COVER SHEET

9 4 0 0 7 1 6 0

SEC Registration Number

ARTHALAND CORPORATION

(Company's Full Name)

8F PICADILLY STAR BUILDING,
4TH AVENUE CORNER 27TH STREET,
BONIFACIO GLOBAL CITY,
TAGUIG CITY, METRO MANILA 1634

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

PONCIANO S. CARREON, JR.	**(+632) 403-6910**
(Contact Person)	(Company Telephone Number)

	2014	
1 2 / **3 1**	**1 7 - A**	**0 6** / **Last Fri**
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

2,037		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **31 December 2014**

2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No. **126-004-450-721**

4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION (ALCO)**

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

   [ ] (SEC Use Only)
   Industry Classification Code:

7. **8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City** — **1634**
   Address of principal office — Postal Code

8. **(+632) 403-6910/403-6915**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (₱0.18 par value)**	**None**

11. Are any or all of these securities listed on a Stock Exchange? Yes [**x**] No [ ]
    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange – Only 3,696,865,199 Common Shares are listed at present.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [**x**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days: Yes [**x**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Name of Shareholders	No. of Shares	Market Price of Shares (as of 13 February 2015)	Total Amount (₱)
1. Edimax Investment Limited	296,460,000	0.270	80,044,200.00
2. Viplus Investment Limited	247,899,874	0.270	66,932,965.98
3. Kinstar Investment Limited	94,720,035	0.270	25,574,409.45
4. The First Resources Mgt. And Sec.	37,500,000	0.270	10,125,000.00
5. Keng, Tina	25,000,000	0.270	6,750,000.00
6. Bartolome, Rosario	15,231,750	0.270	4,112,572.50
7. EQL Properties, Inc.	14,671,125	0.270	3,961,203.75
8. Primesolutions and Consultancy, Inc.	5,120,125	0.270	1,382,433.75
9. Urban Bank Trust Department – A/C No. 625	4,838,488	0.270	1,306,391.76
10. RBL Fishing Corporation	4,350,000	0.270	1,174,500.00

Documents Incorporated by Reference:

Audited Financial Statements for the period ended as of 31 December 2014
Annual Corporate Governance Report (as amended as of 31 March 2015)

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION was incorporated on 10 August 1994[1] for the purpose of engaging in property development of residential, commercial, leisure and industrial projects, and holds office at the 8th Floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City**.** Its shares are traded in the Philippine Stock Exchange with the trading symbol ALCO.

ALCO instituted several corporate actions in 2007 to prepare for its medium and long term business goals. It underwent a quasi-reorganization consisting basically of the reduction in the par value of its shares and decrease in authorized capital stock[2] and subsequently a recapitalization program and increase in authorized capital stock[3] which led to the entry of new investors, namely AO Capital Holdings 1, Vista Holdings Corporation, The First Resources Management and Securities Corporation and Elite Holdings, Inc. (collectively, the “new investors”).

On 12 August 2008, the Board approved the ₱750.0 million subscription in ALCO by the new investors equivalent to 3.750 billion common shares.

On 26 April 2011, CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines, acquired a total of 1,800,000,000 ALCO common shares, or an equivalent of 33.847% of ALCO’s total issued and outstanding common shares. On 24 September 2014, CPG acquired additional 342,619,910 ALCO shares from the market.

Presently, CPG is the leading shareholder of ALCO.

b. Business/Projects

ALCO’s main business activity is the development of residential, commercial and leisure properties. It is geared to pursuing niched and boutique developments as well as opportunistic joint venture developments.

ALCO is a registered member of the US Green Building Council’s Leadership in Energy and Environmental Design Program (LEED), a US organization which sets the world standards for green buildings and sustainable developments. It is a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

ALCO has investments in various properties with aggregate book value of ₱1.367 billion and market value of ₱1.933 billion. Two (2) of these properties are at the

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[1] The Securities and Exchange Commission (SEC) approved the amendment of ALCO’s Articles of Incorporation and By-laws reflecting the change of its corporate name on 26 January 2009.
[2] As approved by the SEC on 04 December 2007.
[3] From ₱246,257,136.00 to ₱2,946,257,135.82, divided into 16,368,095,199 common shares at a par value of ₱0.18 per share as approved by the SEC on 24 December 2008.

Bonifacio Global City (BGC) and a 35-hectare property in Calamba City.

ALCO is the developer of Arya Residences, the pioneer and only top-end high rise residential development in the Philippines that is on target to achieve dual green building certification. Due to its strict adherence to the global sustainability measures – from planning to construction, and even beyond turnover – Arya Residences is set to achieve the Gold certification from the US Green Building Council's LEED.

Arya Residences is the leading high rise residential development that set the standard in the Philippine Green Building Council's BERDE (Building for Ecologically Responsive Design Excellence), or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. Arya Residences garnered international recognition for two (2) years in a row now. In fact, no less than the South East Asian Property Awards has chosen Arya Residences as the Best Residential Development in the Philippines in 2012 and 2013. It has also been recognized in the Inaugural Philippines Property Awards (PPA) to be the Best Residential Development in Manila with the Best Residential Architectural Design.

ALCO gained various seals of approval in 2013 and was acknowledged as the Best Boutique Developer by the PPA and as among the Top 10 Developers in the Philippines by BCI Asia. Since 2011, ALCO has been a recipient of the Environmental Leadership Award from the World Wide Fund for Nature (WWF-Philippines) for its staunch support of the group's Climate Change Adaptation program.

ALCO commits to provide property management services to the condominium corporation of all its development projects even after they are completed and turned over to the respective buyers. Post-completion involvement allows ALCO to maintain a high standard of maintenance quality in its developments.

c. Subsidiaries

As of 31 December 2014, ALCO holds 100% ownership interest in the following domestic companies:

i. Cazneau Inc. was incorporated on 31 July 2008 principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property;

ii. Emera Property Management, Inc. (previously named Technopod, Inc.) was likewise incorporated on 31 July 2008. It was originally established to engage in the realty development business but now serves as the property management arm of ALCO not only for its flagship project, Arya Residences, but for all its development projects to ensure the maintenance of high quality standards therein;

iii. Manchesterland Properties, Inc. was incorporated on 27 March 2008 and is presently the registered owner of the 6,357-square meter property located along McKinley Parkway on which Arya Residences stands; and,

iv. Urban Property Holdings, Inc. was incorporated on 23 January 1995 and was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna. However, this plan may change subject to market conditions.

Subject to matters disclosed in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. During the period covered by this Report, they are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets.

d. Competition

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technological know-how from a technical team, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. ALCO views the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO's investment properties as direct competition.

Competition can also be present in the procurement of raw materials particularly in a tight supply market. Further, ALCO competes with other property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two (2) direct competition in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and therefore, have longer track record and financial mileage. These companies are considered to have the greater share of the market at the moment. ALCO intends to primarily capitalize on its niche market of true sustainable developments and doing projects which are unique and special in terms of design, sustainable features and distinct locations. ALCO believes that it has started the ground well in sustainable and luxurious projects being the first company to have a LEED-registered residential project in the country, and intends to continue to provide distinguishing products with better quality at more competitive pricing. ALCO knows it can achieve this given its far less overhead costs, being a relatively leaner organization.

e. Industry Risk

The property development sector is cyclical and is subjected to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand is being driven by purchases from the overseas workers' market. This exposes the industry to the economic performance of foreign countries of the overseas workers such as the United States, Saudi Arabia and countries in Europe.

The office market has been largely driven by the business process outsourcing (BPO) sector which caters largely to US and European customers. The BPO industry, organized under the Business Process Association of the Philippines (BPAP), comprises primarily of contact centers, back office operations and medical transcription, among others.

The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates.

Overall, the industry and necessarily, ALCO and its subsidiaries, contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, and changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive to the political and security situations of the country since a portion of its sales comes from both foreign and local investors, and to the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and other real estates.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It has a committee which evaluates credit worthiness of prospective buyers and regularly monitors the economic performance of the country and global players through internal research and consultations with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

f. Sources and availability of raw materials

Construction of ALCO's project/s is awarded to qualified reputable construction firms subject to a bidding process and Management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. However, ALCO has the right and may opt to procure owner-supplied construction materials should Management find the same to be more cost-effective for its projects.

g. Advances to Related Parties

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length. Intercompany transactions between ALCO and its wholly-owned subsidiaries for the period covered by this Report are discussed in the Audited Financial Statements hereto attached.

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like although ALCO sought from the Intellectual Property Office of the Philippines and was granted in 2010 the exclusive use of the tradename logos and taglines "ArthaLand" and "Arya Residences".

i. Government approval for principal products or services

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

j. Cost and Effects of Compliance with Environmental Laws

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of Arya Residences and Arthaland Tower, and paid for the imposed dues, the aggregate amount of which is ₱890,000.00.

ALCO goes beyond the mandatory environmental framework, being a member and supporter of the Philippine Green Building Council and US Green Building Council, as well as a partner of the World Wide Fund.

ALCO will definitely be obtaining the requisite government approvals for its subsequent projects based on the projects' timetable for development and pre-selling.

k. Employees

As of 31 December 2014, ALCO had a total of seventy-six (76) employees consisting of seven (7) executives, eight (8) senior managers, eighteen (18) managers, fifteen (15) officers and supervisors (non-management), and twenty-eight (28) rank and file employees.

As of 31 March 2015, ALCO has a total of eighty-one (81) employees consisting of seven (7) executives, nine (9) senior managers, nineteen (19) managers, eighteen (18) officers and supervisors (non-management), and twenty-eight (28) rank and file employees.

None of these employees is covered by a collective bargaining agreement.

It cannot be determined whether additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

l. Working Capital

In general, ALCO finances its projects through internally generated funds, loans and support from its major shareholders. The amount spent on development activities and its percentage vis-à-vis ALCO's revenues during the last two (2) fiscal years are reflected and discussed extensively in ALCO's Audited Financial Statements for the period covered by this Report hereto attached.

ITEM 2. Properties

ALCO is the registered owner of a 2,233-square meter property (Lot 5 Block 5)[4] along 5th Avenue within BGC's E-Square, particularly across the street from the proposed Shangri La Hotel. The development plan for this property is mixed-use. In June 2014, ALCO broke ground for the construction of Arthaland Tower, a top end office building which is expected to be completed in the third quarter of 2017. The building will be mainly leased out to provide a source of recurring income for ALCO. This lot is presently mortgaged with BDO Unibank., Inc. for a ₱600.0M term loan. Additional borrowings of ₱2 billion will also be made against the property to partially fund the construction of Arthaland Tower.

Manchesterland Properties, Inc. (MPI), a wholly-owned subsidiary of ALCO, is the registered owner of a 6,357-square meter property (Lot 4 Block 1)[5] along McKinley Parkway on which Arya Residences, ALCO's flagship project, currently stands. ALCO's shareholdings in MPI are presently subject of a lien in favor of Allied Banking Corporation for a ₱600.0M term loan.

Urban Property Holdings, Inc., another wholly-owned subsidiary of ALCO, is the registered owner of a 35-hectare rawland[6] located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club. Approximately one (1) hectare of this property is subject of an expropriation proceeding, a full disclosure of which is discussed in the succeeding Item.

<u>Operating Lease Commitments as Lessee</u>

ALCO is a lessee under non-cancellable operating leases covering office space and sales. The leases have terms ranging from three (3) to five (5) years with renewal options and provisions for escalation.

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[4] FAR 15.4, GFA 34,380m^2

[5] FAR 12, GFA 76,284 m^2

[6] The carrying value of this property amounts to ₱149.80M as of 31 December 2014, 2013 and 2012. Based on the appraisal report dated 5 February 2014, the fair value of the land amounted to ₱349.8M.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2014	2013	2012
Within one (1) year	**₱19,683,565**	₱13,104,432	₱7,776,987
After one (1) year but not more than five years	**9,379,641**	9,918,733	4,129,230
	₱29,063,206	₱23,023,165	₱11,906,217

The total rental expense recognized from these operating leases amounted to ₱19.70MM, ₱19.40MM and ₱13.10MM in 2014, 2013 and 2012, respectively[7].

Operating Lease Commitments as Lessor

ALCO was the lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term was for an indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party. The lease was terminated by ALCO in July 2014.

The rent is seventy percent (70%) of the net operating income of the parking operations in the leased premises per one (1) month period, exclusive of value added tax.

The total rental income recognized from this operating lease amounted to ₱1.10MM, ₱2.90MM and ₱3.80MM in 2014, 2013 and 2012, respectively.

ITEM 3. Legal Proceedings

As of the date of this Report, with the exception of the following cases, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective business:

1. **Quieting of Title**

   On 18 October 2010, Urban Property Holdings, Inc. (UPHI) filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property as described in previous paragraphs. Trial is on-going.

2. **Expropriation**

   A portion of UPHI's property with an area of about one (1) hectare is the subject of an expropriation proceeding filed by the National Power Corporation (NAPOCOR) in February 1998 and is pending before the Regional Trial Court of Calamba, Laguna, Branch 34, for final resolution on the amount to be paid by NAPOCOR. NAPOCOR had erected a tower thereon to form part of the Tayabas-Dasmarinas Line Project.

[7] Note 15 of ALCO's Audited Financial Statements for the period covered by this Report is hereto attached.

The potential effect of the foregoing cases on the financial statements of ALCO and its subsidiaries cannot be determined at the moment. However, it is believed that the effect thereof, if there is any, is not significant.

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

In addition to electing the members of the Board of Directors for the year 2014-2015 to hold office as such and until their respective successors are duly nominated, elected and qualified during the Annual Stockholders' Meeting held on 27 June 2014, stockholders representing at least sixty-seven percent (67%) of ALCO's outstanding common shares which are entitled and qualified to vote approved the proposal to amend Article Third of ALCO's latest Articles of Incorporation to reflect therein the specific address of its principal office, to wit:

> THIRD – That the place where the principal office of the Corporation is to be established or located is 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City, Philippines.

The Securities and Exchange Commission approved the foregoing amendment to ALCO's Articles of Incorporation on 14 July 2014.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

ALCO's common shares are traded in the Philippine Stock Exchange.

The following are the highlights of quarterly trading for the periods of 2013-2014 and the first quarter of 2015:

	2015			**2014**			**2013**		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.31	0.24	0.24	0.20	0.20	0.20	0.2300	0.1849	0.2100
2	- 0 -	- 0 -	- 0 -	0.34	0.33	0.32	0.2220	0.1910	0.2120
3	- 0 -	- 0 -	- 0 -	0.32	0.31	0.31	0.2200	0.1920	0.2000
4	- 0 -	- 0 -	- 0 -	0.27	0.24	0.24	0.2100	0.1870	0.1930

b. Security Holders

ALCO Common shares outstanding are 5,318,095,199.

As of 31 December 2014, the number of shareholders of record is 2,042 and ALCO's public ownership percentage is 25.8641%.

The number of shareholders of record as of 31 March 2015 is 2,037 but ALCO's public ownership percentage remains at 25.8641% for the same period.

Article Seventh of ALCO's Articles of Incorporation provides that ALCO's common shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times as the Board of Directors may determine. Article Tenth also provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders as of 31 December 2014 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,142,619,910	40.289
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	815,075,993	15.326
4. Edimax Investment Limited	296,460,000	5.575
5. Viplus Investment Limited	247,899,874	4.661
6. Elite Holdings, Inc.	119,809,996	2.253
7. Kinstar Investment Limited	94,720,035	1.781
8. The First Resources Mgt. And Sec. Corp.	37,500,000	0.705
9. Tina Keng	25,000,000	0.470
10. PCD Nominee Corporation – Non-Filipino	15,260,456	0.287
11. Rosario Bartolome	15,231,750	0.286
12. EQL Properties, Inc.	14,671,125	0.276
13. Primesolutions and Consultancy, Inc.	5,120,000	0.096
14. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
15. RBL Fishing Corporation	4,350,000	0.082
16. Veronica D. Reyes	3,799,272	0.071
17. Aurelio Paulo R. Bartolome	2,922,500	0.055
18. Reyes, Veronica D. and/or Cecilia D. Reyes	2,654,061	0.050
19. Huang, Theodore and/or Corazon B. Huang	2,501,250	0.047
20. Carlos Sunico Rufino	2,175,000	0.041
TOTAL	5,236,339,710	98.461

ALCO's top 20 stockholders as of 31 March 2015 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,142,619,910	40.289
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	820,683,918	15.432
4. Edimax Investment Limited	296,460,000	5.575
5. Viplus Investment Limited	247,899,874	4.661
6. Elite Holdings, Inc.	119,809,996	2.253
7. Kinstar Investment Limited	94,720,035	1.781
8. The First Resources Mgt. And Sec. Corp.	37,500,000	0.705
9. Tina Keng	25,000,000	0.470
10. Rosario Bartolome	15,231,750	0.286
11. PCD Nominee Corporation – Non-Filipino	14,970,456	0.282
12. EQL Properties, Inc.	14,671,125	0.276
13. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
14. RBL Fishing Corporation	4,350,000	0.082
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16. Aurelio Paulo R. Bartolome	2,922,500	0.055
17. Reyes, Veronica D. and/or Cecilia D. Reyes	2,654,061	0.050
18. Huang, Theodore and/or Corazon B. Huang	2,501,250	0.047
19. Carlos Sunico Rufino	2,175,000	0.041
20. Tan, Anito and/or Lita Tan	2,027,049	0.038
TOTAL	5,238,564,684	98.504

c. Dividends

ALCO declared cash dividends as follows:

Declaration Date	Record Date	Payment Date	Amount
28 June 2013	26 July 2013	22 August 2013	₱0.012/common share
10 March 2014	28 March 2014	22 April 2014	₱0.036/common share
09 March 2015	23 March 2015	08 April 2015	₱0.012/common share

Whether ALCO still plans to declare dividends within the next twelve (12) months is uncertain but the same shall always be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

> "Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.
>
> "Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.
>
> "Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

d. Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt shares of ALCO.

