2007 to 2016. The Company declared a 15% stock dividend on March 15, 2006, which was paid on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

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

Recent Sales of Unregistered or Exempt Securities

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

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

Directors and Executive Officers

There are seven (7) members of the Company’s Board of Directors, two of whom are independent directors. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director [SRC Rule 38]. All directors were elected during the annual meeting of stockholders held on 14 June 2016 for a term of one year and until their successors are elected and qualified.

Information concerning the background of the directors/nominees for directors and executive officers of the Company indicating their principal occupation or employment and their business or professional experience for the past five (5) years is provided below.

The table sets forth each member of the Company's Board of Directors and the Company's executive officers as of 31 March 2017.

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

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

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 67 years old, Filipino, has served as Chairman of the Company's Board of Directors since its incorporation in July 1994. He was also Treasurer of the Company from July 1994 to May 1998. He is the Chairman of the Board and President of Megaworld Corporation, a publicly listed corporation and the parent of the Company, and Chairman of other publicly listed companies Alliance Global Group, Inc., Emperador Inc. and Global-Estate Resorts, Inc. He pioneered the live-work-play-learn model in real estate development through Megaworld's integrated township communities, thus fueling the growth of the business process outsourcing (BPO) industry. He chairs publicly-listed Alliance Global Group, Inc. which holds interests in property development through Megaworld, integrated tourism estates development through Global-Estate Resorts, Inc. and Travellers International Hotel Group, Inc. which owns Resorts World Manila, and food and beverage manufacturing and distribution through Emperador Inc., which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines, and Golden Arches Development Corporation, which operates and franchises quick service restaurants under the McDonald's brand. Mr. Tan also serves in the boards of various companies: Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Gilmore Property Marketing Associates, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is also the Chairman of Megaworld Foundation, Megaworld's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation.

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 54 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President of the Company for the same period. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Master's Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at the Ponce Enrile Cayetano Reyes & Manalastas Law Offices and served as Special Legal Counsel to the Secretary of Health, Dr. Juan Flavier. He also served as a Consultant in the Senate of the

Philippines. He was a member of the University Faculty of the Ateneo de Manila University for eight (8) years, from 1985 to 1993 and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Mr. Yu has also served as a Law Professor in the College of Law of the University of the Philippines. He was Philippine Delegate to the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu was a member of the United Nations Development Program's Regional Network of Legal Experts on Marine Pollution and the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir School, Inc. He is the President of the El Nido Foundation, an NGO that promotes sustainable development and environmental protection in northern Palawan. He is a Trustee of Culion Foundation, a social development organization that primarily supports undertakings on the prevention and control of selected communicable and infectious diseases, reproductive health, and micro-enterprise development. He is the Chairman of the ERDA Group of Foundations, which promotes educational assistance to the marginalized sectors of society, including street children. He is also a member of the Board of Trustees of IBON Foundation, a non-profit research and education development institution that provides socio-economic research and analysis on people’s issues to various sectors. Mr. Yu is also President and/or Director of Empire East Communities, Inc., Megaworld Central Properties, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Megaworld Newport Property Holdings, Inc.

Gerardo C. Garcia
Vice Chairman/Independent Director

Mr. Garcia, 75 years old, Filipino, is an independent director of the Company. He has been a member of the Company’s Board of Directors since October 1994 and has served as Vice Chairman of the Board since December 1997. He also served as President of the Company from October 1994 until December 1997. He concurrently serves as independent director in the boards of Megaworld Corporation, Global-Estate Resorts, Inc., Suntrust Properties, Inc. and Megaworld Land, Inc. Prior to joining the Company, Mr. Garcia was Executive Vice President of UBP Capital Corporation. He holds a bachelor’s degree in Chemical Engineering and a Master’s Degree in Business Administration from the University of the Philippines.

Enrique Santos L. Sy
Director

Mr. Sy, 67 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company from July 1994 until 31 March 2011. Mr. Sy concurrently serves in the boards of publicly-listed Megaworld Corporation. He is a Director of Eastin Holdings and First Oceanic Property Management, Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and the Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Evelyn G. Cacho
Director/Senior Vice President

Ms. Cacho, 55 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company’s subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She concurrently serves as Director in publicly-listed Suntrust Home Developers, Inc. She also holds the position of Treasurer of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. She is the Assistant Corporate Secretary of Gilmore Property Marketing Associates, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor’s degree in Business Administration major in Accounting and is a certified public accountant by profession.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 75 years old, Filipino, is an independent director of the Company since June 2007. He is concurrently an independent director of Alliance Global Group, Inc., Suntrust Home Developers, Inc., and Emperador Inc. and a Director of First Capital Condominium Corporation, a non-stock, non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Kevin Andrew L. Tan
Director

Mr. Tan, 37 years old, Filipino, has served as Director last June 2015. He is the Senior Vice President of the Commercial Division of Megaworld Corporation which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. He is concurrently a Director of publicly listed companies Alliance Global Group, Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties, Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Empire East Communities, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Treasurer of Megaworld Foundation, Inc. He has over 11 years of experience in retail leasing, marketing and operations. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Ricky S. Libago
Executive Vice President

Mr. Libago, 52 years old, Filipino, has been with the Company since July 2008. He served as Senior Vice President for Project Development, the position he held prior to his appointment as Executive Vice President in July 2016. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Corporation (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

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

Mr. Gregorio, 54 years old, Filipino, has been with the Company since August 1997. Prior to his appointment as First Vice President in Human Resources General Administration Services in July 2015, he occupied the position of Vice President for Human Resources General and Administration Services in June 2003 and as Assistant Vice President for HRAD, Purchasing and Warehouse Department in January 1999. He joined the Company as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Master's Degree in Business Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

Jhoanna Lyndelou T. Llaga
First Vice President for Marketing

Ms. Llaga, 45 years old, Filipino, currently serves as director of Empire East Communities, Inc, the Company's subsidiary and as an SVP of Megaworld Central Properties, Inc., an affiliate. She joined the company in April 1996 and held various marketing positions. She was appointed as Marketing Head in June 2003, Assistant Vice President in July 2009, Vice President in March 2011 and First Vice President in July 2015. Ms. Llaga graduated from the University of the Philippines in March 1994 with the degree of Bachelor of Arts in English Language Studies.

Kim Camille B. Manansala
Assistant Vice President for Audit

Ms. Manansala, 26 years old, Filipino, currently serves as Assistant Vice President for Audit. She joined the company in May 2016 as Senior Audit Manager, appointed as AMS Head in July 2016 and AVP for AMS in January 2017. Prior to joining the company, she worked with SyCip Gorres Velayo & Co. (SGV & Co.) as Senior Assurance Associate where she gained extensive exposure in financial/operations audit for insurance, service, finance and holding companies, advertising and non-profit institutions. She also worked with QBE Group Shared Services Centre as Quality Assurance Analyst Level 4 and AMA Group of Companies as Senior Audit Manager. Ms. Manansala graduated Magna Cum Laude from the Polytechnic University of the Philippines in 2011 with the degree of Bachelor of Science in Accountancy and is a certified public accountant by profession.

Giovanni C. Ng
Treasurer

Mr. Ng, 43 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Senior Vice President and Finance Director of Megaworld Corporation and Treasurer of Adams Properties, Inc. and Townsquare Development, Inc. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc. and New Town Land Partners, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Dennis E. Edaño
Corporate Secretary

Mr. Edaño, 40 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was employed with the Yats International Ltd. as Legal Manager. Mr. Edaño obtained his bachelor's degree in Law in 1999 from the University of the Philippines and his bachelor's degree in Liberal Arts major in Philosophy from the same institution in 1995.

Celeste Z. Sioson
Assistant Corporate Secretary

Ms. Sioson, 40 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Senior Assistant Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor's degree in Law from the University of the Philippines in 2002 and her bachelor's degree in Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal, administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

Financial Information

Financial Statements of the Company and its subsidiaries (the "Group") as of 31 December 2015 and 2014 are attached hereto and incorporated herein by reference.

Management's Discussion of Financial Condition and Results of Operations

For 2016, the following are top key performance indicators of the Group:

		2016	2015
Sales		P4.12 Billion	P4.02 Billion
Net Profit		P600.3 Million	P550.5 Million
Current Ratio	*1	3.54:1	3.72:1
Quick Ratio	*2	.72:1	.71:1

**1- Current Assets/Current Liabilities*

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

1) **Increase in Real Estate Sales**

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

2) **Other Revenues**

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

3) **Ability to repay loan obligations**

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

4) **Continuous development of projects**

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

5) **Landbanking**

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

RESULTS OF OPERATIONS

Review of December 31, 2016 versus December 31, 2015

During the twelve-month period, the consolidated net profit amounted to P601.1 million, 9% higher than the previous year's net income of P550.5 million. Consolidated revenues, composed of real estate sales, realized gross profit, finance income, earnings of associates, commissions and other revenues posted an increase of 3% from P5.1 billion to P5.2 billion.

Real Estate Sales

The Group registered Real Estate Sales of P4.1 billion for twelve months ended December 31, 2016 compared with P4.0 billion in 2015. The sales generated were derived from various projects including, San Lorenzo Place, Pioneer Woodlands, The Sonoma, The Rochester, The Cambridge Village, California Garden Square, Kasara Urban Resort Residences, Little Baguio Terraces, Greenhills Garden Square and Laguna Bel Air Projects.

The Cost of Real Estate Sales amounting to P2.7 billion in 2016 and P2.6 billion in 2015, as a percentage of Real Estate Sales was 64% and 65% in 2016 and 2015 respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P1.5 billion during the twelve months of 2016 and P1.4 billion in 2015, or 36% and 35% of Real Estate Sales in 2016 and 2015 respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit amounting to P1.4 billion for 2016 and 2015, represents 35% of Real Estate Sales in both years.

Other Revenues

The finance income amounting to P323.6 million and P324.1 million in 2016 and 2015 respectively, were derived mostly from in-house financing and various advances from related parties which accounts for 6% of total revenues for both years. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P678.4 million in 2016 and P662.0 million in 2015, represents 13% of total revenues in 2016 and 2015.

Operating Expenses

Operating Expenses for 2016 and 2015 amounted to P1.4 billion. Other charges/expenses include Finance Cost of P199.6 million and P177.4 million in 2016 and 2015, respectively.

FINANCIAL CONDITION

Review of December 31, 2016 versus December 31, 2015

Total resources of the Group as of December 31, 2016 and December 31, 2015 amounted to P38.6 billion and P37.3 billion respectively. Cash and Cash Equivalents decreased from P1.4 billion to P1.0 billion. The Group remained liquid with Total Current Assets of P29.6 billion in 2016 and P28.2 billion in 2015, which accounted for 77% in 2016 and 76% in 2015 of the Total Assets, while its Total Current Liabilities amounted to P8.4 billion in December 31, 2016 as compared with P7.6 billion in December 31, 2015.

The Equity increased from P24.7 billion in the previous year to P24.9 billion as of December 31, 2016 due to Group's profit for the 12-month period net of revaluation of equity investments held by a subsidiary.

For the twelve months of 2016 and in the year 2015, the Group sourced its major cash requirements from internally generated funds, and partly from borrowings.

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

Material Changes in the 2016 Financial Statements
(Increase or decrease of 5% or more versus December 31, 2015)

Statements of Financial Position

- 28% decrease in Cash and cash equivalents
  Mainly due to construction related payments

- 26% increase in Trade and other receivables
  Due to increase in real estate sales

- 8% increase in Advances to related parties
  Primarily due to interest on advances

- 17% decrease in Prepayments and other current assets
  Pertains to input vat offset against vat payable

- 21% decrease in Available for sale financial assets
  Primarily due to decrease in fair market value of investment in securities held by a subsidiary

- 49% decrease in Advances to landowners and joint venture
  Mainly due to collection from landowner/joint venture

- 11% decrease in Investment property
  Primarily due to depreciation charges

- 30% increase in Interest-bearing loans and borrowings
  Mainly due to loan availment

- 35% increase in Trade and other payables
  Various payables to contractors and suppliers due to increasing construction activities

- 19% increase in Deferred Gross Profit on Real Estate Sales
  Mainly due to sales of projects with ongoing development

- 5% decrease in Customers' deposits
  Mainly due to recognition of sales

- 6% increase in Advances from related parties
  Due to project related advances

- 10% increase in Retirement benefit obligation
  Due to accrual of retirement obligation for the year

- 9% increase in Deferred Tax Liabilities
  Mainly due to increase in income tax expense

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus December 31, 2015)

- 9% increase in Realized gross profit on prior years' sale
  Due to construction accomplishment of certain projects

- 109% increase in Equity in net earnings of associates
  Primarily due to increase in earnings of associate

- 79% increase in Deferred gross profit on current year's sales
  Due to construction accomplishment of on-going projects

- 5% increase in Finance costs
  Mainly due to interest on additional loans

- 5% increase in Tax expense
  Mainly due to increase in taxable income

For the year 2017, the projected capital expenditures of roughly P5.0 billion is expected to be funded by collections, borrowings and other sources.

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

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

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

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

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

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

For 2015, the following are top key performance indicators of the Group:
Continuous development of projects

		2015	**2014**
Sales		P4.02 Billion	P3.48 Billion
Net Profit		P550.5 Million	P484.5 Million
Current Ratio	**1*	3.72:1	3.65:1
Quick Ratio	**2*	.71:1	.66:1

**1- Current Assets/Current Liabilities*

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

Continuous development of projects

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

Ability to repay loan obligations

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

RESULTS OF OPERATION

Review of 2015 versus 2014

During the twelve-month period, the consolidated net profit amounted to P550.51 million, 14% higher than the previous year's net profit of P484.52 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues which posted an increase of 11% from P4.58 billion to P5.06 billion. The increase in revenue is mainly due to increase in sales from various projects.

Real Estate Sales

The Group registered Real Estate Sales of P4.02 billion for twelve months ended December 31, 2015 compared with P3.48 billion in 2014. The sales generated were derived from various projects namely, San Lorenzo Place, Pioneer Woodlands, Little Baguio Terraces,The Rochester Gardens, Kasara Urban Resort Residences, The Sonoma, The Cambridge Village, California Garden Square, Greenhills Garden Square, Xavier Hills, Southpoint Science Park and Laguna Bel-Air Projects .

The Cost of Real Estate Sales amounting to P2.6 billion in 2015 and P2.3 billion in 2014, as a percentage of Real Estate Sales, was 65% and 66%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P1.40 billion during the twelve months of 2015 and P1.18 billion in 2014, or 35% and 34% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 35% both in 2015 and 2014 amounting to P1.4 billion and P1.2 billion respectively.

Other Revenues

The Finance income amounting to P324.16 million and P381.19 million in 2015 and 2014 respectively, were derived mostly from in-house financing and accounts for 6% and 8% of total revenues. Commission and other income totaling P653.01 million in 2015 and P600.51 million in 2014, represents 13% of total revenues in both years. The other income includes rentals of investment property and residential/commercial spaces in various projects, equity in net earnings from associates and those obtained from other sources.

Operating Expenses

Operating Expenses posted an increase from P1.31 billion in 2014 to P1.43 billion in 2015. Other charges/expenses include Finance Cost of P177.38 million and P127.86 million in 2015 and 2014, respectively.

FINANCIAL CONDITION

Review of December 31, 2015 versus December 31, 2014

Total resources of the Group as of December 31, 2015 and December 31, 2014 amounted to P37.27 billion and P35.30 billion respectively. Cash and Cash Equivalents increased from P821.51 million to P1.40 billion. The Group remained liquid with Total Current Assets of P28.18 billion in 2015 and P26.65 billion in 2014, which accounted for 76% of the Total Assets in 2015 and 2014, while its Total Current Liabilities amounted to P7.57 billion in December 31, 2015 as compared with P7.30 billion in December 31, 2014.

The Equity decreased from P24.84 billion in the previous year to P24.68 billion as of December 31, 2015 due to revaluation reserves applicable to equity investments.

For the year 2015, the Group sourced its major cash requirements from internally generated funds, collection of advances and borrowings.

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

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

Statements of Financial Position

70% increase in Cash and cash equivalents
Due to increase in collections and receipt of proceeds from bank loan

22% decrease in Property development cost
Due to reclassification of accounts

9% increase in Residential Condominium Units for Sale
Due to ongoing construction and development activities

10% increase in Advances to related parties
Primarily due to interest on advances

30% decrease in Prepayments and other current assets
Pertains to input vat offset against vat payable

29% decrease in Available-for-sale financial assets
Primarily due to decrease in fair market value of investment in securities held by a subsidiary

22% decrease in Advances to Land Owners and Joint Ventures
Reclassification of account from Advances to Joint Ventures to Residential and Condominium Unit for Sale

32% increase in Land held for future development
Mainly due to purchase of properties

296% increase in Investment in associates
Mainly due to investment in new associate

10% decrease in Investment property
Primarily due to depreciation charges

1005% increase in Interest-bearing loans and borrowings
Due to availment of loan

51% increase in Trade and other payables
Various payables to contractors and suppliers due to increasing construction activities

7% decrease in Deferred Gross Profit on Real Estate Sales
Primarily due to increase in construction accomplishment

28% decrease in Customers' deposits
Mainly due to recognition of sales

31% increase in Advances from related parties
Due to construction related advances

31% increase in Reserve for property development
Represents estimated cost to complete the construction/development of sold units

26% increase in Other current liabilities
Pertains to amounts withheld from contractors' billings to guarantee timely and satisfactory completion of works

11% increase in Retirement benefit obligation
Due to accrual of retirement obligation for the year

10% increase in Deferred tax liabilities
Mainly due to increase in deferred taxable income

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus December 31, 2014)

15% increase in Real estate sales
Due to aggressive selling of projects

44% decrease in Realized gross profit on prior years' sale
Due to construction accomplishment of certain projects

15% decrease in Finance income
Primarily due to varying payment terms of interest bearing accounts under in-house financing

10994% decrease in Equity in net earnings of associates
Primarily due to decrease in earnings of associate

10% increase in Commission and other income
Mainly due to increase in revenues derived from other related sources

14% increase in Cost of real estate sales
Mainly attributed to increase in sales

41% increase in Deferred gross profit on current year's sales
Due to pre-selling of projects which are in various stages of construction

39% increase in Finance cost
Mainly due to construction related advances

9% increase in Operating expenses
Due to additional manpower and increase in marketing and administrative expenses

12% decrease in Tax expense
Mainly due to deferred tax adjustment

For the year 2016, the projected capital expenditures (construction and development) of roughly P5 billion is expected to be funded by collections, borrowings and other sources.

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

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

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

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

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

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

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

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

**1- Current Assets/Current Liabilities*

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

Increase in Reservation Sales

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

Continuous development of projects

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

Ability to repay loan obligations

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

RESULTS OF OPERATION

Review of 2014 versus 2013

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

<u>Real Estate Sales</u>

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

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

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

<u>Other Revenues</u>

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

<u>Operating Expenses</u>

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

FINANCIAL CONDITION

Review of December 31, 2014 versus December 31, 2013

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

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

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

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

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

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

Statements of Financial Position

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

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

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

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

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

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

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

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

9% decrease in Investment property
Primarily due to depreciation charges

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,740,000 in 2016 and Php1,670,000 in 2015 exclusive of VAT respectively, in professional fees for services rendered by it for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2016 and 2015.

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2016 and 2015.

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2016, Mr. Renan A. Piamonte, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Mr. Nelson Dinio, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2011 to 2015.

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

The Company shall provide, without charge, to each stockholder a copy of its annual report on SEC Form 17-A, upon written request addressed to Empire East Land Holdings, Inc., Attention: Mr. Dennis E. Edaño, Corporate Secretary, 28th Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.

CERTIFICATION

I, **DENNIS E. EDAÑO,** of legal age, Filipino, with office address at 24th Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, Philippines, after having been sworn in accordance with law, depose and state that:

1. I am the Corporate Secretary of **EMPIRE EAST LAND HOLDINGS, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal place of business at 21st Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, Philippines;

2. I hereby certify that none of the following directors and/or officers or nominee for director of the Corporation currently works in any government institution or entity:

ANDREW L. TAN	Chairman of the Board
GERARDO C. GARCIA	Vice Chairman/Independent Director
ANTHONY CHARLEMAGNE C. YU	Director/President
ALEJO L. VILLANUEVA, JR.	Independent Director
EVELYN G. CACHO	Director/Senior Vice President
ENRIQUE SANTOS L. SY	Director
KEVIN ANDREW L. TAN	Director
RICKY S. LIBAGO	Executive Vice President
RICARDO B. GREGORIO	First Vice President for Human Resources and General and Administration Services
JHOANNA LYNDELOU T. LLAGA	First Vice President for Marketing
KIM CAMILLE B. MANANSALA	Assistant Vice President for Audit
GIOVANNI C. NG	Treasurer
DENNIS E. EDAÑO	Corporate Secretary
CELESTE Z. SIOSON	Assistant Corporate Secretary

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _______________ 2017 at Makati City, Philippines.

DENNIS E. EDAÑO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 08 2017 at Makati City, Metro Manila, Philippines, affiant exhibiting to me his Tax Identification No. 207906709 issued at Metro Manila, Philippines.

Doc. No. 039;
Page No. 608;
Book No. XII;
Series of 2017.

AMIEL VICTOR A. ASUNCION
NOTARY PUBLIC
MAKATI CITY, PHILIPPINES

Amiel Victor A. Asuncion
Notary Public for Makati City
Appointment No. M-194
Until Dec. 31, 2018
Roll of Atty. No. 59612
MCLE Compliance No. V-0016478 Mar. 14, **2016**
IBP OR No. 1054509 Dec. 27, 2016
PTR No. 5916017 Jan. 6, 2017 Makati City
24/F The World Centre Building
330 Sen. Gil. Puyat Ave., Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALEJO L. VILLANUEVA, JR.**, of legal age, Filipino, and a resident of Unit 15-20 Cityland Pasong Tamo Tower, Pasong Tamo Extension, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I have been elected as independent director of **EMPIRE EAST LAND HOLDINGS, INC.** (the "Company").

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service (as Director)
Empire East Land Holdings, Inc.	Independent Director	June 13, 2007 to present
Alliance Global Group, Inc.	Independent Director	September 2006 to present
First Capital Condominium Corporation	Director	August 22, 2001 to present
Suntrust Home Developers, Inc.	Independent Director	October 29, 2012 to present
Emperador Inc.	Independent Director	August 28, 2013 to present

3. I possess all the qualification and none of the disqualification to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulation and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Corporation and its substantial subsidiaries and affiliates.

5. To the best of my knowledge, I am not a subject of any pending criminal or administrative investigation or proceeding.

6. As of the date of this certification, I am not holding any position in nor affiliated with any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities and Regulation Code and its Implementing Rules and Regulation, Code of Corporate Governances and other SEC issuances.

8 I shall inform the Corporate Secretary of the Corporation of any of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 1 8 2017 th day of May 2017 at Makati City, Philippines.

ALEJO L. VILLANUEVA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this MAY 1 8 2017 at MAKATI City, Philippines, affiant personally appeared before me and exhibited to me his Social Security Service No. 03-0714112-5, and Tax Identification No. 107-279-348, both issued in Manila, Philippines.

Doc. No. 326
Page No. 67
Book No. 37
Series of 2017.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-
UNTIL DEC. 31, 2018
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GERARDO C. GARCIA**, of legal age, Filipino, and a resident of 3266 Supa St., United Parañaque 2, Parañaque City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I have been elected as independent director of **EMPIRE EAST LAND HOLDINGS, INC.** (the "Company").

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service (as Director)
Empire East Land Holdings, Inc.	Independent Director	1994 to present
Global-Estate Resorts, Inc.	Independent Director	2011 to present
Megaworld Corporation	Independent Director	1994 to present
Megaworld Land, Inc.	Independent Director	1994 to present
Suntrust Properties, Inc.	Independent Director	1997 to present

3. To the best of my knowledge, I possess all the qualifications and none of the disqualifications to serve as an independent director of the Company, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

MAY 1 0 2017

Done, this ____ day of April 2017 at Makati City, Philippines.

GERARDO C. GARCIA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 1 0 2017 at MAKATI CITY City, Philippines, affiant personally appeared before me and exhibited to me his Tax Identification No. 110-183-659 issued in Manila, Philippines.

Doc. No. 327
Page No. 67
Book No. 37
Series of 2017.

ATTY. [illegible]
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
MCLE CO[illegible]
IBP O.R No. [illegible]
PTR No. [illegible]
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR. JUPITER ST. MAKATI CITY

Empire East

10 May 2017

SECURITIES AND EXCHANGE COMMISSION
Market Securities Regulation Department
Secretariat Bldg., PICC Complex, Roxas Boulevard, Pasay City

Attention: **Mr. Vicente Graciano Felizmenio, Jr.**
Director

Dear Sir:

In compliance with the Certificate of Qualification of Independent Directors pursuant to SEC Memorandum Circular No. 5, Series of 2017. We hereby undertake to submit the revised copy of the Certification five (5) days before the scheduled date of the Annual Shareholders' Meeting dated 13 June 2017.

Thank you.

Very truly yours,

EVELYN G. CACHO
Senior Vice President

Empire East Land Holdings, Inc.

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

AUDITED FINANCIAL STATEMENTS

OF EMPIRE EAST LAND HOLDINGS, INC.

AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Empire East

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for EMPIRE EAST LAND HOLDINGS, INC. for the period ending December 31, 2016.

In discharging this responsibility, I hereby declare that:

__/__ I, am the Asst. Vice President - Controller for Finance of EMPIRE EAST LAND HOLDINGS, INC.

__n/a__ I, am the (position) of (name of organization/person) and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of PUNONGBAYAN & ARAULLO (P&A) who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME	: JULIETA J. BARRERA
PROFESSIONAL IDENTIFICATION CARD NO.	: 63974
VALID UNTIL	: DECEMBER 11, 2020
ACCREDITATION NUMBER	: 278
VALID UNTIL	: JULY 4, 2019

SUBSCRIBED AND SWORN to me before this APR 19 2017 of 2017 affiant exhibiting to me her Tax Identification Number (TIN) 127-352-295.

Doc. No. 472
Page No. 095
Book No. XI
Series of 2017

AMIEL VICTOR A. ASUNCION
NOTARY PUBLIC
ROLL NO. 59612
MAKATI CITY, PHILIPPINES

Amiel Victor A. Asuncion
Notary Public for Makati City
Appointment No. M-194
Until Dec. 31, 2018
Roll of Atty. No. 59612
MCLE Compliance No. V-0016478 Mar. 14, 2016
IBP OR No. 1054509 Dec. 27, 2016
PTR No. 5916017 Jan. 6, 2017 Makati City
24/F The World Centre Building
330 Sen. Gil. Puyat Ave., Makati City

Empire East

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Empire East Land Holdings, Inc. and subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

EVELYN G. CACHO
Chief Financial Officer

SUBSCRIBED AND SWORN to me before this APR 17 2017 **of 2017 affiant exhibiting to me their Tax Identification Number (TIN) as follows:**

Andrew L. Tan	**125-960-003**
Anthony Charlemagne C. Yu	**132-173-451**
Evelyn G. Cacho	**127-326-686**

Doc. No. 445
Page No. 090
Book No. XI
Series of 2017

AMIEL VICTOR A. ASUNCION
NOTARY PUBLIC
ROLL NO. 59612
MAKATI CITY, PHILIPPINES

Amiel Victor A. Asuncion
Notary Public for Makati City
Appointment No M-194
Until Dec. 31, 2018
Roll of Atty. No 59612
MCLE Compliance No V-0016478 Mar. 14, 2016
IBP OR No 1054509 Dec 27, 2016
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24/F The World Centre Building
330 Sen. Gil. Puyat Ave., Makati City

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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grantthornton.com.ph

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue Recognition for Sale of Pre-Completed Properties

Description of the Matter

The Group recognizes revenue from sale of pre-completed properties using the percentage-of-completion method after establishing that collection of the total contract price is reasonably assured, which is determined when a certain percentage of the total contract price has already been collected. Further, under the percentage-of-completion method, the Group recognizes gross profit based on the stage of completion as estimated by management with the assistance of project engineers.

Revenue recognition from sale of pre-completed properties was significant to our audit as it comprises majority of total revenues of the Group. Further, revenue recognition involves significant management judgments and estimates. Management applies judgment in ascertaining the collectability of the contract price, and estimating the stage of completion and contract costs of the real estate project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We tested, on a sample basis, the application of the percentage of collection threshold on sales contracts entered during the year. We also tested the reasonableness of the collection threshold as basis of determining revenue recognition criterion on the collectability of contract price.

In testing the application of percentage-of-completion method, we ascertained the qualification of project engineers who certified the stage of completion of projects. Further, we evaluated the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects.

(b) Net Realizable Values of Real Estate Inventories

Description of the Matter

Real estate inventories principally comprise of residential and condominium units for sale, land held for future development and property development costs amounting to P18.9 billion, P2.9 billion and P1.9 billion, respectively, as of December 31, 2016. Future realization of inventories is affected by price changes in the costs incurred necessary to complete and make a sale. Due to the significant carrying amount of inventories, and the high level of judgment in estimating its lower of cost or net realizable value (NRV), we considered the valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty and Real Estate Inventories account are presented in Notes 2, 3, 7 and 10, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We updated our understanding of the method of inventory costing and accounting policy on the lower of cost or NRV. We also performed a price test, on a sample basis, of inventory items by examining supporting documents such as, but not limited to, construction contracts for real estate inventories, purchase contracts and invoices and we determined whether the application of the lower of cost or NRV is appropriate and consistent with prior periods.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 21 2017

(c) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Empire East Land Holdings, Inc. and its subsidiaries, as enumerated in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identifying and eliminating voluminous intercompany transactions to properly reflect realization of profits and measurement of controlling and non-controlling interests.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained understanding of the Group structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 21 2017 TSIS
JOSSABELLE D. OFRECIO

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in the 2016 audit resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 21 2017 TS
ISABELLE D. OFRECIO

March 28, 2017

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 1,008,997,919**	P 1,398,235,836
Trade and other receivables - net	6	**5,021,310,911**	4,010,737,757
Advances to related parties	23	**2,311,257,801**	2,146,804,221
Residential and condominium units for sale	7	**18,933,860,565**	18,269,742,532
Property development costs	7	**1,903,775,929**	1,889,462,729
Prepayments and other current assets	2	**381,730,305**	461,364,440
Total Current Assets		**29,560,933,430**	28,176,347,515
NON-CURRENT ASSETS			
Trade and other receivables	6	**2,782,264,393**	2,200,848,056
Available-for-sale financial assets	8	**1,439,028,000**	1,812,860,000
Advances to landowners and joint ventures	9	**306,871,395**	605,381,608
Land held for future development	10	**2,925,390,962**	2,925,390,962
Investments in associates	11	**1,162,873,746**	1,162,060,445
Property and equipment - net	12	**155,444,595**	150,777,539
Investment property - net	13	**135,249,248**	151,942,870
Other non-current assets	1	**84,702,690**	84,612,333
Total Non-current Assets		**8,991,825,029**	9,093,873,813
TOTAL ASSETS		**P 38,552,758,459**	P 37,270,221,328

	Notes	2016	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 355,115,433**	P 86,896,890
Trade and other payables	15	**1,451,139,792**	1,072,574,728
Deferred gross profit on real estate sales	2	**53,574,516**	33,878,967
Customers' deposits	16	**2,494,778,962**	2,612,905,347
Advances from related parties	23	**3,012,266,199**	2,832,787,394
Reserve for property development	2	**387,962,962**	337,613,720
Income tax payable		**20,510,077**	20,750,928
Other current liabilities	17	**584,715,486**	569,761,670
Total Current Liabilities		**8,360,063,427**	7,567,169,644
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**1,603,434,043**	1,422,105,714
Deferred gross profit on real estate sales	2	**116,609,460**	109,268,330
Reserve for property development	2	**1,425,945,593**	1,536,370,047
Retirement benefit obligation	21	**528,514,895**	479,298,630
Deferred tax liabilities - net	22	**1,604,579,980**	1,472,019,500
Total Non-current Liabilities		**5,279,083,971**	5,019,062,221
Total Liabilities		**13,639,147,398**	12,586,231,865
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	24	**14,803,455,238**	14,803,455,238
Additional paid-in capital		**4,307,887,996**	4,307,887,996
Treasury stock - at cost	24	**(102,106,658)**	(102,106,658)
Revaluation reserves	8, 21	**468,066,229**	839,520,384
Retained earnings	24	**4,815,887,029**	4,215,917,504
Total equity attributable to the Parent Company's stockholders		**24,293,189,834**	24,064,674,464
Non-controlling interests		**620,421,227**	619,314,999
Total Equity		**24,913,611,061**	24,683,989,463
TOTAL LIABILITIES AND EQUITY		**P 38,552,758,459**	P 37,270,221,328

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES AND INCOME				
Real estate sales	2	**P 4,124,838,936**	P 4,017,372,548	P 3,480,191,566
Finance income	20	**323,606,513**	324,162,386	381,185,394
Commissions	23	**126,759,525**	143,273,471	134,923,506
Rental income	13	**105,345,526**	106,051,918	111,812,748
Realized gross profit on prior years' sales	2	**69,595,743**	64,055,734	113,810,909
Equity share in net earnings (losses) of associates	11	**813,301**	(9,006,812)	(81,725)
Other income	19	**446,300,476**	412,755,308	353,854,913
		5,197,260,020	5,058,664,553	4,575,697,311
COSTS AND EXPENSES				
Cost of real estate sales	18	**2,652,093,167**	2,615,303,158	2,300,438,219
Salaries and employee benefits	21	**427,968,009**	411,242,638	302,327,535
Finance costs	20	**199,569,995**	177,380,882	127,855,308
Commissions		**182,654,092**	248,760,584	193,938,329
Taxes and licenses	10, 13	**115,735,507**	37,285,107	268,431,334
Travel and transportation		**109,370,580**	164,333,838	106,764,956
Advertising and promotion		**100,375,951**	150,278,865	98,878,593
Deferred gross profit on current year's sales	2	**96,632,422**	53,908,791	92,115,417
Depreciation and amortization	12, 13	**33,826,974**	34,217,740	37,777,025
Income taxes	22	**243,903,785**	232,167,646	264,418,347
Other expenses	19	**434,053,785**	383,272,046	298,231,868
		4,596,184,267	4,508,151,295	4,091,176,931
NET PROFIT		**601,075,753**	550,513,258	484,520,380
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently through profit or loss:				
Remeasurements on retirement benefit obligation	21	**3,396,922**	25,260,742	(94,939,688)
Tax income (expense) on remeasurement	22	**(1,019,077)**	(7,454,228)	28,355,076
		2,377,845	17,806,514	(66,584,612)
Item that will be reclassified subsequently through profit or loss:				
Fair value losses on available-for-sale financial assets	8	**(373,832,000)**	(726,270,000)	(365,950,000)
Total Other Comprehensive Loss - net of tax		**(371,454,155)**	(708,463,486)	(432,534,612)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 229,621,598**	(P 157,950,228)	P 51,985,768
Net profit attributable to:				
Parent company's shareholders		**P 599,969,525**	P 547,278,548	P 481,845,568
Non-controlling interest		**1,106,228**	3,234,710	2,674,812
		P 601,075,753	P 550,513,258	P 484,520,380
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		**P 228,515,370**	(P 161,298,600)	P 49,427,217
Non-controlling interest		**1,106,228**	3,348,372	2,558,551
		P 229,621,598	(P 157,950,228)	P 51,985,768
EARNINGS PER SHARE - Basic and Diluted	25	**P 0.041**	P 0.037	P 0.033

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Shareholders							
	Capital Stock (See Note 24)	**Additional Paid-in-Capital** (See Note 24)	**Treasury Stock** (See Note 24)	**Revaluation Reserves** (See Notes 8, 21)	**Retained Earnings** (See Note 24)	**Total**	**Non-controlling Interests**	**Total**
Balance at January 1, 2016	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 839,520,384	P 4,215,917,504	P 24,064,674,464	P 619,314,999	P 24,683,989,463
Total comprehensive income for the year								
Net profit for the year	-	-	-	-	599,969,525	599,969,525	1,106,228	601,075,753
Fair value losses on available-for-sale financial assets	-	-	-	(373,832,000)	-	(373,832,000)	-	(373,832,000)
Remeasurements on retirement benefit obligation	-	-	-	3,396,922	-	3,396,922	-	3,396,922
Tax expense on remeasurement	-	-	-	(1,019,077)	-	(1,019,077)	-	(1,019,077)
Balance at December 31, 2016	**P 14,803,455,238**	**P 4,307,887,996**	**(P 102,106,658)**	**P 468,066,229**	**P 4,815,887,029**	**P 24,293,189,834**	**P 620,421,227**	**P 24,913,611,061**
Balance at January 1, 2015	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,548,097,532	P 3,668,638,956	P 24,225,973,064	P 615,966,627	P 24,841,939,691
Total comprehensive loss for the year								
Net profit for the year	-	-	-	-	547,278,548	547,278,548	3,234,710	550,513,258
Fair value losses on available-for-sale financial assets	-	-	-	(726,270,000)	-	(726,270,000)	-	(726,270,000)
Remeasurements on retirement benefit obligation	-	-	-	25,147,080	-	25,147,080	113,662	25,260,742
Tax expense on remeasurement	-	-	-	(7,454,228)	-	(7,454,228)	-	(7,454,228)
Balance at December 31, 2015	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 839,520,384	P 4,215,917,504	P 24,064,674,464	P 619,314,999	P 24,683,989,463
Balance at January 1, 2014	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,980,515,883	P 3,186,793,388	P 24,176,545,847	P 613,408,076	P 24,789,953,923
Total comprehensive income for the year								
Net profit for the year	-	-	-	-	481,845,568	481,845,568	2,674,812	484,520,380
Fair value losses on available-for-sale financial assets	-	-	-	(365,950,000)	-	(365,950,000)	-	(365,950,000)
Remeasurements on retirement benefit obligation	-	-	-	(94,823,427)	-	(94,823,427)	(116,261)	(94,939,688)
Tax income on remeasurement	-	-	-	28,355,076	-	28,355,076	-	28,355,076
Balance at December 31, 2014	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,548,097,532	P 3,668,638,956	P 24,225,973,064	P 615,966,627	P 24,841,939,691