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

Within the medium term horizon, management foresees a sustained positive operating performance. This will come from the remaining unrecognized revenues of Arya Residences Tower 1 which was turned over to its buyers beginning the first quarter of 2014. Additionally, revenues from the sales of units of Arya Residences Tower 2 started to lift ALCO's bottom line figures and will continue to do so until the estimated date of turnover thereof in the first quarter of 2016.

To further ensure the continuity of inventory, ALCO is in final discussions with various landowners at key locations to fill up a project pipeline for the next five to seven years.

Mindful of a long-term financial perspective, ALCO broke ground in middle of 2014 for the construction of Arthaland Tower, a premium office building scheduled to be operational by the third quarter of 2017. This is expected to provide operating cushion and long-term recurring income. Construction is ongoing and an iconic building by the renowned New York Architecture firm SOM is fast rising at the corner of 5th Avenue and 30th Street in Bonifacio Global City.

Management will continue to be very prudent in handling ALCO's resources while providing optimal return to all its stakeholders.

FINANCIAL POSITION
31 December 2014 vs. 31 December 2013

	31 Dec 2014	31 Dec 2013	Change
Cash and cash equivalents	**834,733,453**	574,608,266	45%
Financial assets at fair value through profit or loss (FVPL)	**272,072,660**	-	100%
Trade and other receivables	**1,946,089,269**	1,416,114,777	37%
Real estate for sale	**713,026,538**	1,388,489,169	-49%
Investment properties	**1,367,498,286**	681,139,343	101%
Property and equipment	**28,597,607**	45,536,253	-37%
Net deferred tax assets	**1,627,446**	43,739,108	-96%
Other assets	**372,057,900**	204,693,708	82%
Total Assets	**5,535,703,159**	4,354,320,624	27%
Loans payable	**2,765,827,162**	1,769,861,911	56%
Accounts payable and other liabilities	**880,784,527**	997,255,035	-12%
Retirement liability	**33,672,130**	23,532,523	43%
Net deferred tax liabilities	**156,814,255**	-	100%
Total Liabilities	**3,837,098,074**	2,790,649,469	37%
Capital stock	**955,107,136**	850,786,496	12%
Additional paid-in capital	**75,000,000**	54,575,400	37%
Retained earnings	**668,555,690**	656,252,442	2%
Accumulated unrealized actuarial gains	**(57,741)**	2,056,817	-103%
Total Equity	**1,698,605,085**	1,563,671,155	9%
Total Liabilities And Equity	**5,535,703,159**	4,354,320,624	27%

ALCO's total resources as of 31 December 2014 was at ₱5.5 billion, or about 27% higher than the 31 December 2013 level of ₱4.4 billion due to the following:

45% Increase in Cash and cash equivalents
The increase is mainly due to collections of lumpsum balances from matured accounts and from financing activities.

100% Increase in Financial assets at fair value through profit or loss (FVPL)
The increase is mainly due to short term investments made under trust products of a

local bank.

37% Increase Trade and other receivables
The increase is due to additional sales take-up for Arya Residences Tower 2 and higher completion rate of construction in 2014.

49% Decrease in Real estate for sale
The decrease is attributable to amount charged to cost of sales during the year and cost of completed Arya Residences Tower 1 retail and parking units reclassified as investment properties.

101% Increase in Investment properties
The increase is due to additional development costs for Arthaland Tower incurred during the year and cost of completed Arya Residences Tower 1 retail and parking units reclassified from real estate for sale.

37% Decrease in Property and equipment
The decrease is due to regular provision for depreciation.

96% Decrease in Net deferred tax assets
The decrease is due to partial application of deferred tax assets against the current year's tax liability.

82% Increase in Other assets
The increase is primarily due to additional creditable withholding taxes and input taxes, and investments in long-term time deposits with certain local banks.

56% Increase in Loans payable
The increase is due to financing activities during the year.

12% Decrease in Accounts payable and other liabilities
The decrease is mainly due to reduced balance of payable to buyers as a result of the same being recognized as revenue during the year.

43% Increase in Retirement liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

100% Increase in Net deferred tax liabilities
The increase is due to excess of financial over taxable gross profit on sale of real estate.

12% Increase in Capital stock
The increase is due to collections of outstanding subscription receivables from various stockholders.

37% Increase in Additional paid-in capital
The increase is due to collections of outstanding subscription receivables from various stockholders.

103% Decrease in Accumulated unrealized actuarial gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

FINANCIAL POSITION
31 December 2013 vs. 31 December 2012

	31 Dec 2013	31 Dec 2012	Change
Cash and cash equivalents	**574,608,266**	335,727,042	71%
Trade and other receivables	**1,416,114,777**	801,278,453	77%
Real estate for sale	**1,388,489,169**	1,554,389,856	-11%
Investment properties	**681,139,343**	645,556,744	6%
Property and equipment	**45,536,253**	24,251,797	88%
Net deferred tax assets	**43,739,108**	82,483,297	-47%
Other assets	**204,693,708**	196,224,071	4%
Total Assets	**4,354,320,624**	3,639,911,260	20%
Loans payable	**1,769,861,911**	1,503,210,516	18%
Accounts payable and other liabilities	**997,255,035**	796,460,145	25%
Retirement liability	**23,532,523**	14,986,602	57%
Total Liabilities	**2,790,649,469**	2,314,657,263	21%
Capital stock	**850,786,496**	830,181,736	2%
Additional paid-in capital	**54,575,400**	54,575,400	0%
Retained earnings	**656,252,442**	437,049,725	50%
Accumulated unrealized actuarial gains	**2,056,817**	3,447,136	-40%
Total Equity	**1,563,671,155**	1,325,253,997	18%
Total Liabilities And Equity	**4,354,320,624**	3,639,911,260	20%

ALCO's total resources as of 31 December 2013 was at ₱4.4 billion, or about 20% higher than the 31 December 2012 level of ₱3.6 billion due to the following:

*71% Increase in Cash and cash equivalen*ts
The increase was mainly due to collections from Tower 1 accounts due for turn-over to buyers, cash collection from Tower 2 buyers and cash proceeds from financing activities.

77% Increase Trade and other receivables
The significant increase was due to recognition of Tower 2 sales starting 2013. The recognition is based on the percentage of completion method.

11% Decrease in Real estate for sale
The decrease was mainly attributable to amount charged to cost of sales corresponding to recognized revenues based on percentage of completion method.

6% Increase in Investment properties

The increase pertains to initial planning costs incurred for the company's lot in Bonifacio Global City.

88% Increase in Property and equipment
The increase was mainly due to the cost of new computer software acquired as part of the company's efforts to enhance operational efficiency.

47% Decrease in Net deferred tax assets
The decrease was due to partial application of deferred tax assets against the current year's tax liability.

18% Increase in Loans payable
The increase was due to financing activities undertaken by the company during the year.

25% Increase in Accounts payable and other liabilities
The increase was attributable to higher monthly progress billings from contractors as a result of simultaneous development of Arya Residences Towers 1 and 2 in 2013. Progress billings are normally settled within a thirty-day period.

57% Increase in Retirement liability
The increase was due to additional provisions for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

50% Increase in Retained earnings
The increase comes from the year's net income less cash dividends paid in August of 2013.

40% Decrease in Accumulated unrealized actuarial gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

FINANCIAL POSITION
31 December 2012 vs. 01 January 2012

	31 Dec 2012	01 Jan 2012	Change
Cash and cash equivalents	**335,727,042**	160,920,587	109%
Trade and other receivables	**801,278,453**	286,787,941	179%
Real estate for sale	**1,554,389,856**	2,096,649,159	-26%
Investment properties	**645,556,744**	645,556,744	0%
Property and equipment	**24,251,797**	31,259,790	-22%
Net deferred tax assets	**82,483,297**	96,523,140	-15%
Other assets	**196,224,071**	155,606,812	26%
Total Assets	**3,639,911,260**	3,473,304,173	5%
Loans payable	**1,503,210,516**	1,639,765,210	-8%
Accounts payable and other liabilities	**796,460,145**	763,237,364	4%
Retirement liability	**14,986,602**	14,142,082	6%

Total Liabilities	**2,314,657,263**	2,417,144,656	-4%
Capital stock	**830,181,736**	830,181,736	0%
Additional paid-in capital	**54,575,400**	54,575,400	0%
Retained earnings	**437,049,725**	171,055,768	156%
Accumulated unrealized actuarial gains	**3,447,136**	346,613	895%
Total Equity	**1,325,253,997**	1,056,159,517	25%
Total Liabilities And Equity	**3,639,911,260**	3,473,304,173	5%

ALCO's total resources as of 31 December 2012 was at ₱3.6 billion, or about 5% higher than the 01 January 2012 level of ₱3.5 billion due to the following:

*109% Increase in Cash and cash equivalen*ts
The increase was mainly attributable to collections made on receivables and proceeds from the sale of a subsidiary, IRMO, Inc. in 2012.

179% Increase Trade and other receivables
The significant increase was due to additional sales take-up and higher percentage of completion of the project.

26% Decrease in Real estate for sale
The decrease was mainly attributable to the sale of lot in Bonifacio Global City.

22% Decrease in Property and equipment
The decrease was due to regular provision for depreciation.

15% Decrease in Net deferred tax assets
The decrease was due to partial application of deferred tax assets against the current year's tax liability.

26% Increase in Other assets
The increase was primarily due to additional creditable withholding taxes remitted and input taxes, coming mainly from construction costs, paid during the year.

8% Decrease in Loans payable
The decrease was due to pre-payment of a certain bank loans in 2012.

6% Increase in Retirement liability
The increase was due to additional provision for the year.

156% Increase in Retained earnings
The increase represents the net income for the year.

895% Increase in Accumulated unrealized actuarial gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

RESULTS OF OPERATIONS
31 December 2014 vs. 31 December 2013

	31 Dec 2014	31 Dec 2013	Change
Revenue from real estate sales	**2,053,012,855**	2,332,118,302	-12%
Cost of real estate sold	**1,216,469,030**	1,540,944,867	-21%
Gross income	**836,543,825**	791,173,435	6%
Administrative expenses	**289,460,170**	236,860,488	22%
Selling and marketing expenses	**76,377,533**	131,746,565	-42%
Operating expenses	**365,837,703**	368,607,053	-1%
Income (loss) from operations	**470,706,122**	422,566,382	11%
Finance costs	**-75,914,834**	-78,299,685	-3%
Other income - Net	**24,068,982**	18,342,033	31%
Income (loss) before income tax	**418,860,270**	362,608,730	16%
Income tax expense (benefit)	**215,105,595**	79,588,871	170%
Net income	**203,754,675**	283,019,859	-28%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	**-2,114,558**	-1,390,319	52%
Total comprehensive income	**201,640,117**	281,629,540	-28%

Results of Operations for the year ended 31 December 2014 compared to the year ended 31 December 2013.

12% Decrease in Revenue from real estate sales
The high revenue for 2013 was attributable to Arya Residences Towers 1 and 2 sales and construction accomplishment. In 2014, revenues come mainly from Tower 2 only since Tower 1 revenues had been substantially recognized in 2013 and prior years.

21% Decrease in Cost of real estate sold
The cost of Real Estate Sold decreased with the realized revenue for the period.

22% Increase in Administrative expenses
The increase was mainly due to expenses related to transfer of Condominium Certificate of Title under buyers' name for Arya Residences Tower 1.

42% Decrease in Selling and marketing expenses
The decrease was attributable to reduced marketing and selling activities during the year.

31% Increase in Other income - Net
The increase was mainly due to interests earned on temporary placements with local commercial banks.

170% Increase in Income tax expense (benefit)
The increase is due to higher financial tax base for the year compared with statutory tax base.

52% Increase in Change in actuarial gain (loss) - Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

RESULTS OF OPERATIONS
31 December 2013 vs. 31 December 2012

	31 Dec 2013	31 Dec 2012	Change
Revenue from real estate sales	**2,332,118,302**	1,453,263,809	60%
Cost of real estate sold	**1,540,944,867**	1,167,802,556	32%
Gross income	**791,173,435**	285,461,253	177%
Administrative expenses	**236,860,488**	203,410,797	16%
Selling and marketing expenses	**131,746,565**	100,468,319	31%
Operating expenses	**368,607,053**	303,879,116	21%
Income (loss) from operations	**422,566,382**	-18,417,863	-2394%
Finance costs	**-78,299,685**	-71,275,593	10%
Other income - Net	**18,342,033**	413,027,859	-96%
Income (loss) before income tax	**362,608,730**	323,334,403	12%
Income tax expense (benefit)	**79,588,871**	57,340,446	39%
Net income	**283,019,859**	265,993,957	6%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	**-1,390,319**	3,100,523	-145%
Total comprehensive income	**281,629,540**	269,094,480	5%

Results of Operations for the year ended 31 December 2013 compared to the year ended 31 December 2012.

60% Increase in Revenue from real estate sales
The increase is mainly due to the start of revenue recognition for Tower 2 and completion of Tower 1. Revenues are recognized using the percentage of completion method.

32% Increase in Cost of real estate sold
The increase was due to recognition of additional costs corresponding to the realized revenues under the percentage of completion method.

16% Increase in Administrative expenses
The increase is mainly due to higher depreciation and amortization expenses, and manpower related costs.

31% Increase in Selling and marketing expenses
Bulk of the increase in these accounts is attributable to sales commission incurred for the year.

10% Increase in Finance costs
The increase was due to higher level of financing activities in 2013 compared with the 2012 level.

96% Decrease in Other income - Net
The high level of other income in 2012 was a result of one-time transaction, i.e., sale of a subsidiary and lot in BGC. There was no similar transaction in 2013.

39% Increase in Income tax expense (benefit)
The significant increase is due to higher taxable income during the year.

145% Decrease in Change in actuarial gain (loss) - Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

RESULTS OF OPERATIONS
31 December 2012 vs. 31 December 2011

	31 Dec 2012	31 Dec 2011	Change
Revenue from real estate sales	1,453,263,809	473,401,834	207%
Cost of real estate sold	1,167,802,556	310,861,192	276%
Gross income	285,461,253	162,540,642	76%
Administrative expenses	203,410,797	171,699,656	18%
Selling and marketing expenses	100,468,319	52,839,356	90%
Operating expenses	303,879,116	224,539,012	35%
Income (loss) from operations	-18,417,863	-61,998,370	-70%
Finance costs	-71,275,593	-225,734,141	-68%
Other income - Net	413,027,859	204,737,698	102%
Income (loss) before income tax	323,334,403	-82,994,813	-490%
Income tax expense (benefit)	57,340,446	-89,921,153	164%
Net income	265,993,957	6,926,340	3740%

Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	3,100,523	346,613	795%
Total comprehensive income	269,094,480	7,272,953	3600%

Results of Operations for the year ended 31 December 2012 compared to the year ended 31 December 2011.

207% Increase in Revenue from real estate sales
The increase is attributable to additional sales take-up and construction progress during the year.

276% Increase in Cost of real estate sold
The increase was due to recognition of additional costs corresponding to the realized revenues under the percentage of completion method.

18% Increase in Administrative expenses
The increase is mainly due to payroll-related expenses resulting from additional personnel to support the operations.

90% Increase in Selling and marketing expenses
The increase is due to heightened sales and marketing activities.

68% Decrease in Finance costs
The decrease is attributable to the lower level of interest bearing liabilities and interest rates in 2012 compared with that of prior year.

102% Increase in Other income - Net
The increase is primarily attributable to the gain on the sale of ALCO's interest in its wholly owned subsidiary, IRMO, Inc.

164% Increase in Income tax expense (benefit)
The significant increase is due to higher taxable income during the year.