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 844,979,538	P 782,680,904	P 748,938,727
Adjustments for:				
Finance income	20	(288,700,513)	(289,256,386)	(338,397,394)
Finance costs	20	199,569,995	177,380,882	127,855,309
Dividend income	20	(34,906,000)	(34,906,000)	(42,788,000)
Depreciation and amortization	12, 13	33,826,974	34,217,740	37,777,025
Impairment loss on receivable	6	233,152	94,375	62,244
Equity share in net losses (earnings) of associates	11	(813,301)	9,006,812	81,725
Operating profit before working capital changes		754,189,845	679,218,327	533,529,636
Decrease (increase) in trade and other receivables		(1,540,416,065)	230,526,025	(885,019,119)
Decrease (increase) in advances to related parties		(17,022,753)	(58,118,389)	97,431,225
Increase in residential and condominium units for sale		(570,936,279)	(1,478,407,262)	(3,924,472,242)
Decrease (increase) in property development costs		(14,313,200)	538,549,070	474,631,107
Decrease in prepayments and other current assets		79,634,135	196,774,448	102,089,591
Decrease in advances to landowners and joint ventures		298,510,213	170,453,857	11,239,780
Decrease (increase) in land held for future development		-	(706,728,979)	1,869,638,135
Decrease (increase) in other non-current assets		(90,357)	627	(154,430)
Increase in trade and other payables		378,605,619	367,625,402	164,193,169
Increase (decrease) in deferred gross profit on real estate sales		27,036,679	(10,146,942)	(21,695,493)
Increase (decrease) in customers' deposits		(118,126,385)	(995,610,078)	651,146,670
Increase (decrease) in reserve for property development		(60,075,212)	444,727,657	480,875,103
Increase in other current liabilities		14,953,816	119,089,459	144,971,919
Increase in retirement benefit obligation		28,972,341	51,773,782	34,125,993
Cash used in operations		(739,077,603)	(450,272,996)	(267,468,956)
Interest received		79,545,277	141,922,390	185,446,993
Cash paid for income taxes		(112,603,233)	(110,579,086)	(57,082,990)
Net Cash Used in Operating Activities		(772,135,559)	(418,929,692)	(139,104,953)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	20	34,906,000	34,906,000	42,788,000
Acquisitions of property and equipment	12	(21,981,613)	(14,796,377)	(14,227,073)
Interest received		9,917,831	6,822,758	5,145,818
Proceeds from sale of property and equipment	12	181,205	-	208,585
Additional investment in associates	11	-	(877,776,747)	-
Net Cash From (Used in) Investing Activities		23,023,423	(850,844,366)	33,915,330
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and borrowings	14	560,000,000	2,310,000,000	-
Payments of interest-bearing loans and borrowings	14	(110,453,128)	(937,518,949)	(83,209,598)
Interest paid		(93,222,309)	(30,643,843)	(22,345,797)
Proceeds from additional advances from related parties	23	5,566,893	538,840,568	556,226,387
Repayments of advances from related parties	23	(2,017,237)	(34,181,534)	(28,439,048)
Net Cash From Financing Activities		359,874,219	1,846,496,242	422,231,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(389,237,917)	576,722,184	317,042,321
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,398,235,836	821,513,652	504,471,331
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,008,997,919	P 1,398,235,836	P 821,513,652

Supplemental Information on Non-cash Investing and Financing Activities:

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

- Capitalization of interest expense as part of Residential and Condominium Units for Sale account (see Notes 7 and 14); and,
- Repayments of the Advances to Landowners through receipt of certain parcel of land and reclassifications to real estate assets upon full payment (see Note 9).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

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

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership 2016	2015	2014
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(d)	**73%**	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(b)	**60%**	60%	60%
20th Century Nylon Shirt Co., Inc. (20th Century)	(e)	**100%**	100%	-
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	**47%**	47%	47%
Pacific Coast Megacity Inc. (PCMI)	(f)	**20%**	20%	-

Explanatory Notes:

(a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
(b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of December 31, 2016.
(c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
(d) Subsidiary primarily engaged in operating a school for primary and secondary education.
(e) Subsidiary acquired in 2015 which is yet to resume its operations.
(f) Associate acquired in 2015. The Company plans to acquire 100% ownership interest over a period of five years.

The registered office, which is also the place of operations of the Company's subsidiaries and associates, is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City, except for EPHI, LBASSI, 20th Century and PCMI. The registered office, which is also the place of operations, of EPHI, LBASSI, 20th Century and PCMI are summarized below.

(a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
(d) PCMI – 7th Floor 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting to 100% and 73% ownership control over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of December 31, 2016 and 2015, and shown as part of Other Non-current assets account in the consolidated statements of financial position.

In February 2015, the Company acquired 100% ownership interest in 20th Century.

Also, in 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares representing 20% ownership interest in the said company. The Company exercises significant influence over PCMI; hence, the investment is accounted as an Investment in Associate.

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

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

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2016 (including the comparative consolidated financial statements as of December 31, 2015 and for the years ended December 31, 2015 and 2014) were authorized for issue by the Company's Board of Directors (BOD) on March 28, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 28, PFRS 10 and PFRS 12 (Amendments)	:	Investment in Associates And Joint Ventures – Investment Entities – Applying the Consolidation Exception, Consolidated Financial Statements, Disclosure of Interests in Other Entities
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements	:	Annual improvements to PFRS (2012-2014 Cycle)

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

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

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

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities,* and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 11 (Amendments), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

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

(b) Effective in 2016 but are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"
PFRS 5 (Amendments)	:	Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments)	:	Applicability of Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the relevant pronouncements as discussed below and in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for* Unrealized *Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

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

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

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

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

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

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

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

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

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers,* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, *Application of PFRS 15, "Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its consolidated financial statements.

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

2.3 Basis of Consolidation and Interests in Joint Ventures

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

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

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

(a) *Investments in Subsidiaries*

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

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

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

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

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

(b) *Investments in Associates*

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

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

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

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

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

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

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

(c) Transactions with Non-controlling Interests

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

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

(d) Interests in Joint Ventures

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

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

2.4 Financial Assets

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

(a) Classification and Measurement of Financial Assets

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

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

(i) Loans and Receivables

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

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

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

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

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

(b) *Impairment of Financial Assets*

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

(i) *Carried at Amortized Cost – Loans and Receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) *Carried at Fair Value – AFS Financial Assets*

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

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

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

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

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

(d) Derecognition of Financial Assets

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

2.5 Prepayments and Other Assets

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

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

2.6 Property and Equipment

Property and equipment are stated cost less accumulated depreciation, amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

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

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

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

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

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

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

2.7 Investment Property

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

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

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

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

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

2.8 Financial Liabilities

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

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

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

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

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

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

2.9 Business Combinations

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

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

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

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

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

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

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

2.10 Offsetting of Financial Instruments

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

2.11 Provisions and Contingencies

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

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

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

2.12 Real Estate Transactions and Revenue and Expense Recognition

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land Held for Future Development account. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. A reclassification from Property Development Costs account to Residential and Condominium Units for Sale account is made once the project has been made available for sale to market. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs or Residential and Condominium Units for Sale accounts (see Note 2.19). Revenues, on the other hand, are recognized when certain percentage of total contract price is collected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.13 Commissions

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

2.15 Segment Reporting

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments,* are the same as those used in its consolidated financial statements, except that post-employment benefit expense is not included in arriving at the operating profit of the operating segments.

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

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

2.16 Foreign Currency Transactions and Translation

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

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

2.17 Impairment of Non-financial Assets

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

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

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

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

2.18 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

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

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

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

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Compensated Absences

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

2.19 Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2.20 Income Taxes

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

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

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

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

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

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

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

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

2.21 Related Party Transactions and Relationships

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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

2.22 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. For the years ended December 31, 2016, 2015 and 2014, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Equity

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

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

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

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

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

2.24 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Judgments in Applying Accounting Policies

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

(a) Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(b) Impairment of AFS Financial Assets

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

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, no impairment losses was recognized in the Group's AFS financial assets in 2016, 2015 and 2014. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) Distinction Among Investment Property, Owner-managed Properties and Land Held for Future Development

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

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

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

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

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

(e) Distinction Between Operating and Finance Leases

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

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

(f) Distinction Between Asset Acquisition and Business Combinations

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

In 2015, the Company acquired 100% ownership interest in 20th Century as described in Note 1.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Trade and Other Receivables and Advances to Related Parties

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

The carrying values of trade and other receivables and advances to related parties are shown in Notes 6 and 23. Based on management's assessments, no provision for impairment losses on Trade and Other Receivables and Advances to Related Parties needed to be recognized in 2016, 2015 and 2014.

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

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

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

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

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and investment property are analysed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2016 and 2015, there is no change in estimated useful lives of property and equipment and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Realizable Amount of Deferred Tax Assets

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

The carrying values of the Group's deferred tax assets as of December 31, 2016 and 2015 are disclosed in Note 22.2.

(e) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.17. Though the Group believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on goodwill, advances to landowners and joint ventures, investments in associates, property and equipment, investment property, and other non-financial assets in 2016, 2015 and 2014 (see Notes 1, 9, 11, 12 and 13).

(f) Valuation of Post-employment Defined Benefit

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

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 21.2.

(g) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of this method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. There were no changes in the assumptions or basis for estimation during the year.

(h) Determination of Fair Value of Investment Property

Investment property is measured using the cost model. The fair value disclosed in Note 29.4 to the consolidated financial statements is determined by the Group using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

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

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

(i) Business Combinations

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

4. SEGMENT REPORTING

4.1 Business Segments

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

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2016, 2015 and 2014 is analyzed in the succeeding pages.

	High Rise Projects			Horizontal Projects			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
REVENUES									
Real estate sales	P 3,473,749,329	P 1,989,641,166	P 2,606,331,123	P 651,089,607	P 2,027,731,382	P 873,860,443	P 4,124,838,936	P 4,017,372,548	P 3,480,191,566
Finance income	113,231,003	138,358,950	216,913,253	16,390,003	6,407,363	(5,855,810)	129,621,006	144,766,313	211,057,443
Rental income	81,534,364	84,969,766	91,652,776	18,502,697	17,648,547	17,133,640	100,037,061	102,618,313	108,786,416
Realized gross profit on prior years' sale	69,595,743	64,055,734	62,338,430		-	51,472,479	69,595,743	64,055,734	113,810,909
Others	192,345,196	191,457,440	214,791,657	33,362,882	12,210,078	42,144,945	225,708,078	203,667,518	256,936,602
	3,930,455,635	2,468,483,056	3,192,027,239	719,345,189	2,063,997,370	978,755,697	4,649,800,824	4,532,480,426	4,170,782,936
COSTS AND OTHER OPERATING EXPENSES									
Cost of real estate sales	2,402,537,567	1,354,772,805	1,822,392,339	249,555,600	1,260,530,353	478,045,880	2,652,093,167	2,615,303,158	2,300,438,219
Rentals	163,148,680	177,547,914	103,940,256	1,364,193	2,003,751	10,112,477	164,512,873	179,551,665	114,052,733
Commissions	119,923,652	184,616,757	125,878,411	11,585,302	23,037,529	31,038,978	131,508,954	207,654,286	156,917,389
Deferred gross profit on current year's sales	96,603,442	53,657,526	91,662,975	28,980	251,265	452,442	96,632,422	53,908,791	92,115,417
Advertising and promotion	69,862,095	110,747,939	62,287,965	11,021,550	20,230,020	16,321,735	80,883,645	130,977,959	78,609,700
Taxes and licenses	35,775,392	19,188,727	16,858,491	9,978,173	14,113,029	10,437,720	45,753,565	33,301,756	27,296,211
Association dues	18,498,036	21,469,983	24,323,939	5,396,444	-	-	23,894,480	21,469,983	24,323,939
Salaries and employee benefits	702,535	-	4,856	383,775	470,281	473,242	1,086,310	470,281	478,098
Others	25,802,963	38,295,591	20,179,055	12,426,729	12,056,949	9,686,452	38,229,692	50,352,540	29,865,507
Cost and other operating expenses excluding depreciation and amortization	2,932,854,362	1,960,297,242	2,267,528,287	301,740,746	1,332,693,177	556,568,926	3,234,595,108	3,292,990,419	2,824,097,213
Depreciation and amortization	3,351,288	3,376,678	3,360,116	13,766,082	14,009,866	13,990,685	17,117,370	17,386,544	17,350,801
	2,936,205,650	1,963,673,920	2,270,888,403	315,506,828	1,346,703,043	570,559,611	3,251,712,478	3,310,376,963	2,841,448,014
SEGMENT OPERATING PROFIT	P 994,249,985	P 504,809,136	P 921,138,836	P 403,838,361	P 717,294,327	P 408,196,086	P 1,398,088,346	P 1,222,103,463	P 1,329,334,922
SEGMENT ASSETS AND LIABILITIES									
Segment assets	P 19,960,825,206	P 18,022,176,206	P 16,657,976,354	P 5,883,290,460	P 5,866,248,749	P6,611,226,516	P 25,844,115,666	P 23,888,424,955	P 23,269,202,870
Segment liabilities	1,798,242,997	1,831,267,195	1,397,195,150	185,849,534	185,863,869	185,355,199	1,984,092,531	2,017,131,064	1,582,550,349

4.5 Reconciliations

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

	2016	2015	2014
Revenues			
Total segment revenues	**P 4,649,800,824**	P 4,532,480,426	P 4,170,782,936
Unallocated revenues:			
Finance income	**193,985,507**	179,396,073	170,127,951
Commissions	**126,759,525**	143,273,471	134,923,506
Rental income from investment property	**5,308,465**	3,433,605	3,026,332
Equity share in net earnings (losses) of associates	**813,301**	(9,006,812)	(81,725)
Other income	**220,592,398**	209,087,790	96,918,311
	547,459,196	526,184,127	404,914,375
Revenues as reported in the consolidated statements of comprehensive income	**P 5,197,260,020**	P 5,058,664,553	P 4,575,697,311
Profit or loss			
Segment operating profit	**P 1,398,088,346**	P 1,222,103,463	P 1,329,334,922
Other unallocated income	**547,459,196**	526,184,127	404,914,375
Other unallocated expenses	**(1,344,471,789)**	(1,197,774,332)	(1,249,728,917)
Net profit as reported in the consolidated statements of comprehensive income	**P 601,075,753**	P 550,513,258	P 484,520,380
Assets			
Segment assets	**P25,844,115,666**	P23,888,424,955	
Unallocated assets:			
Cash and cash equivalents	**1,008,997,919**	1,398,235,836	
Trade and other receivables	**2,797,096,132**	2,482,366,119	
Advances to related parties	**2,311,257,801**	2,146,804,221	
Prepayments and other current assets	**381,730,305**	461,364,440	
Available-for-sale financial assets	**1,439,028,000**	1,812,860,000	
Advances to landowners and joint ventures	**306,871,395**	605,381,608	
Land held for future development	**2,925,390,962**	2,925,390,962	
Investment in associates	**1,162,873,746**	1,162,060,445	
Property and equipment - net	**155,444,595**	150,777,539	
Investment property - net	**135,249,248**	151,942,870	
Other non-current assets	**84,702,690**	84,612,333	
	12,708,642,793	13,381,796,373	
Total assets as reported in consolidated statements of financial position	**P38,552,758,459**	P37,270,221,328	

	2016	2015
Liabilities		
Segment liabilities	**P 1,984,092,531**	P 2,017,131,064
Unallocated liabilities:		
Interest-bearing loans and borrowings	**1,958,549,476**	1,509,002,604
Trade and other payables	**1,451,139,792**	1,072,574,728
Customers' deposits	**2,494,778,962**	2,612,905,347
Advances from related parties	**3,012,266,199**	2,832,787,394
Income tax payable	**20,510,077**	20,750,928
Other current liabilities	**584,715,486**	569,761,670
Retirement benefit obligation	**528,514,895**	479,298,630
Deferred tax liabilities - net	**1,604,579,980**	1,472,019,500
	11,655,054,867	10,569,100,801
Total liabilities as reported in consolidated statements of financial position	**P13,639,147,398**	P12,586,231,865

5. CASH AND CASH EQUIVALENTS

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

	2016	2015
Cash on hand and in banks	**P 743,801,125**	P 505,847,642
Short-term placements	**265,196,794**	892,388,194
	P1,008,997,919	P1,398,235,836

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

Peso-denominated short-term placements are made for varying periods of up to 60 days in 2016, 2015 and 2014 and earn annual effective interest ranging from 0.2% to 2.3% in 2016, 0.1% to 2.5% in 2015 and 0.2% to 3.6% in 2014. Dollar-denominated short-term placements are made for varying periods of up to 38 days in 2016, 78 days in 2015 and 91 days in 2014 and earn annual effective interest ranging from 0.4% to 0.8% in 2016, 0.4% to 1.5% in 2015 and 0.3% to 1.5% in 2014 (see Note 20.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2016	2015
Current:			
Trade receivables	23.2	**P2,955,976,103**	P2,291,500,689
Advances to suppliers and contractors		**1,214,267,596**	1,035,936,136
Interest receivable	23.4	**255,382,279**	279,553,577
Rent receivable	23.2	**226,108,133**	175,745,272
Management fee receivable	23.2	**135,720,045**	-
Others		**234,319,157**	228,503,315
		5,021,773,313	4,011,238,989
Allowance for impairment		**(462,402)**	(501,232)
		5,021,310,911	4,010,737,757
Non-current:			
Trade receivables		**2,626,277,146**	2,048,798,849
Refundable security deposits		**92,166,896**	88,228,856
Others		**63,820,351**	63,820,351
		2,782,264,393	2,200,848,056
		P7,803,575,304	P6,211,585,813

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

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**P 501,232**	P 571,590
Write-off during the year	**(235,421)**	(144,733)
Impairment losses during the year	**233,152**	94,375
Recovery of accounts previously provided with allowance	**(36,561)**	(20,000)
Balance at end of year	**P 462,402**	P 501,232

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years. Interest-bearing receivables bear interest rates comparable to market rates. The related interest earned on these sales contracts amounting to P54.2 million in 2016, P89.5 million in 2015 and P145.4 million in 2014 are reported as part of Finance Income in the consolidated statements of comprehensive income (see Note 20.1).

The installment period of noninterest-bearing sales contracts ranges from three to five years. Noninterest-bearing trade receivables are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Amortization of day-one loss amounting to P75.4 million in 2016, P55.3 million in 2015 and P65.7 million in 2014 are presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 20.1).

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

The Group partially finances its real estate projects and other business undertakings through assignment of its trade receivables on a with recourse basis with certain local banks (see Note 14).

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

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

Other receivables, both current and non-current, include association dues, advances to joint ventures for processing of business permits and licenses, and unliquidated advances from employees and real estate consultants.

7. REAL ESTATE INVENTORIES

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income (see Note 18), on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

Total borrowing costs capitalized to this account amounted to P93.2 million, P26.3 million and P15.8 million in 2016, 2015 and 2014, respectively (see Note 14).

Certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively, are used as security for the Group's interest-bearing loans and borrowings (see Note 14).

7.2 Property Development Costs

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

7.3 Net Realizable Value

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movement of the carrying amounts of AFS financial assets is as follows:

	2016	2015
Balance at beginning of year	**P 1,812,860,000**	P 2,539,130,000
Fair value losses	**(373,832,000)**	(726,270,000)
Balance at end of year	**P 1,439,028,000**	P 1,812,860,000

AFS financial assets pertains to investments held by EPHI in equity securities of the ultimate parent company, whose shares are listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments as of December 31, 2016 and 2015, is categorized as Level 1 in the fair value hierarchy (see Note 29.2).

The net accumulated fair value gains or losses in AFS financial assets is shown as part of Revaluation Reserves in the equity section of the consolidated statements of financial position (see Note 24.3).

Dividends earned amounted to P34.9 million both in 2016 and 2015, and P42.8 million in 2014 and are presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 20.1).

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

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

The reconciliation of advances to landowners and joint ventures as of December 31, 2016 and 2015 are as follows:

	2016	2015
Advances to landowners:		
Balance at beginning of year	**P 25,000,029**	P 91,143,779
Reclassifications	**-**	(66,143,750)
Balance at end of year	**25,000,029**	25,000,029
Advances to joint ventures:		
Balance at beginning of year	**580,381,579**	684,691,686
Collections	**(298,510,213)**	(104,310,107)
Balance at end of year	**281,871,366**	580,381,579
	P 306,871,395	P 605,381,608

In 2015, the Group reclassified an amount of P16.1 million to Property Development Costs account presented as current asset in the consolidated statement of financial position upon full payment of the Group's purchase of a property located in Batangas.

In 2014, the Group advanced an amount of P50.0 million as down payment to acquire a property owned by 20th Century located in Mandaluyong City. However, in 2015, the Group decided to acquire instead the entire shares of 20th Century. Hence, advance payment made in 2014 was reclassified to the Investments in Subsidiaries and Associates account in the 2015 statement of financial position (see Note 1).

The Group commits to develop the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Group as of December 31, 2016 and 2015.

The net commitment for construction expenditures amounts to:

	2016	2015
Total commitment for construction expenditures	**P 9,560,904,389**	P9,560,904,389
Total expenditures incurred	**(6,594,669,603)**	(5,246,924,674)
Net commitment	**P 2,966,234,786**	P 4,313,979,715

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2016 and 2015. The Group's jointly controlled projects are as follows:

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

As of December 31, 2016 and 2015, the Group has no other material contingent liabilities with regard to these joint ventures.

10. LAND HELD FOR FUTURE DEVELOPMENT

This account includes cost of several parcels of land acquired by the Group and other costs incurred to effect the transfer of the title of the properties to the Group. Most of these properties are located in Metro Manila and Calabarzon areas and are intended for future development. Real estate taxes paid relating to these properties amounted to P2.3 million, P2.5 million and P2.0 million in 2016, 2015 and 2014, respectively, and is presented as part of Taxes and Licenses in the consolidated statements of comprehensive income. Considering the Group's pricing policy, management believes that the net realizable value of land held for future development is higher than its related carrying value as of the end of the reporting periods.

11. INVESTMENTS IN ASSOCIATES

The components of investments in associates as of December 31, 2016 and 2015 are as follows:

	2016		2015	
	% Interest Held	Amount	% Interest Held	Amount
Investments in associates – at equity				
Acquisition costs:				
PCMI	**20%**	**P 877,776,747**	20%	P 877,776,747
GPMAI	**47%**	**293,960,618**	47%	293,960,618
		1,171,737,365		1,171,737,365
Accumulated equity in net earnings:				
Balance at beginning of year		**(9,676,920)**		(670,108)
Equity share in net earnings (losses) for the year		**813,301**		(9,006,812)
Balance at end of year		**(8,863,619)**		(9,676,920)
		P 1,162,873,746		P 1,162,060,445

11.1 Purchase of PCMI

In 2015, the Company acquired 20% ownership interest in PCMI amounting to P877.8 million. The Company exercises significant influence but not control over PCMI; hence, the investment is accounted as an Investment in Associate.

11.2 Summarized Financial Information

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

	Assets	Liabilities	Revenues	Net Loss
2016:				
PCMI	P 2,451,853,311	P 8,432,960	P 3,065	(P 6,422,005)
GPMAI	597,262,846	11,989,282	3,093,679	(1,728,757)
	P 3,049,116,157	**P 20,422,242**	**P 3,096,744**	**(P 8,150,762)**
2015:				
PCMI	P 2,458,015,617	P 8,172,960	P 8,123	(P 9,234,061)
GPMAI	598,975,335	11,973,014	3,349,927	(7,955,482)
	P 3,056,990,952	P 20,145,974	P 3,358,050	(P 17,189,543)

As of December 31, 2016 and 2015, there are no available fair values for these investments in associates as they are not listed in stock markets. The related book values of these investments amounted to P1,171.7 million as of December 31, 2016 and 2015.

11.3 Contingent Liabilities

As of December 31, 2016 and 2015, the Company has no contingent liabilities for subsidiaries and associates which were incurred jointly with other investors and the Company is not severally liable for all or part of the contingent liabilities of the subsidiaries and associates.

Based on management's assessment, the Group's investments in associates are not impaired due to the active efforts of the Company to fund their respective operations.

12. PROPERTY AND EQUIPMENT

As of December 31, 2016 and 2015, this account includes land amounting to P81.1 million which is used as LBASSI's school site. The gross carrying amounts and accumulated depreciation and amortization of other items of property and equipment at the beginning and end of 2016 and 2015 are shown below.

	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
December 31, 2016					
Cost	P 78,030,609	P 67,449,835	P 66,887,071	P 133,561,593	P 345,929,108
Accumulated depreciation and amortization	(34,064,531)	(63,845,726)	(52,196,761)	(121,472,495)	(271,579,513)
Net carrying amount	**P 43,966,078**	**P 3,604,109**	**P 14,690,310**	**P 12,089,098**	**P 74,349,595**
December 31, 2015					
Cost	P 74,353,446	P 66,933,359	P 55,313,073	P 127,261,868	P 323,861,746
Accumulated depreciation and amortization	(31,059,484)	(60,885,483)	(48,790,111)	(113,444,129)	(254,179,207)
Net carrying amount	P 43,293,962	P 6,047,876	P 6,522,962	P 13,817,739	P 69,682,539
January 1, 2015					
Cost	P 74,190,122	P 61,489,310	P 51,703,111	P 121,858,719	P 309,241,262
Accumulated depreciation and amortization	(28,094,085)	(57,402,832)	(45,738,945)	(105,570,906)	(236,806,768)
Net carrying amount	P 46,096,037	P 4,086,478	P 5,964,166	P 16,287,813	P 72,434,494

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015 is shown below and in the succeeding page.

	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 43,293,962	P 6,047,876	P 6,522,962	P 13,817,739	P 69,682,539
Additions	3,669,807	516,476	11,903,461	5,891,870	21,981,613
Disposal	-	-	(181,205)	-	(181,205)
Depreciation and amortization charges for the year	(2,997,691)	(2,960,243)	(3,554,908)	(7,620,511)	(17,133,352)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P 43,966,078**	**P 3,604,109**	**P 14,690,310**	**P 12,089,098**	**P 74,349,595**

	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 46,096,037	P 4,086,478	P 5,964,166	P 16,287,813	P 72,434,494
Additions	163,324	5,444,049	3,609,962	5,579,042	14,796,377
Depreciation and amortization charges for the year	(2,965,399)	(3,482,651)	(3,051,166)	(7,913,701)	(17,412,917)
Reclassification	-	-	-	(135,415)	(135,415)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 43,293,962	P 6,047,876	P 6,522,962	P 13,817,739	P 69,682,539

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

The cost of fully depreciated assets still used in business amounted to P180.6 million and P179.2 million as of December 31, 2016 and 2015, respectively.

13. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units held for lease and a parcel of land held for capital appreciation. Rental revenues recognized for the years ended December 31, 2016, 2015 and 2014 amounted to P105.3 million, P106.1 million and P111.8 million, respectively, and are presented as Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs incurred related to these properties. Real estate tax amounting to P1.4 million in 2016, 2015 and 2014 was recognized as a related expense and presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Cost	**P 337,136,458**	P 337,136,458
Accumulated depreciation	**(201,887,210)**	(185,193,588)
Net carrying amount	**P 135,249,248**	P 151,942,870

A reconciliation of the carrying amount of investment property at the beginning and end of 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Balance at January 1, net of accumulated depreciation	**P151,942,870**	P168,747,693	P 185,552,516
Depreciation charges for the year	**(16,693,622)**	(16,804,823)	(16,804,823)
Balance at December 31, net of accumulated depreciation	**P135,249,248**	P151,942,870	P 168,747,693

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

Other information relating to fair value measurements and disclosures of investment property are disclosed in Note 29.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

Philippine Peso, unsecured seven-year loan due in 2022
In 2015, the Group obtained an interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.4% for the first and second tranches, and floating rate ranging from 3.2% to 3.5% subject to quarterly re-pricing for the third tranche. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The outstanding balance pertaining to this loan amounted to P1,916.6 million and P1,440.0 million as at December 31, 2016 and 2015, respectively.

Philippine Peso, loans through assignment of receivables
In prior years, the Group obtained loans from local banks by assigning certain trade receivables on a with recourse basis (see Note 6). The loans bear fixed interest rates ranging from 7.0% to 9.0% and are being paid as the related receivables are collected. The loans are secured by certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively (see Note 7.1). The outstanding balance pertaining to these loans amounted to P41.9 million and P69.0 million as of December 31, 2016 and 2015, respectively.

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2016 and 2015, the Group is in compliance with such financial covenant obligation.

Total interest on these interest-bearing loans and borrowings in 2016, 2015 and 2014 amounted to P93.2 million, P26.3 million and P15.8 million, respectively, and are directly attributable to the construction of the Group's projects; hence, capitalized as part of Residential and Condominium Units for Sale account in the consolidated statements of financial position (see Note 7.1). Unpaid interest as of December 31, 2016 and 2015 amounted to P0.4 million in both years and is presented as Interest payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2016	2015
Trade payables		**P 1,278,406,615**	P 945,343,753
Taxes payable		**88,223,804**	75,781,966
Accrued expenses	23.5	**75,765,287**	40,928,665
Commissions		**7,759,017**	9,759,017
Interest payable	14	**396,773**	437,328
Miscellaneous		**588,296**	323,999
		P 1,451,139,792	P 1,072,574,728

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

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2016	2015
Advances from customers	**P 1,959,018,127**	P 2,171,548,063
Other deposits	**535,760,835**	441,357,284
	P 2,494,778,962	P 2,612,905,347

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

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

17. OTHER CURRENT LIABILITIES

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

	2016	2015
Retention payable	**P 528,112,954**	P 521,984,871
Refundable deposits	**35,709,449**	26,077,394
Deferred income	**10,140,383**	9,802,389
Miscellaneous	**10,752,700**	11,897,016
	P 584,715,486	P 569,761,670

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

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

18. COST OF REAL ESTATE SALES

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

	2016	2015	2014
Actual costs	**P 2,071,307,001**	P 2,219,237,029	P 1,635,161,064
Estimated costs	**580,786,166**	396,066,129	665,277,155
	P 2,652,093,167	P 2,615,303,158	P 2,300,438,219

The breakdown of the cost of real estate sales are as follows (see Note 7):

	2016	2015	2014
Contracted services	**P 2,256,933,387**	P 2,029,736,881	P 1,810,033,099
Land cost	**331,041,576**	531,119,337	426,583,937
Borrowing costs	**48,767,216**	33,842,962	41,019,614
Others	**15,350,988**	20,603,978	22,801,569
	P 2,652,093,167	P 2,615,303,158	P 2,300,438,219

19. OTHER INCOME AND EXPENSES

19.1 Other Income

The details of this account are shown below.

	Note	**2016**	2015	2014
Forfeited collections and deposits		**P 225,708,078**	P 203,546,999	P 258,958,962
Marketing and management fees	23.2	**170,503,780**	152,337,451	45,266,136
Tuition and miscellaneous fees		**46,783,056**	52,700,885	46,424,880
Miscellaneous		**3,305,562**	4,169,973	3,204,935
		P 446,300,476	P 412,755,308	P 353,854,913

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

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

19.2 Other Expenses

The breakdown of other expenses is shown below.

	Notes	2016	2015	2014
Rentals	23.5, 26.2	**P 251,902,195**	P 228,121,389	P 157,719,595
Professional fees	23.5	**39,892,869**	5,993,530	9,596,697
Utilities		**32,175,318**	34,475,744	26,856,166
Association dues		**28,756,496**	26,308,296	28,714,377
Security services		**17,355,405**	18,058,398	17,650,157
Documentation		**8,594,225**	15,071,126	4,544,472
Office supplies		**8,352,182**	5,860,351	6,715,505
Repairs and maintenance		**7,427,998**	7,332,404	5,648,126
Janitorial services		**5,953,310**	4,700,195	3,740,024
Outside services		**5,245,283**	3,793,845	3,628,675
Insurance		**4,655,325**	4,273,836	3,385,706
Representation		**1,143,838**	8,879,768	4,654,045
Marketing events and awards		**340,852**	579,456	2,320,101
Miscellaneous	6	**22,258,489**	19,823,708	23,058,222
		P 434,053,785	P 383,272,046	P 298,231,868

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

20. FINANCE INCOME AND FINANCE COSTS

20.1 Finance Income

The details of this account are shown below.

	Notes	2016	2015	2014
Interest income:				
Advances to related parties	23.1	**P 147,430,827**	P 132,325,283	P 122,027,646
Trade and other receivables	6	**54,248,875**	89,481,544	145,397,708
Cash and cash equivalents	5	**9,917,831**	6,822,758	2,889,125
Tuition fees		**1,125,104**	1,125,565	2,423,180
		212,722,637	229,755,150	272,737,659
Amortization of day-one loss on noninterest-bearing financial instruments	6	**75,372,131**	55,284,769	65,659,735
Dividend income	8	**34,906,000**	34,906,000	42,788,000
Foreign currency gains - net		**605,745**	4,216,467	-
		P 323,606,513	P 324,162,386	P 381,185,394

20.2 Finance Costs

The breakdown of Finance costs is shown below.

	Notes	2016	2015	2014
Interest expense on advances from related parties	23.1	**P 175,929,149**	P 157,768,766	P 112,101,093
Net interest expense on post-employment defined benefit obligation	21.2	**23,640,846**	19,612,116	15,227,357
Foreign currency losses - net		**-**	-	526,858
		P 199,569,995	P 177,380,882	P 127,855,308

21. SALARIES AND EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Note	2016	2015	2014
Short-term benefits		**P 364,254,168**	P 352,460,844	P 265,201,543
Post-employment benefits	21.2	**63,713,841**	58,781,794	37,125,992
		P 427,968,009	P 411,242,638	P 302,327,535

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

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

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

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

Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding page are based on the latest actuarial valuation reports obtained from an independent actuary.

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

	2016	2015
Present value of the obligation	**P 579,336,959**	P 496,923,682
Fair value of the assets	**(50,822,064)**	(17,625,052)
	P 528,514,895	P 479,298,630

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

	2016	2015
Balance at beginning of year	**P 496,923,682**	P 447,721,635
Current service cost	**63,713,841**	58,781,794
Interest expense	**24,587,968**	20,318,368
Remeasurements:		
Actuarial losses (gains) arising from:		
- changes in financial assumptions	**(4,630,870)**	(41,480,767)
- experience adjustments	**483,838**	15,189,844
- demographic assumption	**-**	400,820
Benefits paid	**(1,741,500)**	(4,008,012)
Balance at end of year	**P 579,336,959**	P 496,923,682

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

	2016	2015
Balance at beginning of year	**P 17,625,052**	P 14,548,161
Interest income	**947,122**	706,252
Loss on plan assets (excluding amounts included in net interest)	**(750,110)**	(629,361)
Actual contribution	**34,741,500**	3,000,000
Benefits paid	**(1,741,500)**	-
Balance at end of year	**P 50,822,064**	P 17,625,052

The Group's plan assets only consist of cash and cash equivalents as of December 31, 2016 and 2015 and do not comprise any of the Group's financial instruments or any of its assets occupied and/or used in its operations.

The plan assets earned a return of P197,012 in 2016 and P76,891 in 2015.

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

	Notes	2016	2015	2014
Reported in profit or loss:				
Current service cost	21.1	**P 63,713,841**	P 58,781,794	P 37,125,992
Net interest expense	20.2	**23,640,846**	19,612,116	15,227,357
		P 87,354,687	P 78,393,910	P 52,353,349
Reported in other comprehensive income (loss):				
Actuarial gains (losses) arising from:				
- changes in financial assumptions		**P 4,630,870**	P 41,480,767	(P 69,607,504)
- experience adjustments		**(483,838)**	(15,189,844)	(24,840,661)
- demographic assumption		**-**	(400,820)	-
Return on plan assets (excluding amounts included in net interest)		**(750,110)**	(629,361)	(491,523)
		P 3,396,922	P 25,260,742	(P 94,939,688)

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses in the consolidated statements of comprehensive income (see Note 21.1) while the amounts of net interest expense is included as part of Finance Costs under Costs and Expenses in the consolidated statements of comprehensive income (see Note 20.2).