795% Increase in Change in actuarial gain (loss) - Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

FINANCIAL RATIO

	December 2014	December 2013	December 2012
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**2.95:1**	1.95:1	1.61:1
Solvency Ratio (Net income (Loss) before depreciation over total liabilities)	**0.06:1**	0.11:1	0.12:1

Debt-to-equity Ratio (Total debt to total equity)	**2.26:1**	1.78:1	1.75:1
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	**1.63:1**	1.13:1	1.13:1
Asset-to-equity Ratio (Total assets over total equity)	**3.26:1**	2.78:1	2.75:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**6.52:1**	5.63:1	5.54:1
Profitability Ratio (Net income over total equity)	**0.12:1**	0.18:1	0.20:1

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

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

Except for the development costs of Arya Residences and Arthaland Tower, both on-going projects of ALCO, there are no other material commitments for capital expenditures as of the period covered by the Report.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

There is no foreseen event that will cause a material change in the relationship between costs and revenues.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for the period ended as of 31 December 2014 were audited by Reyes Tacandong & Co., the details of which are stated below:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	PHINMA Plaza, 39 Plaza Drive Rockwell Center 1200 Makati City
Certifying Partner	:	Ms. Carolina P. Angeles
C.P.A. Reg. No.	:	86981
TIN No.	:	205-067-976-000
PTR No.	:	4748327 issued on 05 January 2015 at Makati City
SEC Accreditation No.	:	Partner – No. 0658-AR-2 Group A (Valid until 14 April 2017)
BIR Accreditation No.	:	08-005144-7-2013 (Valid until 26 November 2016)

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ALCO's consolidated financial statements for the period ended as of 31 December 2014 is incorporated herein by reference and hereto attached.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Article V of ALCO's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

Reyes Tacandong & Co. (RT&Co) was appointed as ALCO's external auditor for the years 2012, 2013 and 2014. Punongbayan & Araullo (P&A) was ALCO's external auditor for three years prior to RT&Co.'s appointment. ALCO has not had any disagreement with its external auditors to date.

RT&Co. is seeking reappointment as ALCO's external auditor for the period ended as of 31 December 2015 during ALCO's Annual Stockholders' Meeting on 26 June 2015.

Fees and Other Arrangements

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged on the experience level of the professional staff members who will be assigned to work on the engagement and generally, on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

The audit fees of P&A are ₱550,000.00 for 2011, ₱400,000.00 for 2010, and ₱270,000.00 for 2009. These fees are exclusive of VAT.

The audit fees of RT&Co are ₱500,000.00 for 2012, ₱550,000.00 for 2013, and ₱750,000.00 for 2014, all of which are exclusive of VAT.

The audit fees of RT&Co for services rendered to ALCO's subsidiaries are as follows:

	2012	2013	2014
Cazneau Inc.	₱50,000.00	₱60,000.00	₱75,000.00
Emera Property Management, Inc.	₱50,000.00	₱60,000.00	₱90,000.00
Manchesterland Properties, Inc.	₱50,000.00	₱70,000.00	₱180,000.00
Urban Property Holdings, Inc.	₱50,000.00	₱60,000.00	₱75,000.00

RT&Co did not charge ALCO for non-audit work in 2012, 2013 or 2014.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors, including Independent Directors, and Executive Officers

a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

The following were elected during the Annual Stockholders' Meeting held on 27 June 2014 for the term 2014-2015 and until their successors shall have been elected and qualified in accordance with the By-laws of ALCO:

Name of Director	Directorship	Date of First Appointment	Age
Angela de Villa Lacson	Regular	14 March 2008	69
Jaime C. Gonzalez	Regular	21 May 2007	69
Jaime Enrique Y. Gonzalez	Regular	24 June 2011	38
Christopher Paulus Nicolas T. Po	Regular	24 June 2011	44
Ricardo Gabriel T. Po, Jr.	Regular	28 March 2012	47
Ricardo S. Po, Sr.	Regular	25-26 April 2011	84
Srinivas Polishetty	Regular	28 June 2013	50
Ernest K. Cuyegkeng	Independent	21 May 2007	68
Fernan Victor P. Lukban	Independent	25-26 April 2011	54

Angela de Villa-Lacson, Filipino, grew the ALCO organization from its inception in 2008 to what it is today, a dedicated and committed 59 or so permanent and 34 contractual employees. Responsible for drawing up the future proof mission and vision of the company closely adhering to the principles of being responsive to its shareholders and its stakeholders, she has established ALCO's flagship high-end project, Arya Residences, as a residential benchmark for sustainable practices in the construction and design industry. Ms. Lacson came from a successful stint with Ayala Land, Inc. (ALI) where she led the growth of the Residential Business of the company to account for more than half of the revenues thereof. While in ALI, she led various high-end residential developments, some low-rise developments, and the development of the new communities in the South. Concurrent to her position in ALI as head of Ayala Land Premier, she started and grew its subsidiary, Community Innovations, Inc. (CII), now Alveo, the company that addresses the needs of the upper-mid market. She also headed the Innovation and Design Group of ALI. This group leads the design, master planning and development of various communities of ALI in residential high-rise, gated villages, commercial buildings, BPO campuses and retail, while concurrently heading the Ayala Museum. Prior to joining ALI, she was marketing director of San Miguel Corporation (Beer and Foods) and headed various marketing groups of Unilever, both here and in Europe.

Jaime C. Gonzalez, Filipino, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, B.A. in Economics (*cum laude*) and B.S. in Commerce (*cum laude*). He is the founder and the Chairman & Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies, including Chairman of IP E-game Ventures Inc. which is listed in the Philippine Stock Exchange and is involved in information technology and new media, retail/food & beverage, natural resources, and real estate and resort development.

Jaime Enrique Y. Gonzalez, Filipino, is currently the CEO of IP E-game Ventures Inc., a leading investor and operator of Technology, Media and Telecom ("TMT") businesses in the Philippines and Southeast Asia with over US$100M in investments and deals. He is also the founder of IPVG Corp., Egames, and IP-Converge, Inc., which are all listed on the Philippine Stock Exchange. He has a successful track record in M&A including notable deals such as PCCW Teleservices Philippines (sold to PCCW of HK), Prolexic Technologies (sold to Kennet Partners and eventually Akamai for over US$300M), and Level-up Games (sold to Asiasoft). Mr. Jaime Enrique Y. Gonzalez is presently a partner in the Kaikaku Fund (a Softbank led fund), a venture capital and private equity fund focused on investment into consumer facing companies that have demonstrated a track record and further growth potential. He holds a Bachelor of Arts degree in International Politics and Economics from Middlebury College, attended the program for Masters in Entrepreneurship at the Asian Institute of Management, and completed Business courses from Sophia University in Tokyo. He has completed the Owner-President Management program at Harvard Business School. He was selected as IT executive of the year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year 2011 (Master Entrepreneur Category). He is also part of the Young Presidents Organization and on the Board of Trustees of Asia Society Philippines.

Christopher Paulus Nicolas T. Po, Filipino, is the Chairman, President and Chief Executive Officer of Century Pacific Food, Inc., a company also listed in the Philippine Stock Exchange and trading under the symbol CNPF. Prior to this, he was Managing Director for Guggenheim Partners. He graduated from Wharton School and the College of Engineering of the University of Pennsylvania with dual degrees in Economics (Finance Concentration) and Applied Science (Systems Engineering), respectively. He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration.

Ricardo Gabriel T. Po, Jr., Filipino, is currently one of the Vice Chairmen and a Director of Century Pacific Food, Inc. (CNPF). He graduated *magna cum laude* from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He also completed the Executive Program (Owner-President Management Program) at Harvard Business School in 2001. From 1990-2006, Mr. Po, Jr. was the Executive Vice President and Chief Operating Officer of the Century Pacific Group of Companies.

Ricardo S. Po, Sr., Filipino, is Chairman Emeritus of Century Pacific Food, Inc. (CNPF). He was the Founder and Chairman of the Century Pacific Group of Companies, one of the largest canned food companies in the Philippines which manufactures and markets several popular consumer brands such as Century Tuna, Argentina Corned Beef, 555 Sardines, Angel Milk and Birch Tree Milk. He is also the Chairman of the CPG-RSP Foundation whose main advocacies include nutrition and hunger alleviation as well as education. Mr. Po, Sr. was awarded Masters in Business Administration by the University of Santo Tomas in 2005.

Srinivas Polishetty, Indian, is Managing Director of AO Capital Partners. Prior to joining AO Capital, he worked as a regional research analyst covering Asian utilities for a major stock brokerage house and as a deputy director for a leading Indian oil and gas firm. His experience includes corporate finance and project finance work in various sectors, including information technology, business process outsourcing, real estate, infrastructure, manufacturing and pharmaceuticals. Mr. Polishetty received his MBA from the Asian Institute of Management and McGill University. He is also a Chemical Engineering graduate from the Indian Institute of Technology.

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Inc., Prople Inc., Cirrus Global, Inc., KSA Realty, TO Insurance, Sumifru Singapore and Sumifru Philippines, Phelps Dodge International (Thailand) Limited, and Atlantic Gulf and Pacific Company. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Fernan Victor P. Lukban, Filipino, is one of the country's leading consultants in Family Business, Strategy, Entrepreneurship and Governance and is a long-time advisor to some of the most progressive family businesses in the country. Presently, he also serves as an Independent Director of Century Pacific Food, Inc. (CNPF). Since 2009, he has put special focus on developing Base of the Pyramid initiatives (BOPI) in various provinces in the Philippines. Mr. Lukban holds undergraduate degrees in Engineering (Mechanical and Industrial from De LaSalle University, Manila) and graduate degrees in Economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila) and in Business (MBA from IESE, Barcelona, Spain). He spent much of his early professional years in the academe helping establish and grow the University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer today. He is a founding fellow of the Institute of Corporate Directors and an International Fellow of the Australian Institute of Company Directors.

<u>Term of Office</u>

The Board of Directors is composed of nine (9) members who are generally elected at an annual stockholders' meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of ALCO. The above incumbent directors of ALCO shall hold office until their successors are elected.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are ALCO's principal corporate officers as of 31 December 2013:

Chairman of the Board	Ernest K. Cuyegkeng
Vice Chairman	Ricardo S. Po, Sr.
President	Angela de Villa Lacson
Treasurer	Leonardo Arthur T. Po
Corporate Secretary	Atty. Daisy P. Arce
Assistant Corporate Secretary/ Corporate Information Officer	Atty. Riva Khristine V. Maala
Compliance Officer	Srinivas Polishetty

Leonardo Arthur T. Po, Filipino, is a Director of Century Pacific Food, Inc. (CNPF) and acts as its Treasurer as well. He graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business experience in the marketing and operations of quick-serve restaurants, food service and fast moving consumer goods.

Daisy P. Arce, Filipino, holds a Bachelor of Laws degree from the Ateneo de Manila University. She was a partner at Quasha Ancheta Peña & Nolasco Law Offices and now has her own practice.

Riva Khristine V. Maala holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was formerly an Associate Attorney of Fortun Narvasa and Salazar Law Offices before joining the banking industry. On 01 October 2012, Atty. Maala was appointed as ALCO's Head of Legal Affairs and Investor Relations and likewise acts as its Assistant Corporate Secretary and Corporate Information Officer.

<u>Term of Office</u>:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO.

c. Significant Employees

Other than the above-named directors and corporate officers, the following are significant or key personnel of ALCO who are expected to make a significant contribution to its business:

Ninalyn S. Cordero, Filipino, is the Head of Project and Business Development. She brings in twenty-five (25) years of experience in corporate finance, investment banking and business development. She has over ten (10) years of experience with a leading investment house as Vice President for Capital Markets. Prior to joining ALCO, she held a key position in Rockwell as Assistant Vice President handling business development in charge of research, product development and project conceptualization of new business and projects. She handled the business development of One Rockwell, the land acquisition of The Grove and the joint venture on the Rockwell Business Center.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over thirty (30) years of professional experience in architectural practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and managed Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower and Salcedo Park.

Ponciano S. Carreon, Jr., Filipino, is the Chief Finance Officer. He is a graduate of San Beda College (*cum laude*) and is a CPA board examination placer. Prior to joining ALCO, he was the CFO of CB Richard Ellis Philippines and has worked with SM Development Corporation as Assistant Vice President for Controllership and with Crown Asia Properties, Inc. (a subsidiary of Vistaland) as Controller. He also brings with him solid banking experience as a certified treasury professional, bank controller and bank audit head.

Oliver L. Chan, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining ALCO, he was the Property Manager of Ayala Property Management Corporation who handled the operations of Ayala Land Inc.'s premiere retail and recreation centers, namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently General Manager of Emera Property Management, Inc., the property management arm of ALCO not only for its flagship project, Arya Residences, but for all its development projects.

d. Family Relationship

With the exception of Vice Chairman Ricardo S. Po, Sr. and his sons Ricardo Gabriel T. Po, Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po, and Jaime C. Gonzalez and his son Jaime Enrique Y. Gonzalez, the above-mentioned incumbent directors and executive officers of ALCO are not related to each other, either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The above-named directors and corporate/executive officers of ALCO have not been involved during the past five (5) years up to the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

Section 10, Article III of ALCO's By-laws provides that the "Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law." Pursuant to this provision, to compensate the members of the Board, a per diem of ₱7,500.00 is given to each director for each board of director's meeting (special or regular) attended. Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee and the Nomination Committee.

Below are the committee memberships of ALCO's Directors:

Audit Committee	Ernest K. Cuyegkeng, Chairman

	Fernan Victor P. Lukban Ricardo Gabriel T. Po Srinivas Polishetty
Stock Option and Compensation Committee	Jaime C. Gonzalez, Chairman Angela de Villa Lacson, Vice Chair Fernan Victor P. Lukban Srinivas Polishetty
Nomination Committee	Jaime C. Gonzalez, Chairman Ricardo S. Po, Sr. Ernest K. Cuyegkeng
Executive Committee[8]	Ernest K. Cuyegkeng, Chairman Jaime C. Gonzalez, Vice Chairman Ricardo S. Po, Sr., Vice Chairman Angela de Villa-Lacson Jaime Enrique Y. Gonzalez Christopher Paulus Nicolas T. Po

Section 7, Article IV, in turn, provides that the "Chairman, or such other officer(s) as the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx"

2013

	Salary[9]	Bonus	Others
Directors and Executives	₱39.8M	₱3.5M	None
Officers (As a group unnamed)	₱7.5M	None	None

2014

	Salary[10]	Bonus	Others
Directors and Executives[11]	₱40.032M	₱5.29M	None
Officers (As a group unnamed)	₱11.42M	None	None

Estimated Compensation for 2015 (Collective)

	Salary[12]	Bonus	Others
Directors and Executives Officers (As a group unnamed)	₱54.43M	None[13]	None

[8] The By-laws provides that the Executive Committee shall be composed of the Chairman of the Board, the President, the Chief Finance Officer and such other officers of the Corporation as may be appointed by the Board of Directors. Members of this Committee who are non-directors are Senior Vice President for Project and Business Development, Ms. Ninalyn S. Cordero, the Treasurer, Mr. Leonardo Arthur T. Po, and the Chief Finance Officer, Mr. Ponciano S. Carreon, Jr.

[9] Rounded-off.

[10] *Ibid.*

[11] In addition to the President and CEO, the four (4) highest paid executive officers of ALCO are the following:

i. Treasurer
ii. Chief Finance Officer
iii. Head, Project and Business Development, and
iv. Head, Technical Services.

[12] Collective amount was rounded-off.

[13] Whether bonuses will be given in 2015 is uncertain at this time.

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates[14].

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

(i) Within the first twelve (12) months from Grant Date	- up to 33.33%
(ii) Within the 13^{th} to the 24^{th} month from Grant Date	- up to 33.33%
(iii)Within the 25^{th} to 36^{th} month from Grant Date	- up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until October 2012 when the period within which they can do so expired.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners and Management

[14] ALCO must have at least 50% equity holdings of said subsidiary or affiliate.

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (*as of 31 December 2014*)

Title of Class	*Name and Address of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**CPG Holdings, Inc.** 7/F The Centerpoint Building, Julia Vargas corner Garnet Street, Ortigas Center, Pasig City	Filipino	2,142,619,910 Direct	40.289
Common	**AO Capital Holdings I, Inc.** 25/F PhilAm Life Tower 8767 Paseo de Roxas, Salcedo Village, Makati City	Filipino	1,383,730,000 Direct	26.019
Common	**Edimax Investment Limited** British Virgin Islands	British	296,460,000 Direct	5.5746

ALCO is not aware of any voting trust agreements involving its shares.

(2) Security Ownership of Management (*as of 31 December 2014*)

There are no shares held or acquired beneficially by any of the directors and executive officers of ALCO other than the nominal shares held by said directors and executive officers.

Title of Class	*Name and Position of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**Angela de Villa-Lacson** *Director/President and CEO* Unit 3503 The Regency at Salcedo, Tordecillas corner Sanchez Streets, Salcedo Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime C. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime Enrique Y. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %

Common	**Christopher Paulus Nicolas T. Po** *Director* 28 Jackson Street, West Greenhills, San Juan, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ricardo Gabriel T. Po** *Director* 1524 Carissa Street Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ricardo S. Po, Sr.** *Director/Vice Chairman* 28 Jackson Street, West Greenhills, San Juan, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Srinivas Polishetty** *Director/Compliance Officer* Unit 1201 Arya Residences, Corner McKinley Parkway and Rizal Drive, BGC, Taguig City	Indian	1 Record and Beneficial Owner	0.00 %
Common	**Ernest K. Cuyegkeng** *Independent Director/ Chairman of the Board* 1839 Santan Street, Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Fernan Victor P. Lukban** *Independent Director* 6 Tyler Street, North Greenhills, San Juan City, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
None	**Leonardo Arthur T. Po** *Treasurer* 2913 Amorsolo Tower Rockwell Center, Makati City	Filipino	0	N.A.
None	**Daisy P. Arce** *Corporate Secretary* 200 Recoletos Street, Urdaneta Village, Makati City	Filipino	0	N.A.
None	**Riva Khristine V. Maala** *Assistant Corporate Secretary/Corporate Information Officer* 21 J. Paredes St., BF Homes,	Filipino	0	N.A.