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

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

	2016	2015	2014
Company:			
Discount rates	**4.89%**	4.89%	4.49%
Expected rate of salary increases	**10.00%**	10.00%	10.00%
EPHI:			
Discount rates	**5.38%**	5.40%	4.88%
Expected rate of salary increases	**7.16%**	7.80%	8.20%
LBASSI:			
Discount rate	**5.16%**	5.16%	4.73%
Expected rate of salary increases	**5.00%**	5.00%	6.00%

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

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

	Retirement Age	Average Remaining Working Life
Company	60	31
LBASSI	60	25
EPHI	65	21

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

(c) Risks Associated with the Retirement Plan

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

(i) Interest Risks

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as of December 31, 2016 and 2015:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2016			
Company			
Discount rate	**+0.50%/-1.00%**	**(P 70,809,422)**	**P 88,898,169**
Salary increase rate	**+0.75%/-1.25%**	**79,007,454**	**(65,224,032)**
LBASSI			
Discount rate	**+/-1.00%**	**(689,243)**	**815,771**
Salary increase rate	**+/-1.00%**	**756,175**	**(657,192)**
EPHI			
Discount rate	**+/-0.50%**	**(3,535,867)**	**3,894,558**
Salary increase rate	**+/-1.00%**	**7,734,210**	**(6,537,004)**
2015			
Company			
Discount rate	+0.50%/-1.00%	(P 70,809,422)	P 88,898,169
Salary increase rate	+0.75%/-1.25%	79,007,454	(65,224,032)
LBASSI			
Discount rate	+/-1.00%	(689,243)	815,771
Salary increase rate	+/-1.00%	756,175	(657,192)
EPHI			
Discount rate	+/-0.50%	(3,484,835)	3,848,810
Salary increase rate	+/-1.00%	7,618,560	(6,412,140)

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

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

(ii) Asset-liability Matching Strategies

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

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

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P528.5 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

The company expect to make contribution of at least P23.0 million to the plan during the next financial year.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

	2016	2015
Within one year	**P 8,750,818**	P 8,391,869
More than one year to five years	**12,735,531**	12,822,543
More than five years to 10 years	**204,041,461**	187,757,237
	P 225,527,810	P 208,971,649

The weighted average duration of the DBO at the end of the reporting period is 18 to 22 years.

22. TAXES

22.1 Registration with the Board of Investments (BOI)

On April 11, 2014, the BOI approved the Company's application for registration as a New Developer of Low Cost Mass Housing Project on a Non-pioneer Status relative to its various units of Kasara Urban Resort Residences (Tower 1 and Tower 2) project. Under the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987 shall equally apply and benefit the Company with certain incentives including income tax holiday (ITH) for a period of three years from the date of registration.

22.2 Current and Deferred Taxes

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

	2016	2015	2014
Reported in profit or loss:			
Current tax expense:			
Regular corporate income			
tax (RCIT) at 30% and 10%	**P 110,430,527**	P 109,427,206	P 69,997,949
Final tax at 20% and 7.5%	**1,931,855**	1,260,838	459,898
	112,362,382	110,688,044	70,457,847
Deferred tax expense relating to origination and reversal of temporary differences	**131,541,403**	121,479,602	193,960,500
	P 243,903,785	P 232,167,646	P 264,418,347
Reported in other comprehensive income (loss) – Deferred tax expense (income) at 30% and 10% relating to origination and reversal of temporary differences	**P 1,019,077**	P 7,454,228	(P 28,355,076)

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

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

	2016	2015	2014
Tax on pretax profit at 30% and 10%	**P 252,330,806**	P 234,947,391	P 222,836,225
Adjustment for income subjected to lower income tax rates	**(921,063)**	(649,053)	(298,891)
Taxeffects of:			
Income subject to ITH-ERO	**(18,888,058)**	(2,184,724)	-
Nondeductible taxes and licenses	**15,400,427**	-	49,627,001
Nontaxable income	**(10,473,975)**	(10,484,596)	(12,871,440)
Nondeductible interest expense	**936,743**	623,059	232,058
Unrecognized deferred tax assets	**329,437**	520,731	4,945,348
Nondeductible expenses	**-**	3,368,629	3,060,536
Nondeductible loss on discounting	**-**	-	(3,112,490)
Others - net	**5,189,468**	6,026,209	-
	P 243,903,785	P 232,167,646	P 264,418,347

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

	Consolidated Statements of Financial Position		Consolidated Statements of Profit or Loss		
	2016	2015	**2016**	2015	2014
Deferred tax assets:					
Retirement benefit obligation	**P 156,703,213**	P 142,307,744	**(P 15,414,546)**	(P 21,191,281)	(P 14,621,787)
MCIT	**785,647**	-	**(785,647)**	-	-
Accrued rent	**525,356**	(181,203)	**(706,559)**	195,649	63,698
Unamortized past service cost	**194,385**	3,264,000	**3,069,615**	(387,000)	(477,000)
Unrealized foreign currency losses - net	**-**	-	**-**	158,058	(158,058)
	158,208,601	145,390,541	**(13,837,137)**	(21,224,574)	(15,193,147)
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,572,373,939)**	(1,406,450,852)	**165,923,087**	160,616,464	218,868,080
Capitalized borrowing cost	**(190,232,919)**	(209,694,249)	**(19,461,330)**	(19,177,228)	(7,981,649)
Unrealized foreign exchange gains - net	**(181,723)**	(1,264,940)	**(1,083,217)**	1,264,940	(1,732,784)
	(1,762,788,581)	(1,617,410,041)	**145,378,540**	142,704,176	209,153,647
Deferred Tax Expense			**P 131,541,403**	P 121,479,602	P 193,960,500
Net Deferred Tax Liabilities - net	**(P 1,604,579,980)**	(P 1,472,019,500)			

The deferred tax expense recognized in other comprehensive income amounting to P1.0 million in 2016 and P7.5 million in 2015, and deferred tax income amounting to P28.4 million in 2014, pertains to the tax effect of remeasurements of retirement benefit obligation.

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

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

Subsidiary	Year Incurred	Amount	Valid Until
EECI	2016	P 144,624	2019
	2015	1,454,879	2018
	2014	16,275,621	2017
SPLI	2016	172,118	2019
	2015	166,247	2018
	2014	166,158	2017
SOHI	2016	145,407	2019
	2015	140,228	2018
	2014	909,343	2017
VVPI	2016	147,803	2019
	2015	142,675	2018
	2014	142,908	2017
20th Century	2016	235,000	2019

EECI, SPLI, SOHI, VVPI and 20th did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2016 for which the related deferred tax asset has not been recognized amounted to a total of P0.8 million with a total tax effect of P0.3 million.

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

	Assets	Deficit	Revenues	Net Loss
2016				
EECI	P 25,187,953	P 207,165,907	P 302	P 144,382
SPLI	511,977,306	9,830,960	-	172,118
SOHI	16,739,614	8,477,253	-	145,407
VVPI	90,929,289	3,708,464	-	147,803
20th Century	1,257,759	60,477,241	-	235,000
	P 646,091,921	**P 289,659,825**	**P 302**	**P 844,710**
2015				
EECI	P 25,329,850	P 207,021,525	P 1,093	P 12,682,768
SPLI	511,988,624	9,658,842	-	166,247
SOHI	16,874,821	8,331,846	-	140,228
VVPI	90,915,892	3,560,661	-	142,675
	P 645,109,187	P 228,572,874	P 1,093	P 13,131,918

In 2016, 2015 and 2014, the Group opted to claim itemized deductions in computing for its income tax due.

23. RELATED PARTY TRANSACTIONS

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

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

Related Party Category	Notes	Amounts of Transaction			Outstanding Balance	
		2016	2015	2014	**2016**	2015
Ultimate Parent:						
AFS financial assets	8	**(P 373,832,000)**	(P 726,270,000)	(P 365,950,000)	**P1,439,028,000**	P1,812,860,000
Dividend income	8, 20.1	**34,906,000**	34,906,000	42,788,000	**-**	-
Parent:						
Availment of advances	23.1	**(180,005,353)**	(374,117,857)	(549,741,786)	**(2,294,310,273)**	(2,114,304,921)
Rendering of services	23.2	**177,122,386**	195,232,327	191,732,801	**628,878,101**	568,065,438
Associates:						
Availment of advances	23.1	**526,548**	(282,202,270)	(2,775,769)	**(672,147,197)**	(672,673,745)
Under common ownership:						
Granting of advances	23.1	**164,453,580**	190,443,672	(97,431,225)	**2,311,257,801**	2,146,804,221
Availment of advances	23.1	**-**	(6,107,671)	25,511,944	**(45,808,729)**	(45,808,728)
Rendering of services	23.2	**135,720,045**	-	-	**135,720,045**	-
Sale of property	23.3	**-**	999,082,400	-	**-**	-
Sale of land	23.4	**-**	-	-	**40,643,067**	40,643,067
Obtaining of services	23.5	**48,301,904**	14,327,438	15,821,271	**33,721,207**	2,360,121

The Group's outstanding receivables from and payables to related parties arising from interest-bearing loans, joint venture agreements, lease of property and cash advances to related party are unsecured and are generally settled in cash or through offsetting arrangements with the related parties.

There were no impairment losses recognized on the outstanding receivables from related parties in 2016, 2015 and 2014 based on management's assessment.

23.1 Advances to and from Related Parties

The Group grants to and obtains unsecured advances from its parent company, stockholders, associates and other related parties for working capital purposes.

The Advances to Related Parties account represents the outstanding balances arising from cash advances granted by the Group to certain related parties under common ownership. The change in the Advances to Related Parties account are shown below.

	Note	**2016**	2015
Balance at beginning of year		**P 2,146,804,221**	P 1,956,360,549
Interest income	20.1	**147,430,827**	132,325,283
Additional advances		**17,022,753**	58,147,088
Reclassification		**-**	(28,699)
Balance at end of year		**P 2,311,257,801**	P 2,146,804,221

The details of Advances from Related Parties are as follows:

	2016	2015
Parent	**P 2,294,310,273**	P 2,114,304,921
Associates	**672,147,197**	672,673,745
Other related parties	**45,808,729**	45,808,728
	P 3,012,266,199	P 2,832,787,394

The movement in the Advances from Related Parties account are shown below.

	Note	**2016**	2015
Balance at beginning of year		**P 2,832,787,394**	P 2,170,359,594
Interest expense	20.2	**175,929,149**	157,768,766
Additions		**5,566,893**	538,840,568
Repayments		**(2,017,237)**	(34,181,534)
Balance at end of year		**P 3,012,266,199**	P 2,832,787,394

These advances to/from stockholders, associate and other related parties are generally unsecured. Some of these are interest-bearing (see Notes 20.1 and 20.2). The amounts are generally collectible/payable in cash on demand or through offsetting arrangements with the related parties (see Note 28.2).

23.2 Rendering of Services

The summary of services offered by the Group is presented below.

	Amount of Transactions		
	2016	2015	2014
Management services	**P 135,720,045**	P -	P -
Commission income	**126,759,525**	143,273,471	134,923,506
Lease of property	**50,362,861**	51,958,856	56,809,295
	P 312,842,431	P 195,232,327	P 191,732,801

In 2016, the Group handled the administrative functions of certain related parties under common ownership. The amount of revenue earned from such transaction is recorded as part of Marketing and management fees under Other Income in the 2016 consolidated statement of comprehensive income (see Note 19.1) while the outstanding balances are presented as Management fee receivable under Trade and Other Receivables account in the 2016 consolidated statement of financial position (see Note 6).

The Group earns marketing fees from the sale of Megaworld's real estate properties. The marketing fee recognized is presented as Commissions under Revenues and Income in the consolidated statements of comprehensive income. The outstanding receivables related to these transactions are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Company leases certain investment property to its parent company. The revenues earned from the lease are included as part of Rental Income in the consolidated statements of comprehensive income. The related outstanding receivables from these transactions are presented as part of Rent receivable under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.3 Sale of Property

In 2015, the Group sold a property in Balayan, Batangas to a related party under common ownership with an area of 169,336 square meters for a total consideration of P999.1 million, net of VAT, under the normal course of the Group's business. The transaction is presented as part of the Group's Real Estate Sales under Revenues in the 2015 consolidated statement of comprehensive income. This was paid in full in 2015.

23.4 Sale of Land

The Group sold, on account, to a related party under common ownership, a parcel of land which was used as site of the related party's project. The outstanding receivable, which pertains to the remaining unpaid interest, from this sale is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.5 Obtaining of Services

The summary of services obtained by the Group is presented below.

	Amount of Transactions		
	2016	2015	2014
Management fee	**P 31,689,881**	P -	P -
Lease of showroom and parking space	**16,612,023**	14,327,438	15,821,271
	P 48,301,904	P 14,327,438	P 15,821,271

In 2016, the Group incurred management fees for accounting and marketing services obtained from related parties under common ownership, and is presented as part of Professional fee under Other Expenses in the 2016 consolidated statement of comprehensive income (see Note 19.2). The related payable is shown as part of Accrued expenses under the Trade and Other Payables account in the 2016 consolidated statement of financial position (see Note 15).

The Group's showroom and parking space is being leased from its related parties under common ownership. The related rental expenses are shown as part of Rentals under Other Expenses in the consolidated statements of comprehensive income (see Note 19.2).

23.6 Deed of Assignment

In June 2011, Fil-Estate Properties, Inc. (FEPI), a related party under common ownership, has agreed to assign the right to develop a certain property. In consideration of the assignment, the Group shall pay FEPI a non-refundable cash consideration totaling P60.0 million. The consideration was presented as part of Property Development Costs in the consolidated statements of financial position (see Note 7.2). In 2015, the Company paid in full the balance amounting to P5.6 million.

23.7 Key Management Personnel Compensation

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

	2016	2015	2014
Short-term benefits	**P 34,395,718**	P 30,199,457	P 27,578,218
Post-employment benefits	**13,708,157**	12,290,634	10,981,129
	P 48,103,875	P 42,490,091	P 38,559,347

These are presented as part of Salaries and Employee Benefits account under Cost and Expenses in the consolidated statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 (see Note 21.1).

23.8 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The plan assets consist only of cash and cash equivalents amounting to P50.8 million and P17.6 million as of December 31, 2016 and 2015, respectively (see Note 21.2).

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

The details of the contributions of the Group and benefits paid out by the plan are presented in Note 21.2.

24. EQUITY

24.1 Capital Stock

Capital stock as of December 31, 2016 and 2015 consists of:

	Shares	Amount
Common shares – P1 par value		
Authorized	31,495,200,000	P31,495,200,000
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	(127,256,071)	(102,106,658)
Total outstanding	14,676,199,167	P14,701,348,580
Preferred shares – P1 par value		
Authorized	2,000,000,000	P 2,000,000,000

Megaworld has 81.73% ownership interest in the Company as of December 31, 2016 and 2015 while 81.72% ownership interest in the Company as of December 31, 2014.

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

On April 24, 1996, the SEC approved the listing of the Company's shares totalling 425,000,000. The shares were issued at an offer price of P12.90 per share. As of December 31, 2016, 2015 and 2014, there are 12,591, 12,667 and 12,775 holders of the listed shares, respectively. The shares were listed and closed at a price of P0.69, P0.77 and P0.92 per share as of December 28, 2016, December 29, 2015, and December 27, 2014, respectively.

24.2 Treasury Stock

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

As of December 31, 2016 and 2015, the Company's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

24.3 Revaluation Reserves

Revaluation reserves of the Group is composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's available-for-sale financial assets (see Notes 8 and 21.2).

24.4 Retained Earnings

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

25. EARNINGS PER SHARE

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

	2016	2015	2014
Net profit attributable to parent company's shareholders	**P 599,969,525**	P 547,278,548	P 481,845,568
Divided by the weighted average number of issued and outstanding common shares	**14,676,199,167**	14,676,199,167	14,676,199,167
Basic and diluted earnings per share	**P 0.041**	P 0.037	P 0.033

26. COMMITMENTS AND CONTINGENCIES

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

26.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under various non-cancellable operating lease agreements covering real estate properties for commercial use. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rates of 3% to 10%. The average annual rental covering these agreements amounts to about P105.3 million in 2016, P106.1 million in 2015 and P111.8 million in 2014 which are recognized as Rental Income under Revenues and Income in the consolidated statements of comprehensive income.

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

	2016	2015	2014
Within one year	**P 77,057,328**	P 49,079,317	P 53,607,989
After one year but not more than five years	**114,134,834**	128,812,674	136,543,782
More than five years	**53,729,333**	40,904,125	52,572,700
	P 244,921,495	P 218,796,116	P 242,724,471

26.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering certain offices, showroom and parking slots. The leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 5% to 10%. The future minimum rental payable under these non-cancellable operating leases are as follows as of December 31:

	2016	2015	2014
Within one year	**P 52,404,114**	P 44,818,370	P 43,193,006
After one year but not more than five years	**68,054,109**	42,648,823	3,844,014
	P 120,458,223	P 87,467,193	P 47,037,020

Total rentals from these operating leases which was charged to Rentals under Other Expenses in the consolidated statements of comprehensive income amounted to P251.9 million, P228.1 million and P157.7 million in 2016, 2015 and 2014, respectively (see Note 19.2).

26.3 Legal Claims

As of December 31, 2016 and 2015, the Group does not have any litigations within and outside the normal course of its business.

26.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P4,670.0 million as of December 31, 2016 and 2015. The Group has unused lines of credit amounting to P670.0 million and P1,230.0 million as of December 31, 2016 and 2015, respectively.

26.5 Capital Commitments

As of December 31, 2016, the Group has fully utilized the balance of its stock rights offering; hence, no capital commitments pertaining to landbanking, project development and general corporate purposes were outstanding as of the end of the period.

26.6 Others

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

27.1 Market Risk

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

(a) Foreign Currency Risk

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

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P3.2 million, P53.3 million and P55.3 million as of December 31, 2016, 2015 and 2014, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2016, 2015 and 2014.

At December 31, 2016, 2015 and 2014, if the Philippine peso had strengthened by 12.91%, 10.42% and 11.56% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P0.4 million, P5.6 million and P6.4 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

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

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

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

(b) Interest Rate Risk

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

The following paragraph presents the sensitivity of the Group's profit before tax for the year to a reasonably possible change in interest rate of +/-0.60% and +/-1.33% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2016, +/-0.87% and +/-2.03% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2015 and +/-1.42% and +/-1.71% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2014. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on changes in the average market interest rates for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

If the interest rates were to increase, profit before tax in 2016 and 2015 would have decreased by P20.7 million and P17.1 million, respectively, and profit before tax in 2014 would have increased by P6.4 million. If interest rates were to decrease, profit before tax in 2016 and 2015 would have been higher and profit before tax in 2014 would have been lower by the same amounts.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 99.00%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

(c) Other Price Risk

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

For equity securities listed in the Philippines, an average volatility of 19.98% and 14.33% has been observed during 2016 and 2015, respectively. If quoted price for these securities increased or decreased by that percentage, the equity would have increased or decreased by P287.5 million in 2016 and P259.8 million in 2015.

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

The Group is not subject to commodity price risk.

27.2 Credit Risk

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

	Notes	**2016**	2015
Cash and cash equivalents	5	**P1,008,997,919**	P1,398,235,836
Trade and other receivables - net (excluding advances to suppliers and contractors)	6	**6,589,307,708**	5,175,649,677
Advances to related parties	23.1	**2,311,257,801**	2,146,804,221
		P9,909,563,428	P8,720,689,734

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

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

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

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

	2016	2015
Not more than three months	**P 42,624,811**	P 54,332,663
More than three months but not more than six months	**177,536,007**	154,571,158
More than six months but not more than one year	**171,672,446**	165,208,318
More than one year	**56,702,717**	57,443,297
	P 448,535,981	P 431,555,436

(c) Advances to Related Parties

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

The table below shows the credit quality by class of financial assets as of December 31, 2016.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Cash and cash equivalents	P 1,008,997,919	P -	P -	P -	P 1,008,997,919
Trade and other receivables - net	3,358,507,334	2,782,264,393	-	-	6,140,771,727
Advances to related parties	2,311,257,801	-	-	-	2,311,257,801
	P 6,678,763,054	**P 2,782,264,393**	**P -**	**P -**	**P 9,461,027,447**

This compares with the credit quality by class of financial assets as of December 31, 2015.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Cash and cash equivalents	P 1,398,235,836	P -	P -	P -	P 1,398,235,836
Trade and other receivables - net	2,543,246,186	2,200,848,056	-	-	4,744,094,242
Advances to related parties	2,146,804,221	-	-	-	2,146,804,221
	P 6,088,286,243	P 2,200,848,056	P -	P -	P 8,289,134,299

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

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

27.3 Liquidity Risk

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

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

As at December 31, 2016, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	One to Five Years	More than Five Years
Interest-bearing loans and borrowings	P 443,479,080	P 1,786,311,643	P 5,963,400
Trade and other payables	1,362,915,988	-	-
Advances from related parties	3,012,266,199	-	-
Other current liabilities	584,715,486	-	-
	P 5,403,376,753	**P 1,786,311,643**	**P 5,963,400**

This compares to the contractual maturities of the Group's financial liabilities as of December 31, 2015.

	Within One Year	One to Five Years	More than Five Years
Interest-bearing loans and borrowings	P 109,456,357	P 1,683,131,151	P 22,684,200
Trade and other payables	996,792,762	-	-
Advances from related parties	2,832,787,394	-	-
Other current liabilities	569,761,670	-	-
	P 4,508,798,183	P 1,683,131,151	P 22,684,200

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

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Amounts and Fair Values by Category

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

		2016		2015	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
Loans and Receivables:					
Cash and cash equivalents	5	**P 1,008,997,919**	**P 1,008,997,919**	P 1,398,235,836	P 1,398,235,836
Trade and other receivables - net	6	**6,589,307,708**	**6,589,307,708**	5,175,649,677	5,175,649,677
Advances to related parties	23.1	**2,311,257,801**	**2,311,257,801**	2,146,804,221	2,146,804,221
		9,909,563,428	**9,909,563,428**	8,720,689,734	8,720,689,734
AFS financial assets	8	**1,439,028,000**	**1,439,028,000**	1,812,860,000	1,812,860,000
		P 11,348,591,428	**P 11,348,591,428**	P 10,533,549,734	P 10,533,549,734
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 1,958,549,476**	**P 1,958,549,476**	P 1,509,002,604	P 1,509,002,604
Trade and other payables	15	**1,362,915,988**	**1,362,915,988**	996,792,762	996,792,762
Advances from related parties	23.1	**3,012,266,199**	**3,012,266,199**	2,832,787,394	2,832,787,394
Other current liabilities	17	**584,715,486**	**584,715,486**	569,761,670	569,761,670
		P 6,918,447,149	**P 6,918,447,149**	P 5,908,344,430	P 5,908,344,430

See Notes 2.4 and 2.8 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

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

	Gross amounts recognized in the Statement of financial position		Net amount presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Collateral received	Net amount
December 31, 2016						
Advances to related parties	**P 2,312,560,545**	**(P 1,302,744)**	**P 2,311,257,801**	**P -**	**P -**	**P 2,311,257,801**
December 31, 2015						
Advances to related parties	P 2,151,780,620	(P 4,976,399)	P 2,146,804,221	P -	P -	P 2,146,804,221

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

	Gross amounts recognized in the Statement of financial position		Net amount presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral received	Net amount
December 31, 2016						
Interest-bearing loans and borrowings	P 1,958,549,476	P -	P 1,958,549,476	P -	(P 1,958,549,476)	P -
Advances from related parties	3,012,266,199	-	3,012,266,199	-	(614,926)	3,011,651,273
	P 4,970,815,675	**P -**	**P 4,970,815,675**	**P -**	**(P 1,959,164,402)**	**P 3,011,651,273**
December 31, 2015						
Interest-bearing loans and borrowings	P 1,509,002,604	P -	P 1,509,002,604	P -	(P 1,509,002,604)	P -
Advances from related parties	2,832,787,394	-	2,832,787,394	-	(3,484,402)	2,829,302,992
	P 4,341,789,998	P -	P 4,341,789,998	P -	(P 1,512,487,006)	P 2,829,302,992

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

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

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

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

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

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

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

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

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

29.2 Financial Instruments Measured at Fair Value

As of December 31, 2016 and 2015, only the equity securities classified as AFS financial assets in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2016 and 2015.

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

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

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

	Notes	Level 1	Level 2	Level 3	Total
2016					
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,008,997,919	P -	P -	P 1,008,997,919
Trade and other receivables	6	-	-	6,589,307,708	6,589,307,708
Advances to related parties	23.1	-	-	2,311,257,801	2,311,257,801
		P 1,008,997,919	**P -**	**P 8,900,565,509**	**P 9,909,563,428**
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14.1	P -	P -	P 1,958,549,476	P 1,958,549,476
Trade and other payables	15	-	-	1,362,915,988	1,362,915,988
Advances from related parties	23.1	-	-	3,012,266,199	3,012,266,199
Other current liabilities	17	-	-	584,715,486	584,715,486
		P -	**P -**	**P 6,918,447,149**	**P 6,918,447,149**
2015					
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,398,235,836	P -	P -	P 1,398,235,836
Trade and other receivables	6	-	-	5,175,649,677	5,175,649,677
Advances to related parties	23.1	-	-	2,146,804,221	2,146,804,221
		P 1,398,235,836	P -	P 7,322,453,898	P 8,720,689,734
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14.1	P -	P -	P 1,509,002,604	P 1,509,002,604
Trade and other payables	15	-	-	996,792,762	996,792,762
Advances from related parties	23.1	-	-	2,832,787,394	2,832,787,394
Other current liabilities	17	-	-	569,761,670	569,761,670
		P -	P -	P 5,908,344,430	P 5,908,344,430

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

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

29.4 Fair Value Measurement of Non-Financial Assets

The table below and in the succeeding page shows the Levels within the hierarchy of non-financial assets for which fair value is disclosed as of December 31, 2016 and 2015.

	Level 1	Level 2	Level 3	Total
Investment property:				
Land	P -	P -	P 8,400,000	P 8,400,000
Buildings and office/commercial units	-	-	503,010,840	503,010,840
	P -	**P -**	**P 511,410,840**	**P 511,410,840**

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

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, 2016 and 2015, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2016	2015
Interest-bearing loans and borrowings	**P 1,958,549,476**	P 1,509,002,604
Total equity	**24,913,611,061**	24,683,989,463
Debt-to-equity ratio	**0.08 : 1.00**	0.06 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14).

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2016, on which we have rendered our report dated March 28, 2017. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 28, 2017

Empire East Land Holdings, Inc. and Subsidiaries
List of Supplementary Information
December 31, 2016

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule A - Available-for-sale Financial Assets
December 31, 2016

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount in Peso	Equity in earnings (losses) of investee for the period	Other	Distibution of earnings by investee	Other	Number of shares or principal amount of bonds and notes	Amount in Peso	Dividends received from investments not accounted for by the equity method
AFS Financial Assets									
Alliance Global Group, Inc.	112,600,000	P 1,439,028,000						P 1,439,028,000	

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2016

			Deductions		Ending Balance		
Name and designation of debtor	Balance at Beginning of period	Additions/Transfer 2016	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Advances to Officers and Employees:							
Asuncion, Amiel Victor	369,625		(66,633)		302,992		302,992
Barrera, Julieta	204,607		(76,811)		127,796		127,796
Cabrera, Edna Esperanza	70,167	880,000	(70,167)		880,000		880,000
Cacho, Evelyn	185,818		(125,666)		60,152		60,152
Edaño, Dennis	700,160		(86,620)		613,540		613,540
Garilao, Leilani	364,224		(66,966)		297,258		297,258
Gregorio, Ricardo	260,630		(121,051)		139,579		139,579
Jacobe, Joel Ramon A		617,500	(250,581)		366,919		366,919
Llaga, Jhoanna Lyndelou	170,911	838,000	(208,457)		800,454		800,454
Llena, Jose Arnel	502,578		(150,963)		351,615		351,615
Libago, Ricky S.	395,692		(148,619)		247,073		247,073
Manalastas, Gail	223,102		(223,102)		-		-
Manansala, Kim Camille B.		482,000	(115,076)		366,924		366,924
Ramos, Franemil	307,236		(82,405)		224,831		224,831
Sioson-Bumatay, Celeste Z.	399,888		(255,052)		144,836		144,836
	P 4,154,638	P 2,817,500	(P 2,048,169)	P -	P 4,923,969	P -	P 4,923,969

Note: Please refer to Schedule C for Amounts Receivable from Related parties.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2016

Name and Designation of debtor	Balance at Beginning of Period	Balance at End of Period
Eastwood Properties Holdings, Inc.	P 1,060,006,782	P 1,035,006,782
Empire East Communities Inc.	232,219,597	232,221,360
Laguna Bel Air Science School, Inc.	46,333,607	40,458,208
Valle Verde Properties, Inc.	63,111,553	63,267,753
Sherman Oak Holdings Inc.	19,436,667	19,441,867
Sonoma Premier Land Inc.	21,507,066	21,662,266
TOTAL	**P 1,442,615,272**	**P 1,412,058,236**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2016

Description	Beginning Balance	Additions at Cost	Deduction: Charged to Cost and Expenses	Deduction: Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	P 78,326,757	-	-	-	-	P 78,326,757

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Long-Term Debt
December 31, 2016

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-term Debt" in related Statement of Financial Position
Loans	P 1,958,549,476	P 355,115,433	P 1,603,434,043

Loans are payable up to 2022 and bears fixed interest of 5.4% for the first and second tranches and floating rate ranging from 3.2% to 3.5% subject to quarterly re-pricing for the third tranche.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties (Other than Affiliates)
December 31, 2016

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Megaworld Corporation	P 2,114,304,921	P 2,294,310,273
Gilmore Property Marketing Association	390,061,679	389,540,567
Pacific Coast Megacity Inc	282,612,066	282,606,630
Others	45,808,728	45,808,729
	P 2,832,787,394	P 3,012,266,199

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2016

				Number of Shares Held by		
Title of Issue	**Number of Shares Authorized**	**Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption**	**Number of Shares Reserved for Options, Warrants, Conversion and Other Rights**	**Related Parties**	**Directors, Officers and Employees**	**Others**
Preferred shares	**2,000,000,000**	-				
Common shares	**31,495,200,000**	**14,676,199,167 ***		**11,994,426,438**	**24,961,189**	

** Number of shares issued and outstanding net of 127,256,071 Treasury Shares.*

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
For the years ended December 31, 2016 and 2015
(Amounts in Philippine Pesos)

	2016	2015	2016	2015
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	P 29,560,933,430	P 28,176,347,515	3.54	3.72
Total Current Liabilities	8,360,063,427	7,567,169,644		
b. Quick Ratio				
(Cash and Cash Equivalents + Trade and Other Receivables)	6,030,308,830	5,408,973,593	0.72	0.71
Total Current Liabilities	8,360,063,427	7,567,169,644		
II. Solvency ratios				
a. Solvency Ratio				
(Earnings Before Interest and Taxes)	1,020,908,687	940,449,670	0.07	0.07
Total Liabilities	13,639,147,398	12,586,231,865		
b. Debt-to-Equity Ratio				
Total Liabilities	13,639,147,398	12,586,231,865	0.55	0.51
Total Equity	24,913,611,061	24,683,989,463		
III. Asset-to-equity ratio				
Total Assets	38,552,758,459	37,270,221,328	1.55	1.51
Total Equity	24,913,611,061	24,683,989,463		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	1,020,908,687	940,449,670	3.79	5.11
Interest Expense	269,110,903	184,090,465		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	601,075,753	550,513,258	15%	14%
Revenues	4,124,838,936	4,017,372,548		
b. Return on Equity				
Net profit	601,075,753	550,513,258	2%	2%
Average Equity	24,798,800,262	24,762,964,577		
c. Return on Assets				
Net profit	601,075,753	550,513,258	2%	2%
Average Assets	37,911,489,894	36,283,476,368		

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2016

Unappropriated Retained Earnings at Beginning of Year	P	4,222,012,897
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(	131,142,713)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		4,090,870,184
Net Profit Realized during the Year		
Net profit per audited financial statements		556,936,443
Non-actual/unrealized income, net of tax		
Deferred tax income	(	14,189,829)
Retained Earnings Restricted for Treasury Shares	(	102,106,658)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**4,531,510,140**

Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments 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			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts** *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenues from Contract with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			✓
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	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

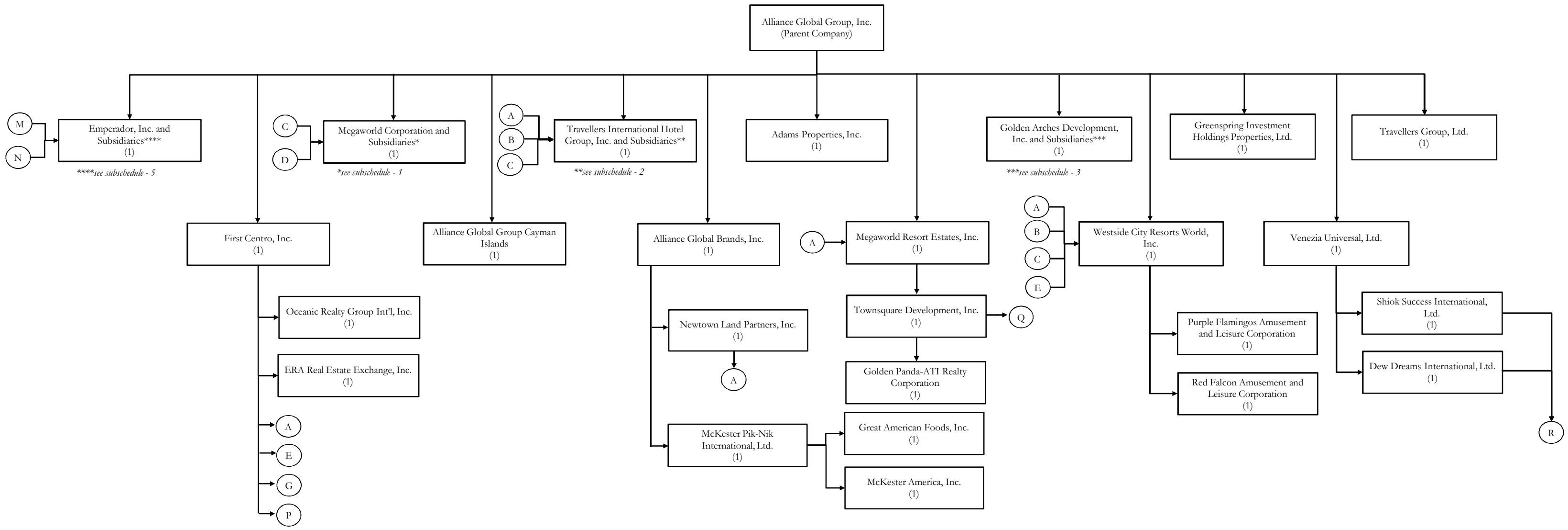
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 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	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

*   These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

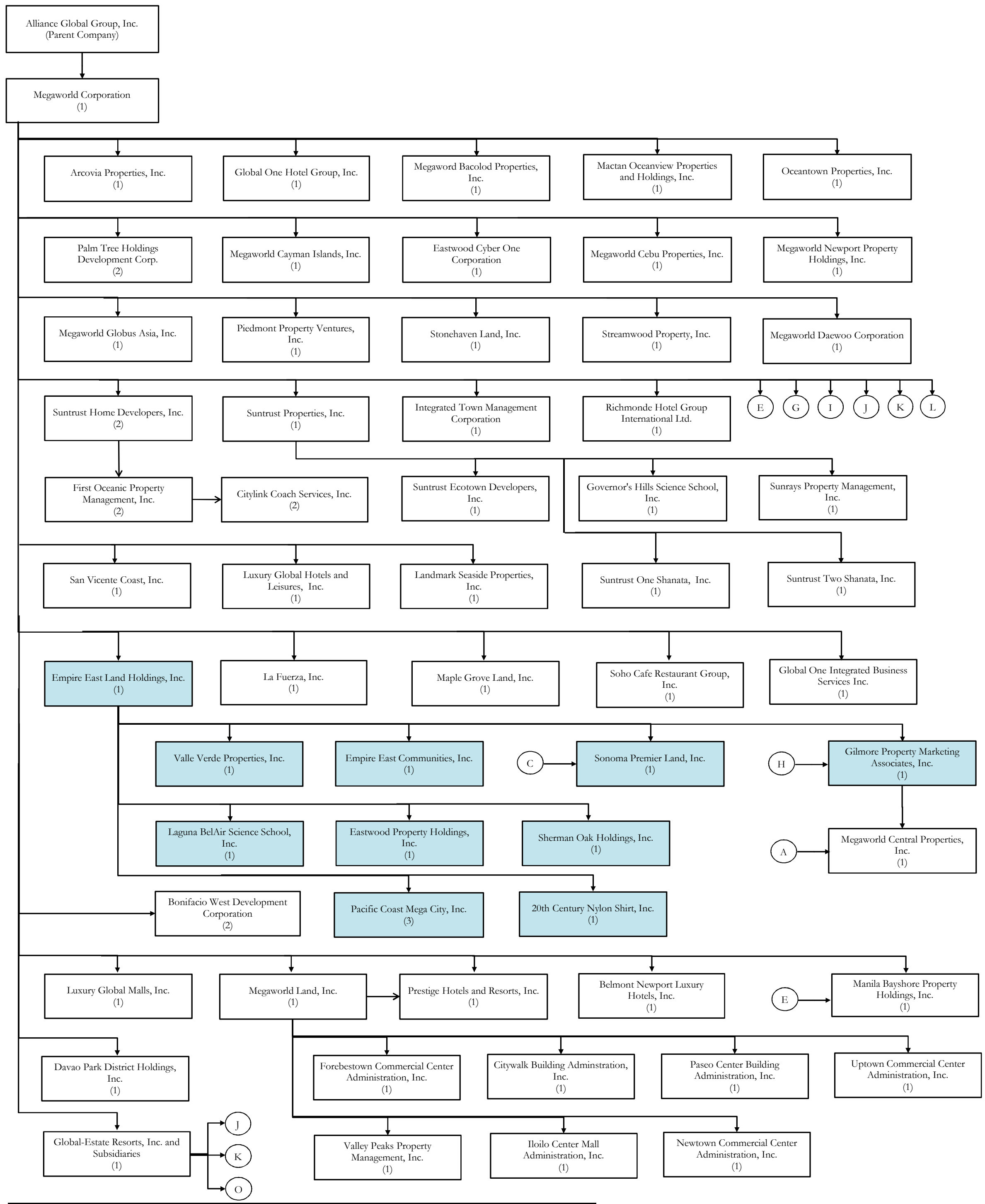
EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among the Company and Its Related Parties
December 31, 2016



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	File-Estate Properties, Inc.		