	Diliman Quezon City			

		TOTAL	**9 shares**	

ITEM 12. Certain Relationships and Related Transactions

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into intercompany transactions, primarily advances by ALCO to said subsidiary which are necessary to carry out the latter's respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length. Intercompany transactions between ALCO and its wholly-owned subsidiaries for the period covered by this Report are discussed in the Audited Financial Statements hereto attached.

Except for the above, there are no other transactions (or series of similar transactions) with or involving any of its subsidiaries in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Please see ALCO's Annual Corporate Governance Report, amended as of 31 March 2015, hereto attached and made an integral part hereof.

PART V – EXHIBITS AND SCHEDULES

ITEM 13. Exhibits and Reports on SEC Form 17-C

a. Supplementary Schedules with separate independent auditors' opinion are appended to the Audited Financial Statements hereto attached.

b. The Aggregate Market Value of Voting Stock held by Top 10 Non-Affiliates is in page 3 of this Report.

c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2014.

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

Nothing follows.

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer in **Taguig City** on this **10th** day of **April 2015.**

ARTHALAND CORPORATION
By:

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

SUBSCRIBED AND SWORN to before me this on this **10th** day of **April 2015** at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

Doc. No. 496
Page No. 100
Book No. 3
Series of 2015.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR No. 4748970/1-05 15 MKT
IBP No. 979552 / 12-19-14 RSM
ROLL No. 41969
MCLE COMP. IV No 0020663
APP. No. 95/2015-2016

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

Company Name

A R T H A L A N D   C O R P O R A T I O N   A N D   S U B S I D I A R I E S

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

8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	(02) 403-6910	–

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,059	Last Friday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Ponciano S. Carreon, Jr.	pscarreon@arthaland.com	(+639)403-6898	09175299439

Contact Person's Address

8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City

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

ARTHALAND
FUTURE PROOF BY DESIGN

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ARTHALAND CORPORATION** and its Subsidiaries (collectively, the "Group") is responsible for the preparation and fair presentation of their consolidated financial statements for the years ended 31 December **2014**, **2013** and **2012**, including the additional components thereof as attached thereto, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the period 31 December **2014**, **2013** and **2012**, have examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

04 March 2015.

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

8th Floor, Picadilly Star Building, 4th Avenue cor. 27th Street, Bonifacio Global City, Taguig 1634, Philippines TEL: (632) 403-6910 • FAX: (632) 403-6908

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this 4th day of **March 2015**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **ERNEST K. CUYEGKENG**, **ANGELA DE VILLA LACSON** and **PONCIANO S. CARREON, JR.** (i) whom I identified through their respective **Passports**, a competent evidence of identity, to be the same persons described in the foregoing instrument, (ii) who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and (iii) who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 43
Page No. 10
Book No. 2
Series of 2015.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR No. 4748970/1-05 15 MKT
IBP No. 979552 / 12-19-14 RSM
ROLL No. 41969
MCLE COMP. IV No 0020663
APP. No. 95/2015-2016

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arthaland Corporation and Subsidiaries as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4748327
Issued January 5, 2015, Makati City

March 4, 2015
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2014	2013
ASSETS			
Cash and cash equivalents	6	**₱834,733,453**	₱574,608,266
Financial assets at fair value through profit or loss (FVPL)	7	**272,072,660**	–
Trade and other receivables	8	**1,946,089,269**	1,416,114,777
Real estate for sale	9	**713,026,538**	1,388,489,169
Investment properties	10	**1,367,498,286**	681,139,343
Property and equipment	11	**28,597,607**	45,536,253
Net deferred tax assets	21	**1,627,446**	43,739,108
Other assets	12	**372,057,900**	204,693,708
		₱5,535,703,159	₱4,354,320,624
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	**₱2,765,827,162**	₱1,769,861,911
Accounts payable and other liabilities	14	**880,784,527**	997,255,035
Retirement liability	19	**33,672,130**	23,532,523
Net deferred tax liabilities	21	**156,814,255**	–
Total Liabilities		**3,837,098,074**	2,790,649,469
Equity			
Capital stock	15	**₱955,107,136**	850,786,496
Additional paid-in capital		**75,000,000**	54,575,400
Retained earnings		**668,555,690**	656,252,442
Cumulative remeasurement gains (losses) on retirement liability - net of tax	19	**(57,741)**	2,056,817
Total Equity		**1,698,605,085**	1,563,671,155
		₱5,535,703,159	₱4,354,320,624

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2014**	2013	2012
REVENUE FROM REAL ESTATE SALES		**₱2,053,012,855**	₱2,332,118,300	₱1,453,263,809
COST OF REAL ESTATE SOLD		**1,216,469,030**	1,540,944,865	1,167,802,556
GROSS INCOME		**836,543,825**	791,173,435	285,461,253
OPERATING EXPENSES	16	**365,837,703**	368,607,053	303,879,116
INCOME (LOSS) FROM OPERATIONS		**470,706,122**	422,566,382	(18,417,863)
FINANCE COSTS	17	**(75,914,834)**	(78,299,685)	(71,275,593)
OTHER INCOME - Net	18	**24,068,982**	18,342,033	413,027,859
INCOME BEFORE INCOME TAX		**418,860,270**	362,608,730	323,334,403
INCOME TAX EXPENSE	21	**215,105,595**	79,588,871	57,340,446
NET INCOME		**203,754,675**	283,019,859	265,993,957
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement liability	19	**(3,020,797)**	(1,986,170)	4,429,319
Income tax expense (benefit) relating to item that will not be reclassified	21	**906,239**	595,851	(1,328,796)
		(2,114,558)	(1,390,319)	3,100,523
TOTAL COMPREHENSIVE INCOME		**₱201,640,117**	₱281,629,540	₱269,094,480
EARNINGS PER SHARE - Basic and Diluted	22	**₱0.0383**	₱0.0532	₱0.0500

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2014**	2013	2012
CAPITAL STOCK	15			
Issued and outstanding		**₱950,507,136**	₱773,435,736	₱773,435,736
Subscribed capital - net of subscriptions receivable		**4,600,000**	77,350,760	56,746,000
		955,107,136	850,786,496	830,181,736
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**54,575,400**	54,575,400	54,575,400
Collection of subscription receivable	15	**20,424,600**	–	–
Balance at end of year		**75,000,000**	54,575,400	54,575,400
RETAINED EARNINGS				
Balance at beginning of year		**656,252,442**	437,049,725	171,055,768
Net income for the year		**203,754,675**	283,019,859	265,993,957
Dividends declared during the year	15	**(191,451,427)**	(63,817,142)	–
Balance at end of year		**668,555,690**	656,252,442	437,049,725
CUMMULATIVE REMEASUREMENT GAINS (LOSSES) ON RETIREMENT LIABILITY				
Balance at beginning of year		**2,056,817**	3,447,136	346,613
Remeasurement gain (loss) on retirement liability	19	**(3,020,797)**	(1,986,170)	4,429,319
Income tax benefit (expense) relating to OCI for the year	21	**906,239**	595,851	(1,328,796)
Balance at end of year		**(57,741)**	2,056,817	3,447,136
		₱1,698,605,085	₱1,563,671,155	₱1,325,253,997

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		**₱418,860,270**	₱362,608,730	₱323,334,403
Adjustments for:				
Interest expense	17	**54,185,972**	72,543,240	69,392,720
Depreciation and amortization	16	**27,319,033**	37,082,990	17,767,283
Discount on receivables financing	17	**20,913,653**	5,461,787	–
Interest income	6	**(11,967,089)**	(9,080,891)	(9,094,934)
Retirement expense	19	**7,118,810**	6,559,751	5,273,839
Unrealized holding gains on financial assets at FVPL	7	**(2,072,660)**	–	–
Unrealized foreign exchange gain - net	18	**(645,307)**	(1,775,181)	–
Loss on write-off of real estate asset		**–**	548,011	–
Provision for impairment of trade and other receivables	8	**–**	–	368,292
Gain on sale of:				
Property and equipment		**–**	(118,278)	–
Receivables	18	**–**	–	(81,310,717)
Subsidiary	18	**–**	–	(332,609,899)
Operating income (loss) before working capital changes		**513,712,682**	473,830,159	(6,879,013)
Decrease (increase) in:				
Trade and other receivables		**(550,888,145)**	(645,625,465)	(688,669,589)
Real estate for sale		**351,053,587**	144,563,815	235,173,817
Other assets		**(166,714,697)**	(8,469,637)	(56,847,626)
Increase (decrease) in accounts payable and other liabilities		**(119,206,892)**	190,539,645	344,128,079
Net cash generated from (used for) operations		**27,956,535**	154,838,517	(173,094,332)
Interest paid		**(54,185,972)**	(72,543,240)	(56,366,021)
Income taxes paid		**(15,273,439)**	(40,248,831)	(44,629,398)
Interest received		**11,967,089**	9,080,891	8,786,221
Net cash provided by (used in) operating activities		**(29,535,787)**	51,127,337	(265,303,530)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets at FVPL		**(375,000,000)**	–	–
Proceeds from disposal of financial assets at FVPL		**105,000,000**		
Additions in investment properties		**(362,664,186)**	–	–
Acquisitions of property and equipment	11	**(9,730,387)**	(38,480,316)	(11,738,651)

(Forward)

	Note	2014	2013	2012
		Years Ended December 31		
Proceeds from disposal of property and equipment		**₱64,287**	₱1,020,009	₱979,361
Proceeds from disposal of subsidiary		**–**	–	587,423,969
Net cash provided by (used in) investing activities		**(642,330,286)**	(37,460,307)	576,664,679
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	13	**2,068,452,944**	547,764,526	361,266,407
Settlement of loan and other interest-bearing liabilities	13	**(1,072,487,693)**	(281,113,131)	(497,821,101)
Payment of dividends		**(137,550,763)**	(43,212,382)	–
Net proceeds from issuance of capital stock	15	**73,580,960**	–	–
Net cash generated from (used in) financing activities		**931,995,448**	223,439,013	(136,554,694)
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**(4,188)**	1,775,181	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**260,125,187**	238,881,224	174,806,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**574,608,266**	335,727,042	160,920,587
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱834,733,453**	₱574,608,266	₱335,727,042

NONCASH FINANCIAL INFORMATION:			
Reclassification of unsubdivided land and related development costs from "Real estate for sale" account to "Investment properties" account	**₱323,702,142**	₱–	₱495,740,367
Offsetting of subscription receivable against dividends payable	**51,164,280**	–	–
Reclassification of leasehold improvements from "Real estate for sale" account to "Property and equipment" account	**714,287**	20,788,861	–
Reclassification of advances for project development from "Trade and other receivables" account to "Investment properties" account	**–**	48,971,038	–

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Matters

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's shares of stocks are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

ALCO's first major developments project is Arya Residences Towers 1 and 2 (the Project) located and currently rising in Bonifacio Global City (BGC), Taguig. The Project is the first residential high-rise in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design (LEED) program with the certification goal of Gold. In 2014, the Company started the construction of Arthaland Tower, a 30-storey office tower also in BGC. The tower is a Philippine Economic Zone Accredited and is aiming for LEED Gold and BERDE (Building for Ecologically Responsive Design Excellence) certification.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a company domiciled in the Philippines and was incorporated primarily as a holding company.

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

		Effective % of Ownership	
Subsidiary	Place of Incorporation	**2014**	2013
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (Emera)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%

All of the subsidiaries are established to engage primarily in real estate development and presently hold parcels of land for future development, except Emera which is a property management company.

On April 23, 2012, the Parent Company sold its 100% interest in IRMO, Inc. (IRMO) to Future State Myspace, Inc. (Myspace) for ₱345.8 million. The disposal of the interest in IRMO resulted to a net gain of ₱332.6 million (see Note 18). As a result, the assets and liabilities of IRMO were deconsolidated from the time of its disposal.

The registered office and principal place of business of the Company is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

The consolidated financial statements of the Group as at and for the year ended December 31, 2014, were approved and authorized for issue by the Board of Directors (BOD) on March 4, 2015.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVPL which are carried at fair value and are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

Moreover, the consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS, which became effective for annual periods beginning on or after January 1, 2014. These are summarized below.

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - The narrow-scope amendments to PAS 39 will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a certain counterparty as a result of laws or regulations, if specific conditions are met such as replacement of original counterparty with a new one.

- PAS 36, *Impairment of Assets* (Amendment) - The amendments clarify the scope of the disclosures about the recoverable amount of impaired assets is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* - The amendments provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of offset'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

- Philippine Interpretations IFRIC 21, *Levies* - The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and those where timing and amount of the levy is certain.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2014 and have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after July 1, 2014:

- PAS 19, *Employee Benefits* (Amendment) - The amendments simplifies the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of employee service such as employee contributions based on a fixed percentage of salary.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* - This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Effective for annual periods beginning on or after January 1, 2016:

- PFRS 11, *Joint Arrangements* (Amendment) - The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires entities to apply PFRS 3 and other PFRSs for such acquisitions, except for those principles that conflict with the guidance in PFRS 11.

Effective for annual periods beginning on or after January 1, 2017:

- PFRS 15, *Revenue from Contracts with Customers* - PFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of PFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve that core principle, an entity would apply all of the following five steps: identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize revenue when or as the entity satisfies a performance obligation.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* - A finalized version of PFRS 9 which contains accounting requirements for financial instruments, replacing PAS 39. The standard contains requirements on classification and measurement, impairment, hedge accounting and derecognition.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements.

4. Summary of Significant Accounting Policies

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

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation. All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Financial Assets and Liabilities

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at fair value through profit or loss (FVPL).

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Group does not have AFS financial assets, HTM investments and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading acquired for the purpose of selling in the near term and financial assets designated upon initial recognition as at FVPL. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value. Realized and unrealized gains and losses on these assets are recognized under "Other income" account and "Unrealized holding gains" account, respectively, in the consolidated statements of comprehensive income.

The Company classified its investment in money market fund under this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents and trade and other receivables are classified under this category.

Other Financial Liabilities. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified of designated at FVPL and contain obligations to deliver cash or another financial asset to the holder as to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group's loans payable and accounts payable and other liabilities (except statutory liabilities) are classified as other financial liabilities.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial Assets. A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 - Financial asset at FVPL
- Note 10 - Investment properties
- Note 24 - Fair value measurement

Real Estate for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs of sale. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties (except for land which is stated at cost less any impairment in value) are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Transportation equipment	5

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its net recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in the consolidated statements of comprehensive income in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

Deferred Input VAT

In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration payable by the acquirer is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Otherwise, subsequent changes to the fair value of contingent consideration within the remeasurement period of one (1) year are recognized either in profit or loss or as a change to other comprehensive income.

When the business combination is achieved in stages, any previously held non-controlling interest is remeasured to its fair value at the date of obtaining control, and a gain or loss is recognized in profit or loss.

Goodwill is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in consolidated statements of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity, are expensed as incurred.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the acquisition in which goodwill arose. The Group assesses the carrying amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Creditable Withholding Tax
Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Creditable withholding taxes are included as part of "Other assets" account in the consolidated statements of financial position.

Prepayments
Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to consolidated statements of comprehensive income when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent assets.

Capital Stock
Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred that are directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax.

Subscription Receivable
Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Basic and Diluted Earnings/Loss Per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Group by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of convertible securities.

Revenue and Cost Recognition

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

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

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

Pending recognition of sale, cash received from buyers and any excess of collections over the recognized receivables are included in the payable to buyers account under "Accounts payable and other liabilities" in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Rental Income. Revenue is recognized on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Operating Expense Recognition

Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period they are earned.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the defined benefit obligation (DBO) on which the obligations are to be settled directly. The present value of the defined benefit obligation (DBO) is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in the consolidated statements of comprehensive income.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that are applicable to the year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

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

Related Party Transactions

Related party transactions are transfer 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 includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (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.

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

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events After 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.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments
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:

Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Group.

Revenue Recognition. Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Revenue from real estate sale amounted to ₱2,053.0 million, ₱2,332.1 million and ₱1,453.3 million in 2014, 2013 and 2012, respectively.

Operating Lease Commitments – Group as Lessor. The Group has entered into parking rental agreement for its unsubdivided land. Considering that there will be no transfer of ownership of the leased properties to the lessee, the Group has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income amounted to ₱1.1 million, ₱2.9 million and ₱3.8 million in 2104, 2013 and 2012, respectively (see Note 20).

Operating Lease Commitments – Group as Lessee. The Group has entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

Rental expense amounted to ₱19.7 million, ₱19.4 million and ₱13.1 million in 2014, 2013 and 2012, respectively (see Note 20).

Estimates and Assumptions

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

Allowance for Impairment of Receivables. Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Trade and other receivables amounted to ₱1,946.1 million and ₱1,416.1 million as at December 31, 2014 and 2013, respectively (see Note 8). Impairment loss charged under "Operating expenses" account in the consolidated statements of comprehensive income amounted to nil in 2014 and 2013 and ₱0.4 million in 2012.

Determining Net Realizable Value of Real Estate Assets. The Group adjusts the cost of its real estate assets to NRV based on its assessment of the recoverability of the real estate assets. NRV for completed real estate assets is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

The carrying amount of real estate for sale as at December 31, 2014 and 2013 amounted to ₱713.0 million and ₱1,388.5 million, respectively. Considering the pricing policies of the Group, cost is considerably lower than the NRV (see Note 9).

Estimated Useful Lives of Property and Equipment and Investment Properties. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment and investment properties.

There were no changes in the estimated useful lives of property and equipment and investment properties as at December 31, 2014 and 2013. The carrying amount of property and equipment as at December 31, 2014 and 2013 amounted to ₱28.6 million and ₱45.5 million, respectively (see Note 11). Investment properties as at December 31, 2014 and 2013 amounted to ₱1,367.5 million and ₱681.1 million, respectively (see Note 10).

Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

The carrying amount of property and equipment as at December 31, 2014 and 2013 amounted to ₱28.6 million and ₱45.5 million, respectively (see Note 11). Investment properties as at December 31, 2014 and 2013 amounted to ₱1,367.5 million and ₱681.1 million, respectively (see Note 10).

Retirement Benefit Costs. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

The estimated retirement liability amounted to ₱33.7 million and ₱23.5 million as at December 31, 2014 and 2013, respectively (see Note 19).

Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of deferred tax assets amounted to ₱11.8 million and ₱57.9 million as at December 31, 2014 and 2013, respectively (see Note 21).

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱45,000**	₱30,000
Cash in banks	**86,819,635**	237,069,473
Short-term placements	**747,868,818**	337,508,793
	₱834,733,453	₱574,608,266

Cash in bank earns interest at the prevailing bank deposit rates and is immediately available for use in the current operations. Short-term placements are made for varying periods up to three (3) months or less and earn interest at the prevailing short-term deposit rates. Interest income earned pertains to the following:

	Note	**2014**	2013	2012
Interest income earned on cash in banks and short-term placements		**₱11,259,587**	₱9,080,891	9,094,934
Interest income earned on long-term time deposits	12	**707,502**	–	–
Interest Income	18	**₱11,967,089**	₱9,080,891	₱9,094,934

7. Financial Assets at FVPL

Financial assets at FVPL amounting to ₱272.1 million as at December 31, 2014 represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₱2.1 million in 2014 and included as part of "Other income (expense)" account in the consolidated statements of comprehensive income (see Note 18). Realized gain on sale of financial assets at FVPL amounted to ₱0.6 million in 2014 (see Note 18).

8. Trade and Other Receivables

This account consists of:

	2014	2013
Sale of real estate	**₱1,788,164,625**	₱1,194,335,881
Advances for project development	**107,538,787**	171,871,389
Advances to employees	**7,250,244**	6,014,591
Other receivables	**43,503,905**	44,261,208
	1,946,457,561	1,416,483,069
Allowance for impairment losses	**(368,292)**	(368,292)
	₱1,946,089,269	₱1,416,114,777

Receivables from sale of real estate pertain to receivables from sale of condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Receivables from sale of real estate aggregating ₱800.0 million were used as collateral for loans obtained from certain local banks in 2014 and 2013 (see Note 13).

In 2014 and 2013, the Parent Company sold receivables from sale of real estate amounting to ₱1,623.7 million and ₱425.9 million, respectively, to certain local banks on a with recourse basis and receivables amounting to ₱202.1 million and ₱129.2 million, respectively, on a without recourse basis. A discount amounting to ₱20.9 million and ₱5.5 million was recognized on the sale of receivables on a without recourse basis as at December 31, 2014 and 2013, respectively. The discount was included under "Finance costs" account in the consolidated statements of comprehensive income (see Note 17).

Advances for project development pertain to downpayments made to contractors for the construction of the Project. These advances are noninterest-bearing and are being recouped against contractors' progress billings.

Advances to employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing in nature and collectible through salary deductions. These also include various cash advances used for certain operating expenses not covered by disbursement of petty cash fund and are subject to liquidation.

Other receivables as at December 31, 2013 include receivable from CPG, amounting to ₱36.1 million arising from the share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

9. Real Estate for Sale

This account consists of:

	2014	2013
Condominium units held for sale	**₱385,963,886**	₱–
Assets under construction	**282,042,717**	1,343,469,234
Raw land inventory	**45,019,935**	45,019,935
	₱713,026,538	₱1,388,489,169

Condominium units held for sale pertain to the construction and development costs of unsold saleable condominium units and parking slots after development stage.

Assets under construction consist of project development costs incurred by the Parent Company for the construction of the Project. Estimated cost to complete for Tower 1 amounted to nil and ₱41.7 million as at December 31, 2014 and 2013, respectively. Estimated cost to complete for Tower 2 amounted to ₱336.5 million and ₱1,440.2 million as at December 31, 2014 and 2013, respectively.

Percentage of completion (POC) as at December 31, 2014 is 100% and 89.05% for Arya Residences Tower 1 and Tower 2, respectively.

The Parent Company partially finances its project developments through availment of loans. Accumulated capitalized borrowing cost amounted to ₱231.3 million and ₱145.0 million as at December 31, 2014 and 2013, respectively (see Note 13). Raw land inventory pertains to parcels of land for future development.

Raw land inventory pertains to parcels of land for future development.

On April 23, 2012, the Parent Company sold its 33.61% *pro indiviso* interest in a parcel of land located at Bonifacio Global City, Taguig to IRMO for ₱150.0 million. Prior to the sale, IRMO owned 66.39% *pro indviso* interest in the parcel of land. The disposal of interest in the parcel of land resulted to a gain of ₱25.0 million.

Raw land inventory and assets under construction are stated at cost as at December 31, 2014 and 2013, respectively.

In 2014, real estate for sale amounting to ₱323.7 million was reclassified to "Investment properties" account in the consolidated statements of financial position (see Note 10).

10. Investment Properties

The balances and movements of this account as at and for the years ended December 31, 2014 and 2013 consist of:

		2014			
	Note	**Land**	**Commercial Units**	**Assets Under Construction**	**Total**
Balance at beginning of year		**₱621,913,060**	**₱–**	**₱59,226,283**	**₱681,139,343**
Additions		**–**	**125,796,351**	**236,867,835**	**362,664,186**
Reclassification	9	**–**	**141,199,986**	**182,494,771**	**323,694,757**
Balance at end of year		**₱621,913,060**	**₱266,996,337**	**₱478,588,888**	**₱1,367,498,286**

	2013			
	Land	Commercial Units	Assets Under Construction	Total
Balance at beginning of year	₱621,913,060	₱–	₱–	₱621,913,060
Additions	–	–	10,255,245	10,255,245
Reclassification	–	–	48,971,038	48,971,038
Balance at end of year	₱621,913,060	₱–	₱59,226,283	₱681,139,343

Unsubdivided land
The Group's investment properties include UPHI's residential land with an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's residential land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the residential land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarinas Line Project. The covered area is about 3% of the total land area owned by UPHI. As at December 31, 2014 and 2013, management believes that the effect of the expropriation on the Group's consolidated financial statements is not significant.

A complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2014 and 2013, management believes that the potential effect of the case on the Group's consolidated financial statements is not significant.

Unsubdivided land amounting to ₱472.1 million as at December 31, 2014 and 2013, pertain to raw land located at Taguig City that was temporarily leased out as a parking area. This raw land was mortgaged in favor of certain creditor banks as collaterals for the Group's loans (see Note 13).

Rental income from this lease amounted to ₱1.1 million, ₱2.9 million and ₱3.8 million in 2014, 2013 and 2012, respectively (see Note 18). Direct operating expenses incurred on the unsubdivided land which consist of real property tax and association dues amounted to ₱0.7 million in 2014, 2013 and 2012.

The aggregate fair value of the unsubdivided land amounted to ₱1,187.2 million as at December 31, 2014, which was determined based on the last valuation report issued by an independent professionally qualified appraiser. Fair value was determined using market approach.

The fair value of investment properties is measured using Level 2 of the fair value hierarchy with significant directly observable inputs.

Development cost
Development cost pertains to costs incurred for Arthaland Tower and commercial units of Arya Residences Tower 2 which are still under construction. The construction of Arthaland Tower commenced in July 2014 and is slated to be completed in 2017 and is intended to serve as corporate headquarters for large-scale companies.

Commercial units
Commercial units pertain to the construction and development costs of unsold leasable retail units and parking slots after development stage.

The fair value of the commercial units amounted to ₱367.8 million as at December 31, 2014, which was determined based on prevailing market prices.

11. Property and Equipment

The balances and movements of this account as at and for the years ended December 31, 2014 and 2013 consist of:

		2014				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱34,663,437	7,456,983	68,715,830	24,525,419	135,361,669
Additions		1,275,606	26,656	714,287	8,428,125	10,444,674
Disposals		–	–	–	(1,209,322)	(1,209,322)
Balance at end of year		35,939,043	7,483,639	69,430,117	31,744,222	144,597,021
Accumulated Depreciation and Amortization						
Balance at beginning of year		17,189,450	6,381,049	56,821,333	9,433,584	89,825,416
Depreciation and amortization	16	9,273,732	544,200	11,149,278	6,351,823	27,319,033
Disposals		–	–	–	(1,145,035)	(1,145,035)
Balance at end of year		26,463,182	6,925,249	67,970,611	14,640,372	115,999,414
Carrying Amount		9,475,861	558,390	1,459,506	17,103,850	28,597,607

		2013				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱11,423,153	₱6,496,740	₱43,844,266	₱16,890,500	₱78,654,659
Additions		23,240,284	960,243	24,871,564	10,197,086	59,269,177
Disposals		–	–	–	(2,562,167)	(2,562,167)
Balance at end of year		34,663,437	7,456,983	68,715,830	24,525,419	135,361,669
Accumulated Depreciation and Amortization						
Balance at beginning of year		7,864,769	5,773,609	33,739,069	7,025,415	54,402,862
Depreciation and amortization	16	9,324,681	607,440	23,082,264	4,068,605	37,082,990
Disposals		–	–	–	(1,660,436)	(1,660,436)
Balance at end of year		17,189,450	6,381,049	56,821,333	9,433,584	89,825,416
Carrying Amount		₱17,473,987	₱1,075,934	₱11,894,497	₱15,091,835	₱45,536,253

As at December 31, 2014 and 2013, fully depreciated property and equipment that are still being used by the Group amounted to ₱4.0 million and ₱2.5 million, respectively.

Additions in 2014 and 2013 include reclassification of leasehold improvements from "Real estate for sale" account amounting to ₱0.7 million and ₱20.8 million, respectively.

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the consolidated statements of comprehensive income (see Note 16).

12. Other Assets

This account consists of:

	2014	2013
Creditable withholding taxes	**₱193,727,220**	₱135,098,835
Investment in time deposits	**76,054,495**	–
Deposits	**36,775,423**	26,716,979
Amounts held in escrow	**28,537,903**	28,383,938
Input VAT	**17,609,235**	303,188
Prepayments	**17,052,447**	3,356,560
Deferred input VAT	**2,301,177**	10,834,208
	₱372,057,900	₱204,693,708

Investment in time deposits pertains to eight (8) US Dollar-denominated time deposits with a term of 2 years and a fixed interest rate of 1.75% per annum. These time deposits are subject to holding period of 6 months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates. Interest income earned from investment in time-deposits amounted to ₱0.7 million in 2014 (see Note 6).

Deposits pertain to guarantee deposits for the construction of the Project. Deposits are refundable to the Group upon completion of the Project.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarterly principal and interest amortization.

Input VAT represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities.

Prepayments consist of prepaid rent, taxes, insurance and other expenses.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose aggregate amount exceeds ₱1.0 million in any one month, excluding VAT.

13. Loans Payable

This account consists of:

	2014	2013
Local creditor banks	**₱2,707,686,963**	₱1,689,116,844
Private funders	**58,140,199**	80,745,067
	₱2,765,827,162	₱1,769,861,911

The summary of loans payable follows:

	2014	2013
Balance at beginning of year - net of cumulative payments	**₱1,769,861,911**	₱1,503,210,516
Availments	**2,068,452,944**	547,764,526
Payments	**(1,072,487,693)**	(281,113,131)
Balance at end of year	**2,765,827,162**	1,769,861,911
Less: Current portion of loans payable	**(483,047,599)**	(828,491,467)
Long term portion of loans payable	**₱2,282,779,563**	₱941,370,444

Local creditor banks

Loans from local banks consist of interest-bearing secured loans obtained to finance the Parent Company's working capital requirements, project development and acquisition of property. These loans have interest rates ranging from 5.5% to 6.5% in 2014 and 2013.

Loans obtained to finance the Parent Company's working capital requirements is secured by receivables from real estate sales aggregating ₱200.0 million and ₱625.9 million as at December 31, 2014 and 2013, respectively (see Note 8). Loans obtained to finance the Parent Company's acquisition of property is secured by receivables from real estate sales aggregating ₱600.0 million as at December 31, 2014 and 2013 and all the outstanding shares of stock of MPI. Loans obtained to finance the Parent Company's project developments are secured by receivables amounting to ₱1,623.7 million as at December 31, 2014 and investment property amounting to ₱472.1 million as at December 31, 2014 and 2013 (see Note 8 and 10).

Private funders
Loans from private funders represent unsecured borrowings with maturities of 30 to 180 days from the financial position date. These loans have interest rates ranging from 3.5% to 6.0% and 5.0% to 6.5% in 2014 and 2013, respectively.

Accumulated borrowing costs already capitalized as part of "Real estate for sale" account in the consolidated statements of financial position amounted to ₱231.3 million and ₱145.0 million as at December 31, 2014 and 2013, respectively (see Note 9). The range of rates used to determine the amount of capitalized borrowing costs is 3.5% to 6.5% in 2014 and 5.0% to 6.5% in 2013.

Total interest expense charged under "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱54.2 million, ₱72.5 million and ₱69.4 million in 2014, 2013 and 2012, respectively (see Note 17).

14. Accounts Payable and Other Liabilities

This account consists of:

	2014	2013
Retention payable	**₱324,398,535**	₱231,150,690
Deferred output VAT	**193,862,302**	199,226,041
Accounts payable	**134,700,469**	154,047,965
Accrued expenses	**107,922,022**	40,328,173
Payable to buyers	**89,186,686**	345,777,154
Withholding taxes payable	**4,174,712**	5,008,311
Output VAT	**–**	18,939,081
Others	**26,539,801**	2,777,620
	₱880,784,527	₱997,255,035

Retention payable pertains to amount retained by the Company from the contractors' progress billings for the Projects, which will be released after the completion and satisfaction of the terms and conditions of the construction contract.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the transaction will be considered as a sale under installment, in which case VAT will be paid based on collection.

Accounts payable consist mainly of liabilities to contractors and suppliers, which are noninterest-bearing and are normally settled on a 30-day term.

Accrued expenses are the accruals for interest, utilities, salaries and wages and other employee benefits which are expected to be settled within the next 12 months.

Payable to buyers include reservation fees and collections received from prospective buyers which are to be applied against the receivable upon execution of sales documents and recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

15. Equity

Capital Stock

	Shares	
	2014	2013
Authorized capital stock - ₱0.18 Par Value	**16,368,095,199**	16,368,095,199
Issued		
Balance at beginning of year	**4,296,865,199**	4,296,865,199
Issuances during the year	**983,730,000**	–
Balance at end of year	**5,280,595,199**	4,296,865,199
Subscribed		
Balance at beginning of year	**1,021,230,000**	1,021,230,000
Issuances during the year	**(983,730,000)**	–
Balance at end of year	**37,500,000**	1,021,230,000
Total number of shares	**5,318,095,199**	5,318,095,199

	Amounts	
	2014	2013
Issued		
Balance at beginning of year	**₱773,435,736**	₱773,435,736
Issuances during the year	**177,071,400**	–
Balance at end of year	**950,507,136**	773,435,736
Subscribed		
Balance at beginning of year	**183,821,400**	183,821,400
Issuances during the year	**(177,071,400)**	–
Balance at end of year	**6,750,000**	183,821,400
Subscription receivable		
Balance at beginning of year	**(106,470,640)**	(127,075,400)
Collections during the year	**104,320,640**	20,604,760
Balance at end of year	**(2,150,000)**	(106,470,640)
Subscribed - net	**4,600,000**	77,350,760
Capital stock	**₱955,107,136**	₱850,786,496

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20

The total number of shareholders is 2,059 and 2,070 as at December 31, 2014 and 2013, respectively.

In 2014, the Company collected subscription receivable amounting to ₱104.3 million representing the balance of total subscription price amounting to ₱197.5 million for 983.7 million shares. Additional paid-in capital amounting to ₱20.4 million was recognized upon issuance of the subscribed shares.