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among the Company and Megaworld Corporation Group
December 31, 2016

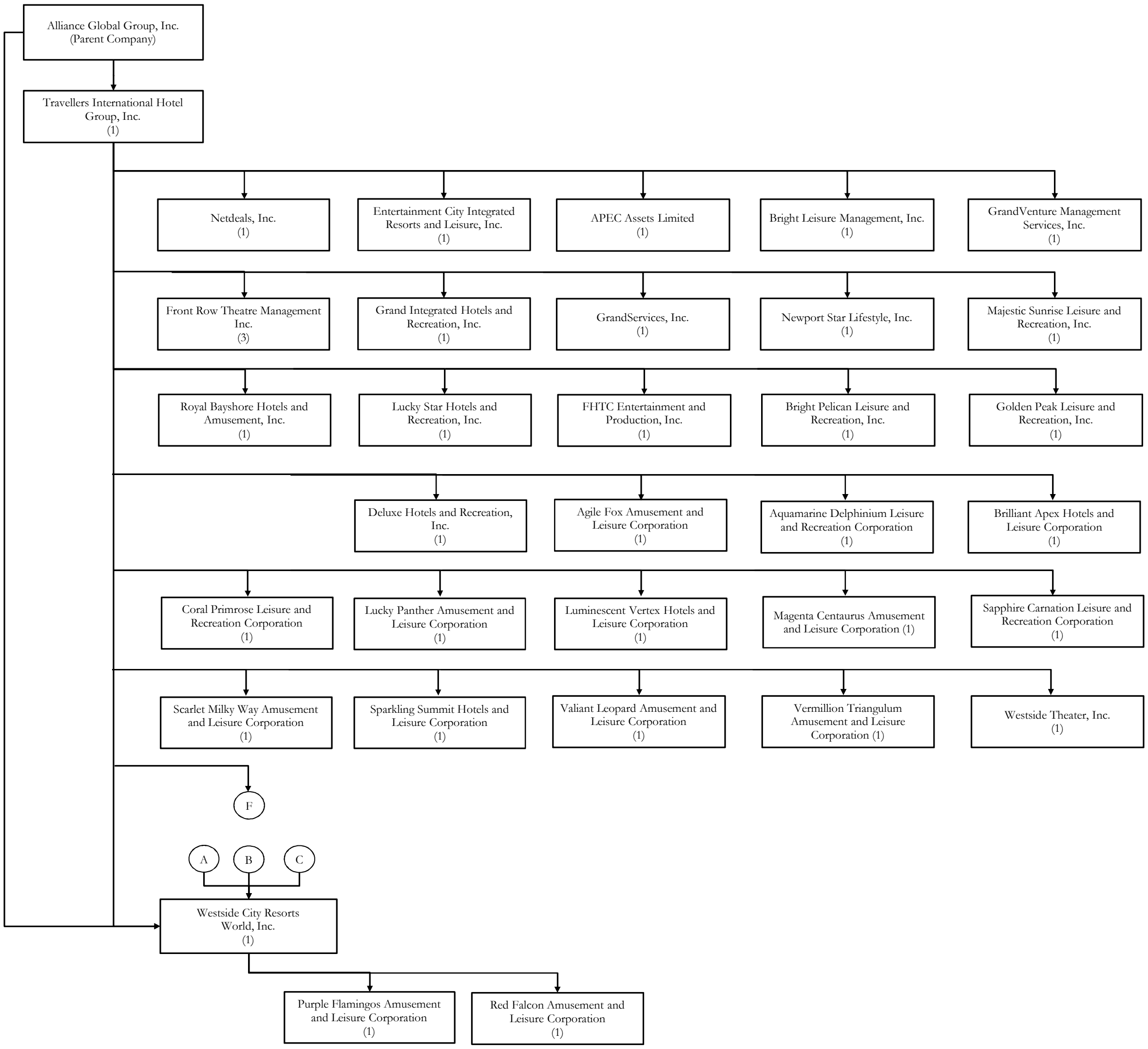


Legend

(1) Subsidiary (2) Associate (3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among the Company and Travellers Group
December 31, 2016

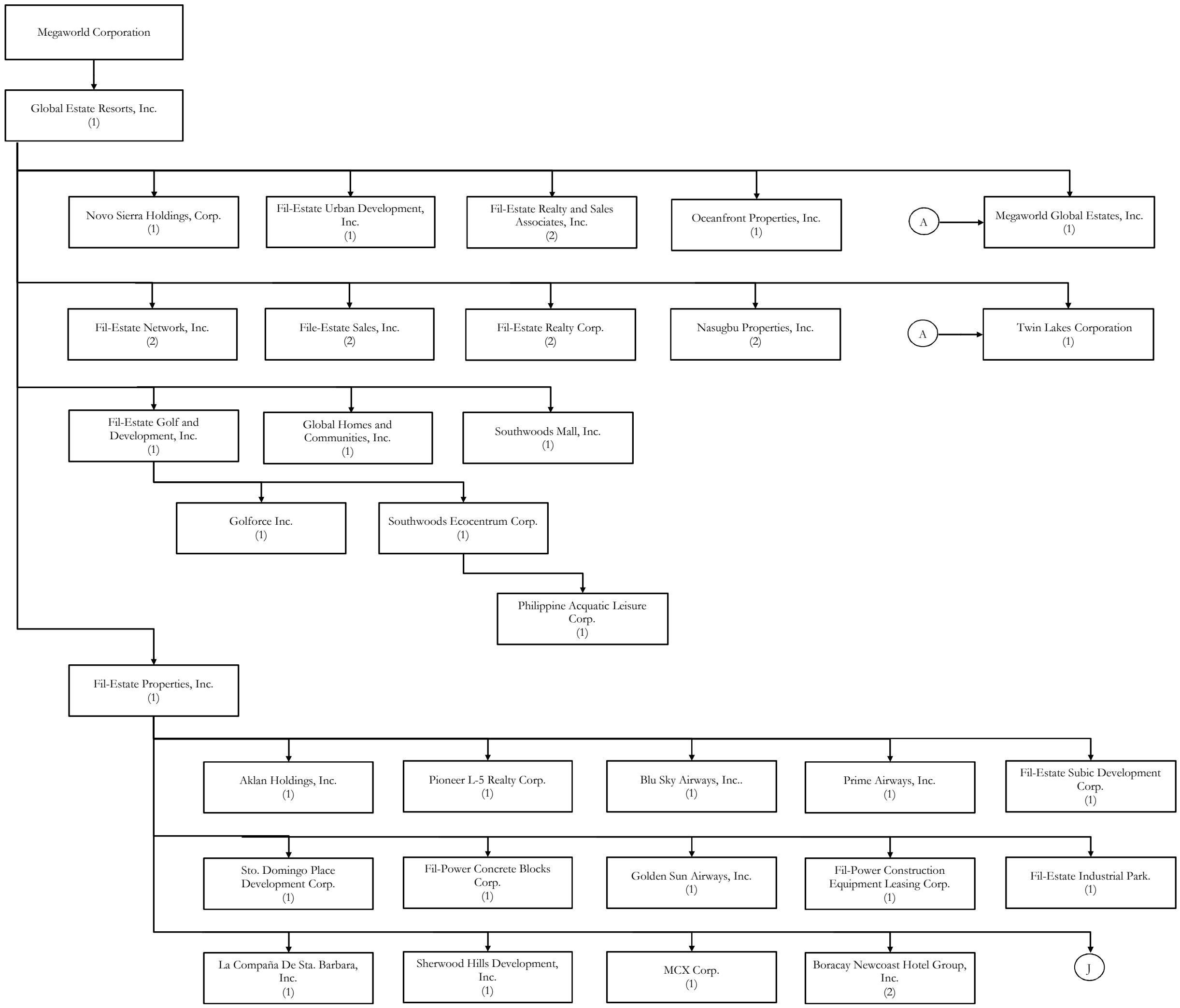


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2016

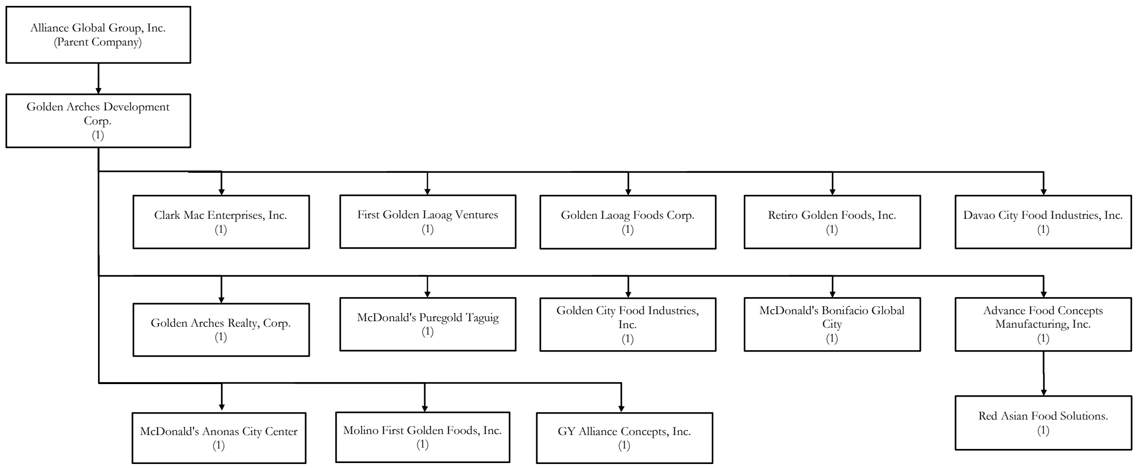


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among the Company and Golden Arches Development Corporation Group
December 31, 2016

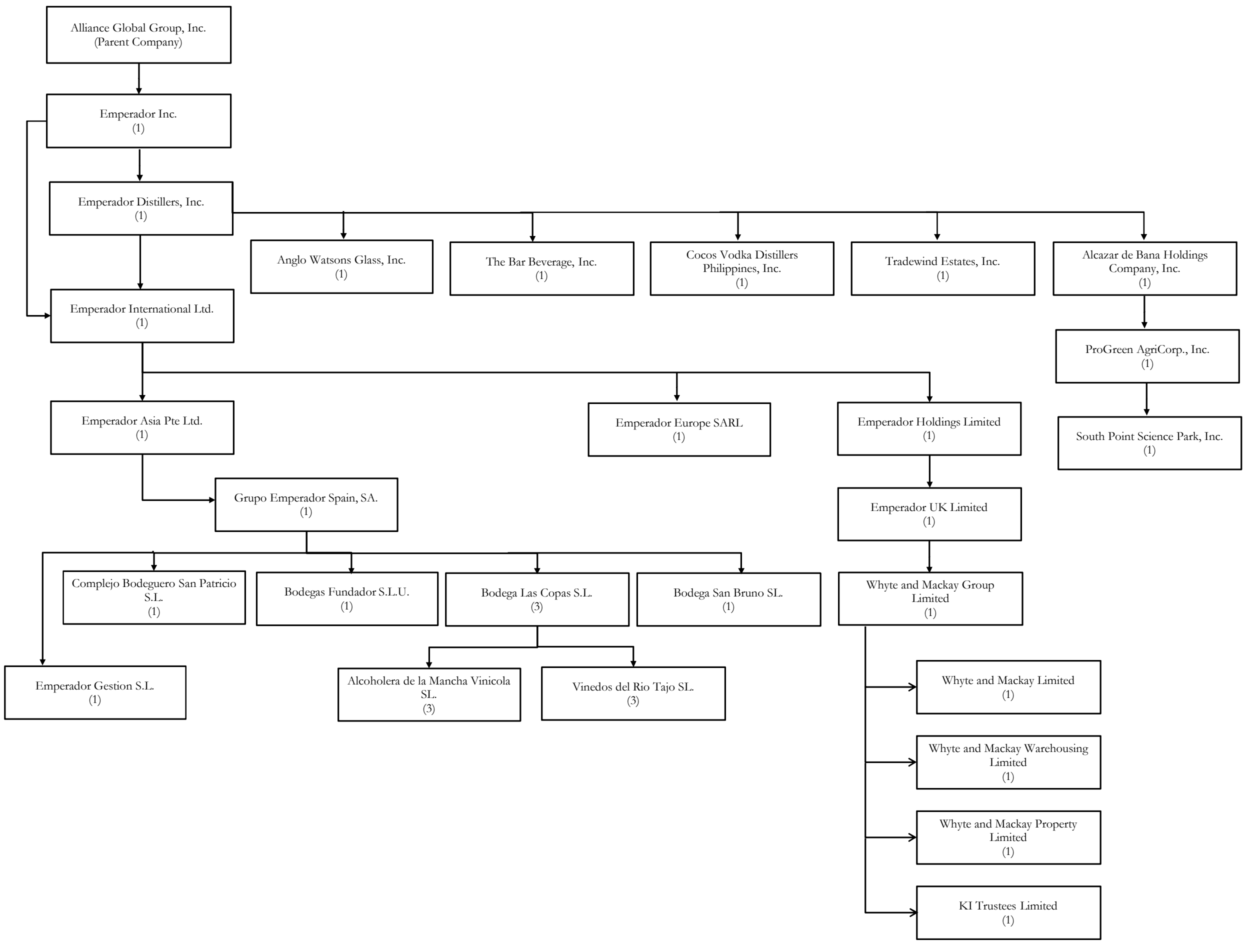


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among the Company and Emperador Inc.
December 31, 2016



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Summary of Application of SRO Proceeds
December 31, 2016

	BASED ON IPO PROSPECTUS	BASED ON ACTUAL
SRO Proceeds	**P 2,695,239,834**	**P 2,695,239,834**
Less: SRO related expenses	**5,239,834**	**5,239,834**
Net proceeds	**2,690,000,000**	**2,690,000,000**
Less: Disbursements		
Construction Site Development	**1,800,000,000**	**1,885,000,000**
Pioneer Woodlands	800,000,000	350,000,000
San Lorenzo Place	700,000,000	532,081,376
The Rochester	300,000,000	275,267,709
Kasara	-	140,479,357
Sonoma	-	70,000,000
Little Baguio Terraces	-	314,520,643
South Science Park	-	202,650,915
Landbanking	**890,000,000**	**805,000,000**
Total Disbursements	**2,690,000,000**	**2,690,000,000**
Remaining Balance of Proceeds, as at December 31, 2016		**-**

Supplementary information on the Summary of Application of SRO Proceeds

The proceeds were subsequently reallocated and transferred to fund the urgent construction of other projects that have exceeded their respective allocations.

EMPIRE EAST LAND HOLDINGS, INC.
INTERIM FINANCIAL STATEMENTS
AS OF 31 MARCH 2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2017**

2. Commission Identification Number: **AS094-006430**

3. BIR Tax Identification No. **003-942-108**

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

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

6. (SEC Use Only)
   Industry Classification Code

7. **21st Floor, The World Centre**
   330 Sen. Gil J. Puyat Avenue
   Makati City, Philippines 1227
   Address of issuer's principal office

8. **(632) 867-8351 to 59**
   Issuer's telephone number, including area code

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

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

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

    Yes [X] **No [ ]**

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

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

11. Indicate by check mark whether the issuer:

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

    Yes [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

Exhibit 1 – Consolidated Statements of Financial Position as of December 31, 2016 and March 31, 2017
Exhibit 2 - Consolidated Statements of Comprehensive Income as of March 31, 2016 and March 31, 2017
Exhibit 3 - Comparative Statements of Changes in Equity as of March 31, 2016 and March 31, 2017
Exhibit 4 - Comparative Consolidated Statements of Cash Flows as of March 31, 2016 and March 31, 2017
Exhibit 5 - Notes to Interim Financial Statements
Exhibit 6 - Management's Discussion of Financial Condition and Results of Operations

Item 2. Aging of Accounts Receivable as of March 31, 2017

Please refer to Exhibit 7 hereof.