On March 10, 2014, the Parent's Company's BOD approved the declaration of cash dividends to all stockholders of record as of March 28, 2014 in the amount of ₱0.036 per common share, or the total amount of ₱191.5 million. Payment date was set on April 22, 2014. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱51.2 million.

On June 28, 2013, the Company's BOD approved the declaration of cash dividends to all stockholders of record as of July 26, 2013 in the amount of ₱0.01 per common share, or the total amount of ₱63.8 million. The cash dividends were paid on August 22, 2013. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱20.6 million.

16. Operating Expenses

The operating expenses in the consolidated statements of comprehensive income are classified as follows:

	2014	2013	2012
Administrative	**₱289,460,170**	₱236,860,488	₱203,410,797
Selling and marketing	**76,377,533**	131,746,565	100,468,319
	₱365,837,703	₱368,607,053	₱303,879,116

Details of operating expenses by nature are as follows:

	Note	2014	2013	2012
Personnel costs		**₱122,065,916**	₱96,438,303	₱84,759,787
Brokers' commissions		**56,095,451**	91,811,827	43,696,459
Taxes and licenses		**50,723,829**	15,760,489	11,960,315
Depreciation and amortization	11	**27,319,033**	37,082,990	17,767,283
Communication and office expenses		**23,549,967**	16,855,293	13,161,335
Advertising		**20,282,082**	39,934,738	56,771,860
Rental	20	**19,683,565**	19,398,398	13,055,116
Management and professional fees		**12,098,215**	11,116,250	14,944,743
Insurance		**9,613,177**	7,229,166	6,429,987
Representation		**7,441,152**	3,960,687	2,349,749
Transportation and travel		**7,153,507**	12,592,431	14,198,696
Utilities		**6,522,687**	3,315,367	3,032,874
Repairs and maintenance		**1,883,766**	4,590,034	5,922,914
Others		**1,405,356**	8,521,080	15,827,998
		₱365,837,703	₱368,607,053	₱303,879,116

Personnel costs consist of the following:

	Note	2014	2013	2012
Salaries and other employee benefits		**₱114,947,106**	₱89,878,552	₱79,485,948
Retirement expense	19	**7,118,810**	6,559,751	5,273,839
		₱122,065,916	₱96,438,303	₱84,759,787

17. Finance Costs

This account arises from:

	Note	2014	2013	2012
Interest-bearing loans	13	**₱54,185,972**	₱72,543,240	₱69,392,720
Discount on receivables financing	8	**20,913,653**	5,461,787	–
Bank charges		**815,209**	294,658	1,882,873
		₱75,914,834	₱78,299,685	₱71,275,593

18. Other Income (Expense)

This account consists of:

	Note	2014	2013	2012
Interest income on cash in banks	6	**₱11,967,089**	₱9,080,891	₱9,094,934
Unrealized gain of change in fair value of financial asset at FVPL	7	**2,072,660**	–	–
Rental income	20	**1,142,908**	2,877,359	3,750,832
Realized gain on disposal of financial asset at FVPL	7	**645,922**	–	–
Foreign exchange gain - Net		**645,307**	1,828,415	–
Gain on sale of subsidiary	1	**–**	–	332,609,899
Gain on sale of receivables		**–**	–	81,310,717
Others		**7,595,096**	4,555,368	(13,738,523)
		₱24,068,982	₱18,342,033	₱413,027,859

On April 23, 2012, the Parent Company assigned its receivables from IRMO amounting to ₱174.1 million to Myspace for ₱265.0 million inclusive of accumulated uncollected interest income amounting to ₱81.3 million.

Gain on sale of subsidiary is net of commission paid to broker amounting to ₱13.7 million in 2012.

Others include gain on sale of property and equipment and forfeited collections from buyers.

19. Retirement Liability

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 26, 2015):

Movements in the present value of retirement liability are as follows:

	2014	2013
Balance at beginning of year	**₱23,532,523**	₱14,986,602
Current service cost	**5,953,950**	5,711,509
Interest cost	**1,164,860**	848,242
Actuarial loss - changes in financial assumptions	**869,338**	1,356,826
Actuarial loss - experience adjustment	**2,151,459**	629,344
Balance at end of year	**₱33,672,130**	₱23,532,523

Movements in the retirement liability as shown in the consolidated statements of financial position are as follows:

	2014	2013
Balance at beginning of year	**₱23,532,523**	₱14,986,602
Retirement expense	**7,118,810**	6,559,751
Actuarial loss	**3,020,797**	1,986,170
Balance at end of year	**₱33,672,130**	₱23,532,523

The cumulative remeasurement gains (losses) on retirement liability recognized in other comprehensive income as at December 31 follows:

	Accumulated Unrealized Actuarial gains (losses)	Deferred Tax	Net
Balance as at January 1, 2014	**₱2,938,310**	**₱881,493**	**₱2,056,817**
Actuarial loss	**(3,020,797)**	**(906,239)**	**(2,114,558)**
Balance as at December 31, 2014	**(₱82,487)**	**(₱24,746)**	**(₱57,741)**
Balance as at January 1, 2013	₱4,924,480	₱1,477,344	₱3,447,136
Actuarial loss	(1,986,170)	(595,851)	(1,390,319)
Balance as at December 31, 2013	₱2,938,310	₱881,493	₱2,056,817

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2014	2013
Discount rate	**4.65%**	4.95%
Salary projection rate	**5.00%**	5.00%
Average remaining service years	**23.3**	22.3

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2014 are presented below.

		Effect on PVRO	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2014	**+1%**	**(₱2,701,183)**	**₱3,057,354**
	-1%	**3,327,671**	**(2,546,452)**
December 31, 2013	+1%	(₱1,856,606)	₱2,115,818
	-1%	2,289,304	(1,760,466)

The expected future benefit payments are as follows:

Financial Year	Amount
2015	₱14,702,446
2017	2,908,808
2018	2,915,760
2019	3,820,597
2020-2024	4,073,263

20. Lease Commitments

Operating Lease Commitments - Group as Lessee

The Parent Company is a lessee under non-cancellable operating leases covering office space and land where its model unit is situated. The leases have terms ranging from three to five years, with renewal options, and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2014
Within one year	₱8,050,091
After one year but not more than five years	683,332
	₱8,733,423

The total rental expense recognized from these operating leases amounted to ₱19.7 million, ₱19.4 million and ₱13.1 million in 2014, 2013 and 2012, respectively (see Note 16).

Operating Lease Commitments - Group as Lessor

The Parent Company is a lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term shall be for indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party.

The rental shall be seventy percent (70%) of the net operating income from parking operations of the leased premise per one month period.

The total rental income recognized from this operating lease amounted to ₱1.1 million, ₱2.9 million and ₱3.8 million in 2014, 2013 and 2012, respectively (see Note 18).

21. Income Taxes

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

	2014	2013	2012
Reported in Profit or Loss			
Current income tax:			
RCIT	**₱12,845,924**	₱38,439,933	₱–
Final taxes	**2,427,515**	1,808,898	36,393,987
MCIT	**–**	–	8,235,412
	15,273,439	40,248,831	44,629,399
Deferred income tax	**199,832,156**	39,340,040	12,711,047
	₱215,105,595	₱79,588,871	₱57,340,446
Reported in Other Comprehensive Income			
Deferred tax expense (benefit) - Related to accumulated unrealized actuarial gain (loss)	**₱906,239**	₱595,851	(₱1,328,796)

The reconciliation between the income tax expense (benefit) based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Income tax computed at statutory tax rate	**₱125,658,081**	₱108,782,619	₱97,000,321
Tax effects of:			
Non-deductible expenses	**93,074,660**	28,315,396	–
Interest income subjected to final tax	**(1,978,187)**	(915,371)	(909,493)
Expired NOLCO	**1,156,598**	1,546,968	20,489,396
Change in unrecognized deferred tax assets	**(2,805,557)**	(58,140,741)	(36,770,331)
Non-taxable income	–	–	(22,483,297)
Expired MCIT	–	–	13,850
	₱215,105,595	₱79,588,871	₱57,340,446

The components of the Group's net deferred tax assets as at December 31, 2014 and 2013, respectively are as follows:

	2014	2013
Deferred tax assets:		
Retirement liability	**₱10,101,639**	₱7,059,757
NOLCO	**1,443,717**	50,701,349
MCIT	**183,728**	–
Allowance for doubtful accounts	**110,488**	110,488
	11,839,572	57,871,594
Deferred tax liabilities:		
Excess of financial over taxable gross profit on sale of real estate	**166,300,235**	13,423,700
Unrealized foreign exchange gain	**726,146**	532,554
Prepaid rent	–	176,232
	167,026,381	14,132,486
Net deferred tax assets (liabilities)	**(₱155,186,809)**	₱43,739,108

The recognized deferred tax asset as at December 31, 2014 amounting to ₱1,627,446 pertains to deferred tax assets of the subsidiaries' temporary differences

The details of the Company's NOLCO and MCIT are as follows:

<u>NOLCO</u>

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2014	₱–	₱950,266	₱–	₱950,266	₱950,266	2017
2013	4,192,418	–	–	–	4,192,418	2016
2012	4,245,624	–	156,138	–	4,089,486	2015
2011	174,338,093	–	170,482,768	3,855,325	–	2014
	₱182,776,135	₱950,266	₱170,638,906	₱4,805,591	₱9,232,170	

The Group did not recognize the deferred tax assets on NOLCO amounting to ₱1,325,935 and ₱4,131,492 as at December 31, 2014 and 2013, respectively, since management believes that these may not be realized in the future.

MCIT

During the year, the Group incurred MCIT amounting to ₱183,728. MCIT can be applied against RCIT until 2017.

22. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2014	2013	2012
Net income	**₱203,754,675**	₱283,019,859	₱265,993,957
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
Earnings per share	**₱0.0383**	₱0.0532	₱0.0500

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

23. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of December 31, 2014 and 2013, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

The table below shows the gross maximum exposure to credit risk for the components of the Group's consolidated statements of financial position, before taking into consideration any collateral and credit enhancements:

	2014	2013
Cash and cash equivalents*	**₱834,688,453**	₱574,578,266
Financial asset at fair value through profit or loss	**272,072,660**	–
Trade and other receivables**	**1,831,300,238**	1,238,228,797
Amounts held in escrow	**28,537,903**	28,383,938
Deposits	**36,775,423**	26,716,979
	₱3,003,374,677	₱1,867,907,980

**Excludes cash on hand amounting to ₱45,000 and ₱30,000 as at December 31, 2014 and 2013, respectively.*
***Excludes advances for project development and advances to employees amounting to ₱114,789,031 and ₱177,885,980 as at December 31, 2014 and 2013, respectively.*

The Group's credit risk is primarily attributable to its contracts receivables and other financial assets. The credit quality of the Group's financial assets is managed using internal credit ratings. The tables below show the credit quality by class of financial assets based on the Group's credit rating system and aging of past due but not impaired financial assets.

	2014						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱834,688,453	₱–	₱–	₱–	₱–	₱–	₱834,688,453
Financial asset at fair value through profit or loss	272,072,660	–	–	–	–	–	272,072,660
Trade and other receivables**	1,830,931,946	–	–	–	–	368,292	1,831,300,238
Amounts held in escrow	28,537,903	–	–	–	–	–	28,537,903
Deposits	36,775,423	–	–	–	–	–	36,775,423
	₱3,003,006,385	₱–	₱–	₱–	₱–	₱368,292	₱3,003,374,677

**Excludes cash on hand amounting to ₱45,000.*
***Excludes advances for project development and advances to employees amounting to ₱114,789,031.*

	2013						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱574,578,266	₱–	₱–	₱–	₱–	₱–	₱574,578,266
Trade and other receivables**	1,237,860,505	–	–	–	–	368,292	1,238,228,797
Amounts held in escrow	28,383,938	–	–	–	–	–	28,383,938
Deposits	26,716,979	–	–	–	–	–	26,716,979
	₱1,867,539,688	₱–	₱–	₱–	₱–	₱368,292	₱1,867,907,980

**Excludes cash on hand amounting to ₱30,000.*
***Excludes advances for project development and advances to employees amounting to ₱177,885,980.*

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from customers who need to be reminded of their dues. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2014 and 2013:

	2014					
	Due and Demandable	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Loans payable	₱–	₱483,047,599	₱2,276,483,379	₱3,210,335	₱3,085,849	₱2,765,827,162
Accounts payable and other liabilities*	567,021,026	–	–	–	–	567,021,026
	₱567,021,026	₱483,047,599	₱2,276,483,379	₱3,210,335	₱3,085,849	₱3,332,848,188

**Excludes nonfinancial liabilities amounting to ₱313,763,501 as at December 31, 2014.*

	2013					
	Due and Demandable	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Loans payable	₱–	₱828,491,467	₱511,174,359	₱421,239,923	₱8,956,162	₱1,769,861,911
Accounts payable and other liabilities*	425,526,828	–	–	–	–	425,526,828
	₱425,526,828	₱828,491,467	₱511,174,359	₱421,239,923	₱8,956,162	₱2,195,388,739

**Excludes nonfinancial liabilities amounting to ₱571,728,207 as at December 31, 2013.*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of loans payable, accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of one to three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

24. Fair Value Measurement

The table below presents a comparison of the carrying amounts and fair values of all of the Group's financial instruments as at December 31, 2014 and 2013.

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**₱834,733,453**	**₱834,733,453**	₱574,608,266	₱574,608,266
Financial asset at fair value through profit or loss	**272,072,660**	**272,072,660**	–	–
Trade and other receivables	**1,831,300,238**	**1,831,300,238**	1,238,228,797	1,238,228,797
Amounts held in escrow	**28,537,903**	**28,537,903**	28,383,938	28,383,938
Deposit	**36,775,423**	**36,775,423**	26,716,979	26,716,979
	₱3,003,419,677	**₱3,003,419,677**	₱1,867,937,980	₱1,867,937,980
Financial liabilities:				
Loans payable	**₱2,765,827,162**	**₱2,770,709,962**	₱1,769,861,911	₱1,776,956,808
Accounts payable and other liabilities	**567,021,026**	**567,021,026**	425,526,828	425,526,828
	₱3,332,848,188	**₱3,337,730,988**	₱2,195,388,739	₱2,202,483,636

The carrying amounts of financial assets and accounts payable and other liabilities approximate their fair values due to the short-term nature of these financial instruments. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

All of the Company's financial instruments are classified under level 3 of fair value hierarchy.

25. Classification of Statement of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2014 and 2013 are as follows:

	Note	**2014**	2013
Current Assets			
Cash and cash equivalents	6	**₱834,733,453**	₱574,608,266
Financial asset at fair value through profit or loss	7	**272,072,660**	–
Trade and other receivables	8	**1,946,089,269**	1,416,114,777
Real estate for sale	9	**713,026,538**	1,388,489,169
Other assets*	12	**259,227,982**	177,976,729
		₱4,025,149,902	₱3,557,188,941

**Includes creditable withholding taxes, amounts held in escrow, input VAT, deferred input VAT and prepayments.*

	Note	**2014**	2013
Current Liabilities			
Loans payable-current portion	13	**₱483,047,599**	₱828,491,467
Accounts payable and other liabilities	14	**880,784,527**	997,255,035
		₱1,363,832,126	₱1,825,746,502

26. Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2014	2013
Total liabilities	**₱3,837,098,074**	₱2,790,649,469
Total equity	**1,698,605,085**	1,563,671,155
Debt-to-equity ratio	**2.26:1.00**	1.78:1.00

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

27. Segment Reporting

The Group is organized into one reportable segment which is the development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2014, included in this Form 17-A and have issued our report thereon dated March 4, 2015. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Financial Soundness Indicators
- Adoption of Effective Accounting Standards and Interpretations
- Supplementary Schedules as Required by Part II of SRC Rule 68 as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Conglomerate Map

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Carolina P. Angeles
CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4748327
Issued January 5, 2015, Makati City

March 4, 2015
Makati City, Metro Manila

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November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2014, on which we have rendered our report dated March 4, 2015.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 2,059 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4748327
Issued January 5, 2015, Makati City

March 4, 2015
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2014

Below is a schedule showing financial soundness indicators in the years 2014 and 2013.