Item 3. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

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

SIGNATURE

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

EMPIRE EAST LAND HOLDINGS, INC.
Issuer

By:

EVELYN G. CACHO
Senior Vice President (Principal Financial Officer) and Duly Authorized Officer
May 09, 2017

EXHIBIT 1

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

	Unaudited 31-Mar-17	Audited 31-Dec-16
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	**P 777,227**	P 1,008,998
Trade and other receivables - net	**5,279,890**	5,021,311
Advances to related parties	**2,357,293**	2,311,258
Residential and condominium units for sale	**18,938,979**	18,933,860
Property development costs	**1,906,226**	1,903,776
Prepayments and other current assets	**489,595**	381,730
Total Current Assets	**29,749,210**	29,560,933
NON-CURRENT ASSETS		
Trade and other receivables - net	**2,823,592**	2,782,264
Available-for-sale financial assets	**1,427,768**	1,439,028
Advances to landowners and joint ventures	**306,878**	306,871
Land held for future development	**2,925,391**	2,925,391
Investment in associates	**1,160,071**	1,162,874
Property and equipment - net	**154,967**	155,445
Investment property - net	**131,076**	135,249
Other non-current assets	**84,704**	84,703
Total Non-current Assets	**9,014,447**	8,991,825
TOTAL ASSETS	**P 38,763,657**	P 38,552,758

		Unaudited 31-Mar-17		Audited 31-Dec-16
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	**P**	**362,727**	P	355,115
Trade and other payables		**1,357,227**		1,451,140
Deferred gross profit on real estate sales		**58,472**		53,575
Customers' deposits		**2,480,035**		2,494,779
Advances from related parties		**3,047,029**		3,012,266
Reserve for property development		**426,791**		387,963
Income tax payable		**20,912**		20,510
Other current liabilities		**611,657**		584,715
Total Current Liabilities		**8,364,850**		8,360,063
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings		**1,502,873**		1,603,434
Deferred gross profit on real estate sales		**159,457**		116,609
Reserve for property development		**1,465,129**		1,425,946
Retirement benefit obligation		**530,341**		528,515
Deferred tax liabilities		**1,673,938**		1,604,580
Total Non-current Liabilities		**5,331,738**		5,279,084
Total Liabilities		**13,696,588**		13,639,147
EQUITY				
Equity attributable to parent company's shareholders		**24,445,429**		24,293,190
Non-controlling interest		**621,640**		620,421
Total Equity		**25,067,069**		24,913,611
TOTAL LIABILITIES AND EQUITY	**P**	**38,763,657**	P	38,552,758

EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(In Thousands)	
	Unaudited Jan-March 2017	Unaudited Jan-March 2016
REVENUES		
Real estate sales	**P 1,178,989**	P 957,750
Realized gross profit on prior years' sales	**26,511**	23,514
Finance Income	**39,417**	63,090
Equity share in net earnings (loss) of an associate	**(2,802)**	30
Commissions & other income	**120,633**	106,422
	1,362,748	1,150,806
COST & EXPENSES		
Cost of real estate sales	**649,873**	617,054
Deferred gross profit on current year's sales	**74,257**	16,310
Finance costs	**69,925**	42,120
Operating expenses	**333,621**	276,591
Tax expense	**70,354**	58,684
	1,198,030	1,010,759
NET PROFIT	**164,718**	140,047
OTHER COMPREHENSIVE INCOME (LOSS)		
Fair value gains (losses) on available-for-sale financial assets	**(11,260)**	45,040
TOTAL COMPREHENSIVE INCOME (LOSS)	**153,458**	185,087
Net profit attributable to:		
Parent company's shareholders	**163,499**	138,892
Minority interest	**1,219**	1,155
	164,718	140,047
Total comprehensive income (loss) attributable to:		
Parent company's shareholders	**152,239**	183,932
Non-controlling interest	**1,219**	1,155
	153,458	185,087
Earnings Per Share		
Basic	**0.0111**	0.0095
Diluted	**0.0111**	0.0095

EXHIBIT 3

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

	(In Thousands)					
	Unaudited 31-Mar-2017			Unaudited 31-Mar-2016		
CAPITAL STOCK		**P**	**14,803,455**		P	14,803,455
ADDITIONAL PAID-IN CAPITAL			**4,307,888**			4,307,888
TREASURY SHARES			**(102,107)**			(102,107)
REVALUATION RESERVES						
Balance at beginning of year	**468,066**			839,520		
Net unrealized fair value gains (losses) on available-for-sale financial assets	**(11,260)**			45,040		
Balance at end of period			**456,806**			884,560
RETAINED EARNINGS			**4,979,387**			4,354,811
MINORITY INTEREST			**621,640**			620,470
TOTAL EQUITY		**P**	**25,067,069**		P	24,869,077

EXHIBIT 4

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

		Unaudited 31-Mar-17		Unaudited 31-Mar-16
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P	235,072	P	198,731
Adjustments for:				
Depreciation and amortization		8,587		8,232
Finance costs		69,925		42,120
Finance income		(39,417)		(63,090)
Equity in net loss (earnings) of associates		2,802		(30)
Operating income before working capital changes		276,968		185,963
Net Changes in Operating Assets and Liabilities				
Increase in current and non-current assets		(422,228)		(401,062)
Increase (decrease) in current and other non-current liabilities		(31,994)		3,226
Increase in reserve for property development		78,011		57,116
Cash used in operations		(99,242)		(154,757)
Interest received		(268)		25,128
Cash paid for income taxes		(745)		(530)
Net Cash Used in Operating Activities		(100,255)		(130,159)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(3,404)		1,159
CASH FLOWS USED IN FINANCING ACTIVITIES		(128,112)		(8,186)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(231,771)		(137,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,008,998		1,398,236
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P	777,227	P	1,261,050

EXHIBIT 5

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

The Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership Mar 2017	2016	2015
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(d)	**73%**	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(b)	**60%**	60%	60%
20th Century Nylon Shirt Co., Inc. (20th Century)	(e)	**100%**	100%	100%
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	**47%**	47%	47%
Pacific Coast Megacity Inc. (PCMI)	(f)	**20%**	20%	20%

Explanatory Notes:

(a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
(b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of March 31, 2017.
(c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.

(d) Subsidiary primarily engaged in operating a school for primary and secondary education.
(e) Subsidiary acquired in 2015 which is yet to resume its operations.
(f) Associate acquired in 2015. The Company plans to acquire 100% ownership interest over a period of five years.

The registered office, which is also the place of operations of the Company's subsidiaries and associates, is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City except for EPHI, LBASSI, 20th Century, and PCMI. The registered office, which is also the place of operations, of EPHI, LBASSI, 20th Century, and PCMI are summarized below.

(a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
(d) PCMI – 7th Floor 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting to 100% and 73% ownership control over the respective subsidiaries. This resulted to the recognition of goodwill which amounted to P78.3 million as of March 31,2017 and 2016, and shown as part of Other non-current assets account in the consolidated statements of financial position.

In February 2015, the Company acquired 100% ownership interest in 20th Century.

Also, in 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares representing 20% ownership interest in the said company. The Company exercises significant influence over PCMI; hence, the investment is accounted as an Investment in Associate.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to the Group

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the relevant pronouncements as discussed below and in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for* Unrealized *Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(b) Effective Subsequent to 2017 that are Relevant to the Group

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

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

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

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

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

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

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

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

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(ii) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers,* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, *Application of PFRS 15, "Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Judgments in Applying Accounting Policies

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

(a) *Revenue Recognition*

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(b) *Impairment of AFS Financial Assets*

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

(c) *Distinction Among Investment Property, Owner-managed Properties and Land Held for Future Development*

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

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

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

(e) *Distinction Between Operating and Finance Leases*

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

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

(f) *Distinction Between Asset Acquisition and Business Combinations*

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

(g) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies

3.2 Key Sources of Estimation Uncertainty

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

(a) *Impairment of Trade and Other Receivables and Advances to Related Parties*

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

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

In determining the net realizable value of residential and condominium units for sale, property development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made.

The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development accounts within the next reporting period.

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

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

(d) Determination of Realizable Amount of Deferred Tax Assets

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

(e) Impairment of Goodwill and Other Non-financial Assets

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

(f) Valuation of Post-employment Defined Benefit

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

(g) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of this method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. There were no changes in the assumptions or basis for estimation during the period.

(h) Determination of Fair Value of Investment Property

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

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

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

(i) Business Combinations

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

4. SEGMENT REPORTING

4.1 Business Segments

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

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The succeeding pages present the revenue and profit information regarding industry segments for the three months ended March 31, 2017 and 2016 and certain assets and liabilities information regarding industry segments as of March 31, 2017 and December 31, 2016.

	High Rise Projects		Horizontal Projects		Total	
	Mar. 31, 2017	Mar. 31, 2016	**Mar. 31, 2017**	Mar. 31, 2016	**Mar. 31, 2017**	Mar. 31, 2016
REVENUES						
Real Estate Sales	**P 1,085,048,882**	P 746,806,115	**P 93,940,045**	P 210,943,911	**P 1,178,988,927**	P 957,750,026
Realized gross profit on prior years' sale	**26,511,087**	23,514,268	**-**	-	**26,511,087**	23,514,268
Finance income	**(1,755,709)**	23,045,259	**1,143,482**	1,733,399	**(612,227)**	24,778,658
Commission & Other Income	**44,859,002**	43,336,089	**13,986,479**	13,971,702	**58,845,481**	57,307,791
Total Revenues	**1,154,663,262**	836,701,731	**109,070,006**	226,649,012	**1,263,733,268**	1,063,350,743
COSTS AND OTHER OPERATING EXPENSES						
Cost of Real Estate Sales	**623,928,872**	535,442,774	**25,943,842**	81,611,076	**649,872,714**	617,053,850
Deferred gross profit on current years' sale	**74,261,766**	16,285,712	**(5,188)**	24,698	**74,256,578**	16,310,410
Operating expenses	**146,027,340**	116,970,455	**14,943,924**	12,131,090	**160,971,264**	129,101,545
Cost and other operating expenses excluding depreciation and amortization	**844,217,978**	668,698,941	**40,882,578**	93,766,864	**885,100,556**	762,465,805
Depreciation and amortization	**829,582**	832,603	**3,425,723**	3,493,375	**4,255,305**	4,325,978
	845,047,560	669,531,544	**44,308,301**	97,260,239	**889,355,861**	766,791,783
SEGMENT OPERATING PROFIT (LOSS)	**P 309,615,702**	P 167,170,187	**P 64,761,705**	P 129,388,773	**P 374,377,407**	P 296,558,960

	High Rise Projects		Horizontal Projects		Total	
	Mar. 31, 2017	Dec. 31, 2016	**Mar. 31, 2017**	Dec. 31, 2016	**Mar. 31, 2017**	Dec. 31, 2016
SEGMENT ASSETS AND LIABILITIES						
Segment Assets	**20,303,365,638**	19,960,825,206	**5,819,478,104**	5,883,290,460	**26,122,843,742**	25,844,115,666
Segment Liabilities	**1,924,044,752**	1,798,242,997	**185,804,588**	185,849,534	**2,109,849,340**	1,984,092,531

4.5 Reconciliations

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

		Mar. 31, 2017		Mar. 31, 2016
Revenues				
Total segment revenues	**P**	**1,263,733,268**	P	1,063,350,743
Other unallocated revenues		**99,015,083**		87,455,620
Revenues as reported in profit or loss in profit or loss	**P**	**1,362,748,351**	P	1,150,806,363
Profit or loss				
Segment operating profit	**P**	**374,377,407**	P	296,558,960
Other unallocated income		**99,015,083**		87,455,620
Other unallocated expense		**(238,320,640)**		(185,283,526)
Profit before tax as reported in profit or loss	**P**	**235,071,850**	P	198,731,054

		Mar. 31, 2017		Dec. 31, 2016
Assets				
Segment Assets	**P**	**26,122,843,742**	P	25,844,115,666
Unallocated Assets		**12,640,812,965**		12,708,642,793
Total assets as reported in the consolidated statements of financial position	**P**	**38,763,656,707**	P	38,552,758,459
Liabilities				
Segment Liabilities	**P**	**2,109,849,340**	P	1,984,092,531
Unallocated Liabilities		**11,586,738,081**		11,655,054,867
Total liabilities as reported in the consolidated statements of financial position	**P**	**13,696,587,421**	P	13,639,147,398

5. STOCK RIGHT

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

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

As of March 31, 2017, the Company's number of shares issued and outstanding totalled 14,803,455,238 with total Treasury Stock of 127,256,071.

6. EARNINGS PER SHARE

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

Earnings per share amounts were computed as follows:

	Mar. 31, 2017	Mar. 31, 2016
Weighted average number of shares	**14,676,199,167**	14,676,199,167
Income available to parent company's Shareholders	**P 163,498,846**	P 138,892,355
Basic	**P 0.0111**	P 0.0095
Diluted	**P 0.0111**	P 0.0095

7. COMMITMENTS AND REAL ESTATE PROPERTIES

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

8. SEASONAL FLUCTUATIONS

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

9. ASSESSMENT OF FINANCIAL RISKS

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

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

9.1) Foreign Currency Sensitivity

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

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

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos amounted to P12.1 million as of March 31, 2017.

At March 31, 2017, if the peso had strengthened by 5.96% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P0.7 million higher, mainly as a result of foreign exchange gain on translation of U.S. dollar-denominated cash and cash equivalents.

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

The 5.96% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the reporting period.

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

9.2) Interest Rate Sensitivity

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

On March 31, 2017, if general interest rates on dollar and peso-denominated financial assets had been higher by 0.32%, with all other variables held constant, income before tax for the year would have been P3.9M higher, mainly as a result of higher interest income on floating rate deposits.

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

9.3) Credit Risk

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

	As of Mar. 31, 2017	As of Dec. 31, 2016
Cash and cash equivalents	**P 777,227,146**	P 1,008,997,919
Trade and other receivables - net	**6,937,042,050**	6,589,307,708
Advances to related parties	**2,357,293,158**	2,311,257,801
	P 10,071,562,354	P 9,909,563,428

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

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

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

9.4) Liquidity Risk

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

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

As at March 31,2017, the Group's financial liabilities have contractual maturities which are presented below:

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 362,726,712	P 1,502,872,564
Trade and other payables	1,191,535,470	-
Advances from related parties	3,047,029,464	-
Other current liabilities	611,656,603	-
	P 5,212,948,249	**P 1,502,872,564**

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

	Within One Year	**One to Five Years**	**More than Five Years**
Interest-bearing loans and borrowings	P 443,479,080	P 1,786,311,643	P 5,963,400
Trade and other payables	1,362,915,988	-	-
Advances from related parties	3,012,266,199	-	-
Other current liabilities	584,715,486	-	-
	P 5,403,376,753	**P 1,786,311,643**	**P 5,963,400**

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

9.5) Other Market Price Risk

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

At March 31, 2017, if the quoted stock price for the securities had decreased by 0.26% with all other variables held constant, equity would have been higher by about P3.8 million. The 0.26% estimated change in quoted market price is computed based on volatility of local index for holdings first listed at Philippine Stock Exchange.

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

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

10. FINANCIAL INSTRUMENTS EVALUATION

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

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

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

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

10.1) Financial Assets at Fair Value through Profit or Loss

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

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

10.2) Loans and Receivables

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

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

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

10.3) Held-to-maturity Investments

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

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

10.4) Available-for-sale Financial Assets

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

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

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

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

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

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

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

EXHIBIT 6

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Review of March 31, 2017 versus March 31, 2016

During the three-month period, the consolidated net profit amounted to P164.7 million, 18% higher than the previous year's net income of P140.0 million. Consolidated revenues, composed of real estate sales, realized gross profit, finance income, earnings of associates, commissions and other revenues posted an increase of 18% from P1.2 billion to P1.4 billion.

Real Estate Sales

The Group registered Real Estate Sales of P1.2 billion for three months ended March 31, 2017 compared with P957.8 million in 2016. The sales generated were derived from various projects including, The Cambridge Village, The Sonoma, San Lorenzo Place, Pioneer Woodlands, Kasara Urban Resort Residences, The Rochester Gardens, Little Baguio Terraces, California Gardens Square, Mango Tree Residences and Covent Garden.

The Cost of Real Estate Sales amounting to P649.9 million in 2017 and P617.1 million in 2016, as a percentage of Real Estate Sales, was 55% and 64%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P529.1 million during the three months of 2017 and 340.7 million in 2016, or 45% and 36% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit amounting to P481.4 million in 2017 and P347.9 million in 2016, represents 41% and 36% of Real Estate Sales, respectively.

Other Revenues

The finance income amounting to P39.4 million and P63.1 million in 2017 and 2016 respectively, were derived mostly from in-house financing and accounts for 3% and 5% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P120.6 million in 2017 and P106.4 million in 2016, represents 9% of total revenues both in 2017 and 2016.

Operating Expenses

Operating Expenses posted an increase from P276.6 million in 2016 to P333.6 million in 2017. Other charges/expenses include Finance Cost of P69.9 million and P42.1 million in 2017 and 2016, respectively.

FINANCIAL CONDITION

Review of March 31, 2017 versus December 31, 2016

Total resources of the Group as of March 31, 2017 and December 31, 2016 amounted to P38.8 billion and P38.6 billion respectively. Cash and Cash Equivalents decreased from P1.0 billion to P0.8 billion. The Group remained liquid with Total Current Assets of P29.7 billion in 2017 and P29.6 billion 2016, which accounted for 77% of the Total Assets in 2017 and 2016, while its Total Current Liabilities amounted to P8.4 billion both in March 31, 2017 and December 31, 2016.

The Equity increased from P24.9 billion in the previous year to P25.1 billion as of March 31, 2017 was basically due to Group's Net Income for the 3-month period.

For the three months of 2017 and in the year 2016, the Group sourced its major cash requirements from internally generated funds.

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

TOP FIVE (5) KEY PERFORMANCE INDICATORS

For the three-month period of 2016, the following are top key performance indicators of the Group:

1) **Increase in Real Estate Sales**

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

2) **Other Revenues**

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

3) **Ability to repay loan obligations**

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

4) **Continuous development of projects**

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

5) Landbanking

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

Material Changes in the 2017 Interim Financial Statements
(Increase or decrease of 5% or more versus December 31, 2016)

Statements of Financial Position

- 23% decrease in Cash and cash equivalents
  Mainly due to construction related payments

- 28% increase in Prepayments and other current assets
  Mainly due to increase in prepaid taxes related to transfer of titles and input vat on purchases

- 5% decrease in Interest-bearing loans and borrowings
  Mainly due to loan payments

- 6% decrease in Trade and Other Payables
  Various payments to contractors and suppliers due to increasing construction activities

- 28% increase in Deferred Gross Profit on Real Estate Sales
  Mainly due to sales of projects with ongoing development

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus March 31, 2016)

- 23% increase in Real estate sales
  Due to aggressive selling of projects and higher sales recognized during the period

- 13% increase in Realized gross profit on prior years' sale
  Due to construction accomplishment of certain projects

- 38% decrease in Finance income
  Primarily due to varying payment terms of accounts under in-house financing

- 9403% decrease in Equity in net earnings (loss) of associates
  Primarily due to decrease in earnings of associate

- 13% increase in Commissions and other income
  Mainly due to increase in revenues derived from other related sources

- 5% increase in Cost of real estate sales
  Mainly attributed to increase in sales

- 355% increase in Deferred gross profit on current year's sales
  Mainly due to construction accomplishments of ongoing projects

- 66% increase in Finance costs
  Mainly due to interest on additional loan

- 21% increase in Operating Expenses
  Primarily due to increase in marketing and administrative expenses

- 20% increase in Tax Expense
  Mainly due to increase in taxable income

For the year 2017, the projected capital expenditures (construction and development) of roughly P5.0 billion is expected to be funded by collections, borrowings and equity financing.

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

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

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

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

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

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

Exhibit 7

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
As of March 31, 2017
Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current / Not Yet Due	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & Items in Litigation
a) Trade Receivables	5,285,500	4,831,487	46,901	164,980	183,736	58,396	-
b) Other Receivables	2,817,982	2,817,982	-	-	-	-	-
Net Receivables	8,103,482						

2) Accounts Receivable Description

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

3) Normal Operating Cycle: 3 to 15 years

EXHIBIT 8

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

	31-Mar-2017	31-Dec-2016
Current ratio	3.56	3.54
Quick ratio	0.72	0.72
Debt-to-equity ratio	0.55	0.55
Interest-bearing debt to total capitalization ratio	0.07	0.07
Asset-to-equity ratio	1.55	1.55
		31-Mar-2016
Interest rate coverage ratio	436%	572%
Net profit margin	12.09%	12.17%
Return on assets	0.43%	0.38%
Return on equity/investment	0.66%	0.56%
Return on equity/investment of owners	0.67%	0.57%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilitites

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term-debt.
Debt-to-equity ratio-computed as total liabilities divided by total equity.
Interest-bearing debt to total capitalization ratio-computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency.
It shows how much of the assets are owned by the company. It is computed as total assets divided by total equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.
It is computed as earnings before income tax and interest expense ("EBIT") divided by interest.

PROFITABILITY RATIOS
Net profit margin - computed as net profit divided by total revenues
Return on assets - net profit divided by average total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to owners of the parent company