	2014	2013
Current/Liquidity Ratio	**2.95**	1.95
Current assets	**₱4,025,149,902**	₱3,557,188,941
Current liabilities	**1,363,832,126**	1,825,746,502
Solvency Ratio	**0.06**	0.11
Net income before depreciation	**231,073,708**	320,102,849
Total liabilities	**3,837,098,074**	2,790,649,469
Debt-to-equity Ratio	**2.26**	1.78
Total liabilities	**3,837,098,074**	2,790,649,469
Total equity	**1,698,605,085**	1,563,671,155
Debt-to-equity (Interest-bearing) Ratio	**1.63**	1.13
Interest-bearing liabilities	**2,765,827,162**	1,769,861,911
Total equity	**1,698,605,085**	1,563,671,155
Asset-to-equity Ratio	**3.26**	2.78
Total assets	**5,535,703,159**	4,354,320,624
Total equity	**1,698,605,085**	1,563,671,155
Interest rate coverage Ratio	**6.52**	5.63
Pretax income before interest	**494,775,104**	440,908,415
Interest expense	**75,914,834**	78,299,685
Profitability Ratio	**0.12**	0.18
Net income	**203,754,675**	283,019,859
Total equity	**1,698,605,085**	1,563,671,155

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2014

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary		✓	

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards [superseded by PFRS 1 (Revised)]	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	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-			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	based Payment Transactions			
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE INTERPRETATIONS - SIC

SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
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			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2014

Table of Contents

Schedule	*Description*	*Page*
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D	Intangible Assets - Other Assets	N/A
E	Long-Term Debt	3
F	Indebtedness to Related Parties	4
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	5

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTES)
DECEMBER 31, 2014

There are no receivables which are considered outside of the Company's ordinary course of business.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		
			Amounts collected	Amounts written off/sold	Current	Not current	Balance at end of period
Advances to (from) subsidiaries:							
Urban Property Holdings, Inc. (UPHI) (net of allowance for impairment amounting to ₱3,261,249)*	₱58,450,877	₱458,153	₱–	₱–	₱58,909,030	₱–	**₱58,909,030**
Manchesterland Properties, Inc. **	23,027,018	–	23,075,518	–	(48,500)	–	**(48,500)**
Cazneau, Inc.***	79,731	101,309	–	–	181,040	–	**181,040**
Emera Property Management, Inc.***	80,875	881,397	–	–	962,272	–	**962,272**
	₱81,638,501	₱1,440,859	₱23,075,518	₱–	₱60,003,842	₱–	**₱60,003,842**

*The Company has subscribed additional 200,000 common shares from UPHI at ₱329 per share which shall be paid by applying ₱65.8 million of the outstanding advances as at December 31, 2014. The Company has collected ₱1.0 million of the outstanding advances as at December 31, 2014.
**The Company has collected ₱1.0 million of the outstanding advances as at December 31, 2014.
***Advances to Cazneau and Emera were applied to subscriptions payable to the respective subsidiaries representing 1,479 shares and 1,472 share at ₱100 par value

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2014

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Face Amount	Interest Rate(s)	Number of Periodic Payments	Maturity Dates
Bank Loans						
Bank 1	₱376,000,000	₱	₱600,000,000	6.500%	5 quarterly	26-Jan-16
Bank 2 – A	520,000,000	–	600,000,000	5.5125%	5 quarterly	29-Feb-16
Bank 2 – B	57,822,158	–	401,634,627	6.0%	one-time lumpsum	22-Feb-16
Bank 2 – C	1,292,603,078	–	1,418,985,656	6%	one-time lumpsum	30-Jan-17
Bank 2 – D	17,263,712	–	27,788,363	9% - 11.5%	36-60 monthly	
Bank 3 – A	150,000,000	150,000,000	150,000,000	5.6000%	one-time lumpsum	11-May-15
Bank 3 – B	32,623,550	32,623,550	32,623,550	5.6000%	one-time lumpsum	16-Feb-15
Bank 3 – C	250,962,752	242,283,850	458,885,976	5.5000%	one-time lumpsum	30-Dec-15
Bank 4 – A	10,411,713		10,411,713	6.5000%	one-time lumpsum	26-Dec-15
Various Loan from private funders	58,140,199	58,140,199	80,672,429	3.5% - 4%	renewable on maturity	9-Jan-15
	₱2,765,827,162	**₱483,047,599**	**₱3,781,002,314**			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2014

The Company has no outstanding loans from related parties.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2014

				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
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	–	9	5,318,095,190

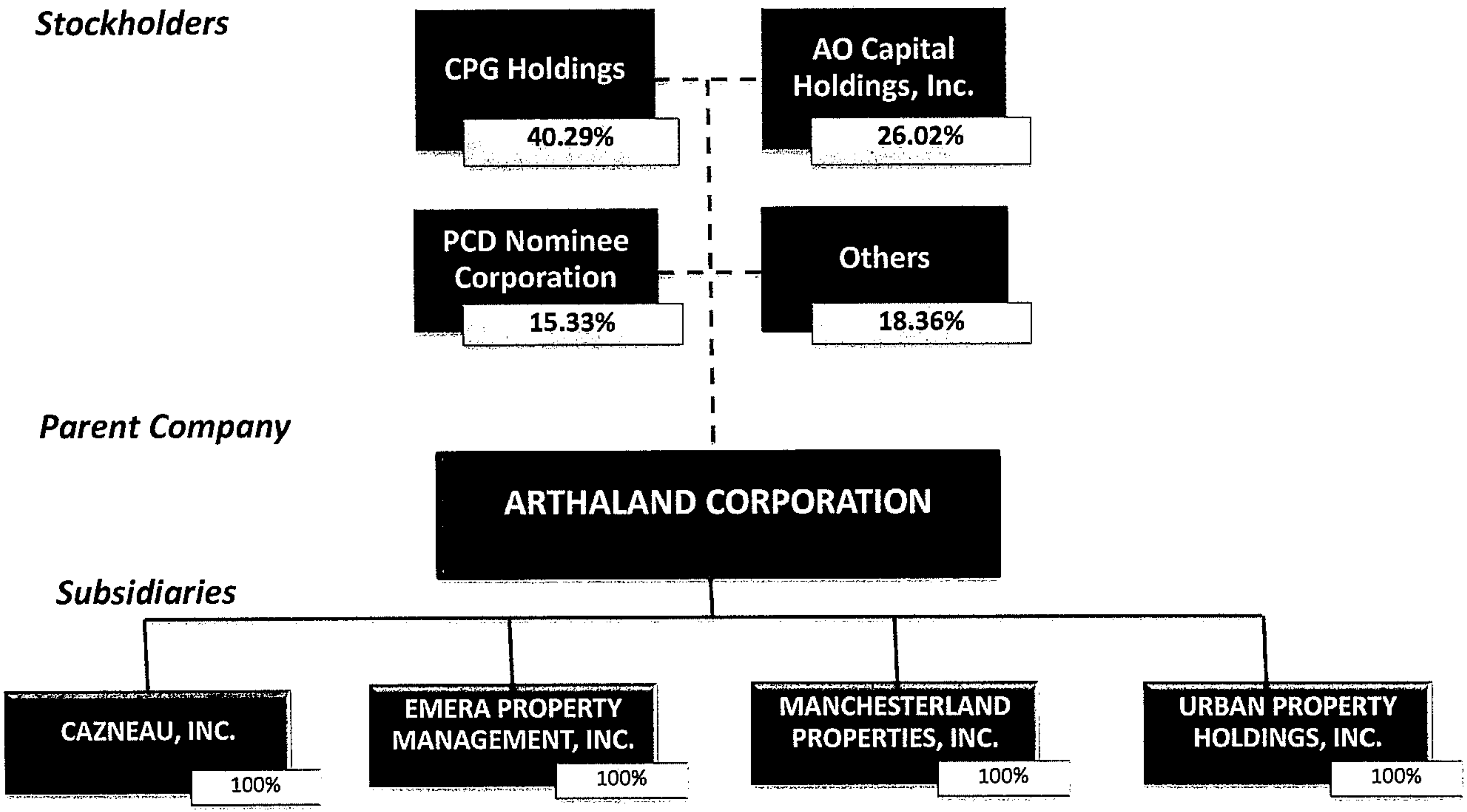
ARTHALAND CORPORATION

RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS

DECEMBER 31, 2014

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱515,325,106
Add: Net income actually earned/realized during the period		
Net Income during the period closed to Retained Earnings	₱203,754,675	
Less: Non-actual/unrealized net income net of tax		
Equity in net income of Associate	–	
Unrealized foreign exchange gain	(451,715)	
Fair value adjustment (M2M gains)	–	
Adjustment due deviation from PFRS/GAAP	–	
Unrealized holding gains	(2,072,660)	
Sub-total	201,230,300	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net Income actually earned during the period		201,230,300
Add (Less):		
Dividend declarations during the period		(191,451,427)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱525,103,979**

CONGLOMERATE MAP



COVER SHEET

AS94007160

SEC Registration Number

ARTHALAND CORPORATION

(Company's Full Name)

8F PICADILLY STAR BUILDING, 4TH AVENUE CORNER 27TH STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY 1634

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

Atty. Riva Khristine V. Maala

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

12 31

Month Day

(FiscalYear)

ACGR

(Form Type)

Amended as of 31 March 2015

0 6 Last Fri

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT
(**As amended as of 31 March 2015*****)***

1. Report is Filed for the Year **2014 (As amended as of 31 March 2015)**

2. Exact Name of Registrant as Specified in its Charter **ARTHALAND CORPORATION (ALCO)**

3. **8/F Picadilly Star Building, 4th Avenue corner 27th Street**

Bonifacio Global City, Taguig City	**1634**
Address of Principal Office	Postal Code

4. SEC Identification Number **ASO-94-007160**

5. (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number **116-004-450-721**

7. **(+632) 403-6910/403-6915**
Issuer's Telephone number, including area code

8. **Not Applicable**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9

Actual number of Directors for the year	9

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	No. of years served as director
Ernest K. Cuyegkeng	ID	NA	Jaime C. Gonzalez	21 May 2007	Seven
Angela de Villa Lacson	ED	NA	Jaime C. Gonzalez	14 March 2008	Seven
Jaime C. Gonzalez	NED	NA	Jaime C. Gonzalez	21 May 2007	Seven
Jaime Enrique Y. Gonzalez	NED	NA	Jaime C. Gonzalez	24 June 2011	Three
Fernan Victor P. Lukban	ID	NA	CPG Holdings, Inc.[1]	25-26 April 2011	Three
Christopher Paulus Nicolas T. Po	NED	NA	CPG Holdings, Inc.	24 June 2011	Three
Ricardo Gabriel T. Po, Jr.	NED	NA	CPG Holdings, Inc.	28 March 2012	Three
Ricardo S. Po, Sr.	ED	NA	CPG Holdings, Inc.	25-26 April 2011	Three
Srinivas Polishetty	ED	NA	Jaime C. Gonzalez	28 June 2013	One

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The directors and officers of ALCO believe that good corporate governance is a necessary component of a sound and strategic business management and therefore, undertake every effort necessary to create awareness of this policy and of ALCO's Manual of Corporate Governance (hereinafter, the "Manual") within the entire organization. ALCO believes that compliance with the principles of good corporate governance starts with its Board of

[1] Represented by Mr. Leonardo Arthur T. Po.

Directors but to ensure adherence to corporate principles and best practices as stated in the Manual and pertinent laws and regulations of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange, Inc. (PSE), the Board of Directors designated a Compliance Officer[2] tasked to monitor compliance and he reports directly to the Board.

ALCO recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. At the minimum, ALCO provides its shareholders, minority or otherwise, all rights granted to them under the law, particularly the Corporation Code of the Philippines (the "Corporation Code"), with the exception of pre-emptive rights[3].

The reports or disclosures required under the Manual and by the SEC and the PSE, including any and all material information that could potentially affect share price, are prepared and submitted through relevant corporate officers of ALCO.

(c) How often does the Board review and approve the vision and mission?

The Company's vision and mission as approved by the Board is indirectly subjected to review on an annual basis when the annual plans and budget are presented for Board approval

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[4]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Angela de Villa Lacson	• Cazneau Inc. • Emera Property Management, Inc. (previously Technopod, Inc.) • Urban Property Holdings, Inc., and • Manchesterland Properties, Inc.	Executive/Chairman and President
Srinivas Polishetty	• Cazneau Inc. • Emera Property Management, Inc.	Non-Executive

[2] Mr. Srinivas Polishetty was appointed ALCO's Compliance Officer during the Organizational Board meeting on 27 June 2014.
[3] The shares of stock of the corporation are not subject to pre-emptive rights of stockholders, and may be issued for the unissued portion of authorized capital stock in such quantities, at such times, and under such terms as the Board of Directors shall determine (*Seventh, Articles of Incorporation*).
[4] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	(previously Technopod, Inc.) • Urban Property Holdings, Inc., and • Manchesterland Properties, Inc.	

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group.

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jaime C. Gonzalez	IP E-games, Inc.	Non-Executive
Jaime Enrique Y. Gonzalez		Executive
Ricardo S. Po, Sr.	Century Pacific Food, Inc.	Executive/Chairman Emeritus
Ricardo Gabriel T. Po, Sr.		Executive/Vice Chairman
Christopher Paulus Nicolas T. Po		Executive/Chairman
Fernan Victor P. Lukban		Independent

(iii)Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group.

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jaime C. Gonzalez	AO Capital Holdings 1, Inc.	Chairman of the Board
Jaime Enrique Y. Gonzalez		Stockholder
Ricardo S. Po, Sr.	CPG Holdings, Inc.	Chairman
Ricardo Gabriel T. Po, Jr.		Vice Chairman
Christopher Paulus Nicolas T. Po		President

(iv)Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	None
Non-Executive Director	None	None
CEO	None	None

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Ernest K. Cuyegkeng	One (1)	None	0.0%
Angela de Villa Lacson	One (1)	None	0.0%
Jaime C. Gonzalez	One (1)	None	0.0%
Jaime Enrique Y. Gonzalez	One (1)	None	0.0%
Fernan Victor P. Lukban	One (1)	None	0.0%
Christopher Paulus Nicolas T. Po	One (1)	None	0.0%
Ricardo Gabriel T. Po, Jr.	One (1)	None	0.0%
Ricardo S. Po, Sr.	One (1)	None	0.0%
Srinivas Polishetty	One (1)	None	0.0%
Total	**Nine (9)**	**Zero (0)**	0.0%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [x] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Ernest K. Cuyegkeng
CEO/President	Angela de Villa Lacson

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

Article IV, Section 5 of ALCO's By-laws provides that the Chairman of the Board shall preside at all meetings of the Board of Directors and of the stockholders, if present, and shall, in general, be vested with all the powers and shall perform all such other duties and functions as from time to time may be assigned to him by the Board of Directors, while the

President shall have active supervision of the operations of ALCO. She shall perform in general all duties and functions incident to the office of the President and such other duties and functions as from time to time may be assigned to her by the Board of Directors or the Chairman.

3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's amended By-laws state that any vacancy in an office shall be filled by the Board of Directors for the unexpired portion of the term in the same manner prescribed for the qualification and election to such office.

Succession plans for top key management position will be monitored and addressed by the Company's Nomination Committee.

The Nomination Committee adheres to the "Fit and Proper Rule" standards to ensure that an individual is fit and proper to a Board member which includes but not limited to standard of integrity, education, training and competence.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. Prior to every annual meeting and election of directors, ALCO's Nomination Committee adopts screening parameters to enable it to effectively review the qualifications and competencies of persons submitted for their evaluation to join ALCO (Section 13 [b], Article III, By-Laws).

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Only the President has experience in the sector or industry ALCO belongs to. ALCO's By-laws categorically provides that no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that ALCO (Section 2, Article III, By-laws).

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors.

In general, the Board of Directors exercises all corporate powers and conducts the business of ALCO, subject to the restrictions imposed by law or by the Articles of Incorporation and the By-Laws (Section 1, Article III, By-laws). The powers and duties of the executive directors are outlined in Article IV, Section 5 of ALCO's By-laws insofar as the Chairman and the President, and in the Manual insofar as ALCO's Compliance Officer who happens to be an executive director.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Section 2, Article III of ALCO's By-laws defines an independent director as a director 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. Under Section 14, also of Article III, the nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. This Committee pre-screens the qualifications, prepares the final list of all candidates and puts in place screening parameters to enable it to effectively review the qualifications of the nominees for independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

ALCO does not have a term limit but it will abide by regulations imposed by the SEC and PSE.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

There were no changes in the composition of the Board of Directors during the period of 28 June 2013 to 27 June 2014.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Section 9, Article III of ALCO's By-laws provides that any vacancy in the Board of Directors, except by removal or expiration of the term, may be filled by the majority vote of all remaining members, if still constituting a quorum. If the vote of the remaining members shall result in a tie, the vote of the Chairman of the Board shall carry to break the tie. A director elected to fill such vacancy shall be elected for the unexpired term of his predecessor in office. Any vacancy in the Board of Directors by reason of removal or increase in the number of directors constituting the Board of Directors shall be filled by election at a regular or special meeting of the stockholders called for that purpose.

Section 14 of said Article III states that the nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. It further states, as follows:

> "xxx The (Nomination) Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

"After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, which list shall be made available to all stockholders through the filing and distribution of the Information Statement in accordance with the Securities Regulation Code or in such other reports the Corporation is required to submit to the Securities and Exchange Commission. The name of the person or group of persons recommending the nomination of the independent director shall be identified in such report including any relationship with the nominee.

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

"The Chairman of the stockholders' meeting shall be responsible for informing all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting. 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."

Section 2, Article III of the By-laws specifies the qualifications of directors, be they executive, non-executive or independent, as follows:

"The Board of Directors shall be composed of nine (9) members, at least two (2) of whom shall be independent directors. The directors shall be elected at the annual stockholders' meeting and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders' meeting and have qualified in accordance with these By-laws and under pertinent laws and regulations of the Philippines.

"To be eligible for nomination or election to the Board of Directors, the candidate must possess all the qualifications and none of the disqualifications enumerated in this By-laws and the Rules of the Corporation's Nomination Committee, and must abide by the nomination process as stated therein.

"An independent director is a director 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, and includes, among other persons, one who:

a. is not or has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (other than as an independent director of any of the foregoing);

b. is not a director or officer of the related companies of the Corporation's majority stockholder (other than as an independent director thereof);

c. is not a majority stockholder of the Corporation, any of its related companies, or of its majority shareholders;

d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority shareholder of the Corporation or any of its related companies;

e. is not acting as nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;

f. is not retained, or within the last two (2) years has not been retained, as a professional adviser, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm, or has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons, or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment;

g. is not affiliated with or employed by or within the last three (3) years, has not been affiliated with or employed by the Corporation's present or former external auditors or affiliates; and,

h. complies with all the qualifications required of an independent director and does not possess any of the disqualifications, and has not withheld nor suppressed any information material to his qualification or disqualification as an independent director.

"When used in relation to the Corporation, "related company" means another company which is (i) its holding company; (ii) its subsidiary; or (iii) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

"No person shall qualify or be eligible for nomination or election to the Board of Directors (i) if he is engaged in any business that competes with or is antagonistic to that of the Corporation or its subsidiaries, taking into consideration such factors as business and family relationships; or (ii) if he is employed by any government agency or a government owned or controlled corporation; or (iii) if he has or had instituted any action or has a pending suit against any of the Corporation's directors or any stockholder who owns at least 10% of the total outstanding shares of the Corporation. Further, no person shall qualify or be eligible for election to the Board of Directors if his nomination is disapproved by at least fifty-one percent (51%) vote of the Board of Directors.

"In addition, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is suffering from any of the following grounds for disqualification:

(i) Conviction by final judgment or order of a competent judicial or administrative body of any crime involving moral turpitude or similar fraudulent acts or transgressions;

(ii) Convicted or adjudged by final judgment or order by a court or competent administrative body of an offense punishable by imprisonment for a period exceeding six (6) years, or to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or Bangko Sentral ng Pilipinas, committed within five (5) years prior to the date of election as director;

(iii) Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;

(iv) Judicial declaration of bankruptcy or insolvency; and,

(v) Final judgment or order of a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (iv) above.

"For the proper implementation of the provisions of this Section, all nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee through the Secretary at the Corporation's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix.

"The decision of the Nomination Committee is final for purposes of the election."

Voting Result of the last Annual General Meeting

During the Annual Stockholders' Meeting held on 27 June 2014, there were only nine (9) nominees for the nine (9) seats in the Board. Upon the suggestion of the stockholders present themselves, strict formalities and procedure of going through a long and formal balloting and elections were dispensed with and all votes were cast in favor of the nine (9) qualified nominees.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

Upon election, the new director/s is provided with all relevant written information about ALCO, including its Articles of Incorporation, By-laws, the Manual and such policies and procedures which will be relevant to his duties and responsibilities as a member of the Board and its various committees. Said director/s is then free to sit down with any officer of ALCO at his convenience to enlighten him further on ALCO's operations.

(b) State any in-house training and external courses attended by Directors and Senior

Management[5] for the past three (3) years:

There is no in-house training or external courses attended by ALCO's Directors and Senior Management in the last three years other than the Corporate Governance Seminar on the duties and responsibilities of directors which is mandatory. Compliance Officer/Director Srinivas Polishetty attended such a seminar on 16 December 2014.

In addition to the Corporate Governance seminars, Directors and Senior Management have attended various economic, financial and industry briefings in the last three years.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

The Company's annual budget provides for training and seminar expenses and the Board members and Senior management determine the appropriate seminars and programs needed by them to keep abreast of latest developments affecting the company's business.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

ALCO's Code of Conduct (which deals with conflict of interest, business and fair dealing, receipt of gifts from third parties, compliance with laws and regulations, trade secrets, non-public information, company assets, and employment/labor policies, among others) is part of the orientation of new hires of employees, including Senior Management. Each new employee is given a copy of this Code and a letter-agreement he or she must sign to signify his or her undertaking to comply with its provisions. Any violation to this Code is essentially determined through periodic activities carried out by ALCO's Human Resources Department, reports submitted by employees on possible violations of this Code, and performance meetings with managers. For all Code violations, the disciplinary measures taken are commensurate with the seriousness of the offense and comply with the Labor Code of the Philippines.

Insofar as the directors, the Manual is clear that a director's office is one of trust and confidence. Having vetted his/her qualifications, the Nomination Committee ensures that ALCO directors shall at all times act in a manner characterized by transparency, accountability and fairness.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Please refer to 1) above.

[5] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

The Group engages, in the normal course of business, in various transactions with its related parties, principally consisting of advances to its officers and employees necessary to carry out their functions in the group subject to liquidation.

Except for the above, there are no other transactions (or series of similar transactions) with or involving any of ALCO's subsidiaries in which a director or an executive officer or a stockholder who owns five percent (5%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest. ALCO adheres strictly to arms-length transactions with its shareholders and directors and their family members up to the fourth civil degree of consanguinity or affinity. Moreover, it is standard within the organization to hold bidding procedures and mandatory for participants to make full disclosure of their relationships to ALCO directors and officers.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

There is none.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Please see (a) above on Policies and Procedures.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[6] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

The significant shareholders of ALCO are CPG Holdings, Inc. and AO Capital Holdings 1, Inc. Other than the relationship stated above [Please see A, 1), (d), (iii)], there is no other information made available to ALCO on this subject. However, it should be noted that

[6] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Directors Christopher Paulus Nicolas T. Po, Leonardo Arthur T. Po and Ricardo Gabriel T. Po, Jr. are the sons of Vice Chairman Ricardo S. Po, Sr., and Director Jaime Enrique Y. Gonzalez is the son of Director Jaime C. Gonzalez.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

There is none.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

ALCO is not aware of any such agreement.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

In the last three (3) years, there has been no conflict between ALCO and its stockholders or third party/ies, or the regulatory authorities. Had there been any, it is standard procedure in ALCO to sit down with the party and endeavor as much as possible to come to a mutually satisfying arrangement and avoid elevating the matter to the courts.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The schedule of meetings of the Stockholders, the Board of Directors and the various committees of ALCO is set at the beginning of the year and confirmed by the Board during its first meeting for the said year.

2) Attendance of Directors

Please see the Secretary's Certificate on the attendance of ALCO's Directors during the various meetings of the Board of Directors, Audit Committee, Stock Option and Compensation Committee, Nomination Committee and Executive Committee held in the year 2014, which was submitted to the SEC and disclosed to the PSE on 07 January 2015, and hereto attached and made an integral part hereof as Annex "A".

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None, moving forward, non-executive directors will meet at least once a year without the presence of executive directos and management as part of their program to improve effective governance for the coming years.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Section 6, Article III of ALCO's By-laws provides that a majority of the number of directors fixed by these By-Laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act, except in the election of officers which requires the vote of the majority of all the directors.

5) Access to Information

(a) How many days in advance are board papers[7] for board of directors meetings provided to the board?

Section 5, Article III of ALCO's By-laws provides that notices of Board Meetings shall be in writing and given at least two (2) business days before the date of the meeting by delivery, fax or electronic mail to each director, or by other means of written or printed communication generally accepted and used by the business community as at present available through or as may be made available through technical advances or innovations in the future. The notice shall state the date, time and place of the meeting and, if a special meeting, the purpose for which the meeting is called. It is standard practice within the organization that the notices of meetings are accompanied by materials necessary for the meeting, i.e. board papers.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. Board members have independent access to Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Section 5, Article IV of ALCO's By-laws provides that the Secretary shall (1) keep or cause to be kept, the books provided for the purpose, and the minutes of the meetings of the stockholders and the Board of Directors; (2) see to it that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; (3) be the custodian of the corporate records and seal of the Corporation, and shall see to it that the seal is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required or is duly authorized; and (4) perform in general all duties and functions incident to the Office of the Secretary and such other duties and functions as from time to time may be assigned to him by the Board of Directors, the Chairman or the President.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

ALCO's Corporate Secretary and Assistant Corporate Secretary both hold degrees in Bachelor of Laws. Both are members of the Philippine Bar.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get

[7] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

information necessary to be able to prepare in advance for the meetings of different committees:

Yes [x]   No [   ]

Please see 5) (a) above. The same procedure is adopted for committee meetings. Board members have independent access to the Company's management from whom they can get necessary information needed to prepare in advance for meeting of different committees.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matter in the agenda. Directors are given independent access to Management and Corporate Secretary as well as to independent professional advice when the need arises.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

There is none.

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

The Company's By-Laws empowers the Board of Director to fix and determine the compensation of its members including profit sharing and other incentives subject to limitation imposed by law.

Also, Section 7, Article IV of ALCO's By-laws provides that the Chairman, or such other officer/s as the Board of Directors may authorize, shall determine the compensation of all the officers and employees. A director shall not be precluded from serving ALCO in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

The amount of remuneration is determined at a level sufficient to attract directors and executives and other key senior personnel needed to run the company successfully.

The Executive compensation is composed of salaries, bonuses, and other annual compensation plus fixed per diem for every board meeting attended.

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan for its qualified employees.

The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. The Stock Option and Compensation Committee will administer the implementation of this Plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates[8].

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The said Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until the period within which they can do so expired in October 2012.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

<table>
<tr><th></th><th>Remuneration Policy</th><th>Structure of Compensation Packages</th><th>How Compensation is Calculated</th></tr>
<tr><td>Executive Directors</td><td colspan="3">The Stock Option and Compensation Committee determines the amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the company. Executive compensation is composed of salaries, bonuses and fixed per diem for every Board meeting attended.</td></tr>
<tr><td>Non-Executive Directors</td><td>Fixed Per Diem for every Board meeting attended</td><td>Board meeting
Committee meetings</td><td>P 7,500.00
P 2,500.00</td></tr>
</table>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

[8] ALCO must have at least 50% equity holdings therein.

Section 10, Article III of ALCO's By-laws provides that the Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law.

However, in ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote at the time approved the 2009 ALCO Stock Option Plan for its qualified employees, which include members of the Board.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	₱16.30M		
(b) Variable Remuneration			
(c) Per diem Allowance	₱0.055M	₱0.325 M	₱0.040M
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
Total	₱16.355M	₱0.325 M	₱0.040M

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium	₱0.565M		
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total	₱0.565M		

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

There is none.

As stated in item 1) above, while the stockholders approved during the 16 October 2009 annual meeting the 2009 ALCO Stock Option Plan for its qualified employees, which include members of the Board, none of the qualified employees as defined in the said Plan exercised their respective rights until the period within which they can do so expired in October 2012.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting.

There are no amendments or discontinuation of any incentive program already granted, including the 2009 ALCO Stock Option Plan.

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Ninalyn S. Cordero, SVP[9]	₱17.7M
Gabriel I. Paulino, SVP[10]	
Leonardo Arthur T. Po, Treasurer	
Ponciano S. Carreon, Jr., CFO	
Riva Khristine V. Maala, VP[11]	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Sections 12 and 13, Article III of ALCO's By-laws provide that there shall be an Executive Committee, an Audit Committee, a Nomination Committee, and a Stock Option and

[9] Head, Project and Business Development
[10] Head, Technical Services
[11] Head, Legal Affairs and Investor Relations/Assistant Corporate Secretary

Compensation Committee.

The Executive Committee is composed of the Chairman of the Board, the President, the Chief Finance Officer and such other officers of ALCO as may be appointed by the Board of Directors. It is to the Executive Committee that the Board of Directors may delegate some of its powers and authorities which may lawfully be delegated; hence, it adopts and observes its own internal procedures and conduct of business.

The Audit Committee is composed of at least three (3) members of the Board, at least two (2) of whom are Independent Directors, including the Chairman. The Audit Committee provides oversight over ALCO's financial reporting and control, and internal and external audit functions. It is responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Board through the Audit Committee. It monitors and evaluates the adequacy and effectiveness of the internal audit system.

The Audit Committee also establishes and maintains mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It ensures that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The Nomination Committee is composed of at least three (3) members of the Board, one of whom is an Independent Director. The Nomination Committee puts in place screening policies and parameters that may enable it to effectively review the qualifications and competencies of persons submitted for their evaluation to join ALCO's management.

The Stock Option and Compensation Committee is composed of at least three (3) members, one of whom is an Independent Director. It establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with ALCO's culture, strategy and control environment.

The Board of Directors may create such other committees as may be necessary or convenient for the operations and management of the Corporation, define their functions and responsibilities, and determine their composition.

2) Committee Members

Please refer to **Annex "A"** hereto attached and made an integral part hereof on the members of ALCO's (a) Executive Committee, (b) Audit Committee, (c) Nomination Committee, and (d) Stock Option and Compensation Committee for the period 2014-2015, the meetings held and the number of meetings attended by the members thereof.

The following are the incumbent members of ALCO's various committees:

Audit Committee	Ernest K. Cuyegkeng, Chairman
	Fernan Victor P. Lukban
	Ricardo Gabriel T. Po
	Srinivas Polishetty

Stock Option and Compensation Committee	Jaime C. Gonzalez, Chairman Angela de Villa Lacson, Vice Chair Fernan Victor P. Lukban Srinivas Polishetty
Nomination Committee	Jaime C. Gonzalez, Chairman Ricardo S. Po, Sr. Ernest K. Cuyegkeng
Executive Committee[12]	Ernest K. Cuyegkeng, Chairman Jaime C. Gonzalez, Vice Chairman Ricardo S. Po, Sr., Vice Chairman Ponciano S. Carreon, Jr. Ninalyn S. Cordero Angela de Villa-Lacson Jaime Enrique Y. Gonzalez Leonardo Arthur T. Po Christopher Paulus Nicolas T. Po

Disclose the profile or qualifications of the Audit Committee members. Describe the Audit Committee's responsibility relative to the external auditor.

Under Section 13, Article III of ALCO's By-laws, it is preferable that the members of the Audit Committee, including its Chairman, have accounting, auditing or related financial management expertise or experience. The Audit Committee provides oversight of ALCO's financial reporting and control, and internal and external audit functions. It is responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Board through the Audit Committee. It monitors and evaluates the adequacy and effectiveness of the internal audit system.

Further, the Audit Committee Charter provides that:

> "The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance background, one of whom shall be independent director and another with audit experience. The Chair of the Audit Committee shall be an independent director. At present two of the Audit Committee members are independent directors, one of whom is the Committee chair."

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

There were no changes in the year 2014.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

[12] The By-laws provides that the Executive Committee shall be composed of the Chairman of the Board, the President, the Chief Finance Officer and such other officers of the Corporation as may be appointed by the Board of Directors.

Name of Committee	Work Done	Issues Addressed
Executive	Oversee the management of the company which includes financial matters, construction update, sales and post sales concerns and legal matters.	Provide directives on pipeline planning and guidelines on significant transactions.
Audit	Reviewed significant accounting and reporting issues and endorsed for Board Approval the financial statements of the Company.Reviewed the external auditors' audit scope and approved the results of the audit.	Reviewed and approved quarterly and annual financial statements.Reviewed qualification and proposal of new External auditors.
Nomination	Reviewed all candidates nominated to the Board in accordance with the requirements of SEC and Company's Corporate Governance manual and By-Laws.	Pre-screened and qualified Board nominees for June 28, 2013 stockholders meeting.
Stock Option and Compensation	Performed oversight of policies on salaries and benefits, as well as promotions and other form of career advancement.	Reviewed and approved annual merit increases and promotions.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The members of the Board and various committees are guided by the provisions of the By-laws and the manual of Corporate Governance and are committed to carry-out the expected mandate and to meet as scheduled to address governance issues.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board level and throughout the organization towards achieving its goals and objectives. This includes, among others, the protection and preservation of its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its reputation. The Company aligns its risk appetite with its long-term strategic objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the organization's risk management processes. It reviews and endorses to the Board changes or amendments to the Enterprise Risk Management (ERM) Policy, as well as the adequacy and effectiveness of the Company's enterprise risk management process. The Committee provides a report to the Board on its assessment of the effectiveness of the risk management process and reviews reports from Internal Audit with regard to the independent validation of compliance with the approved ERM Policy and assessment of current state of ERM framework.

(c) **Period covered by the review –** Ongoing for 2015

(d) **How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and**

(e) **Where no review was conducted during the year, an explanation why not.**

The risk management system is periodically assessed during the quarterly Board and Audit Committee meetings. The effectiveness of existing risk management system is assessed on the basis of actual operating results against pre-determined targets taking into consideration the quantitative and qualitative aspects of said results and targets.

2) **Risk Policy**

(a) **Company**

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	All customers who wish to trade on credit terms are subjected to credit verification procedures and receivable balances are monitored on an on-going basis to ensure that exposure to bad debt is not significant.	To minimize loss or dimunition of capital resulting from default of counter party.
Liquidity Risk	Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.	To ensure that financial obligations are settled when they fall due.
Interest Rate Risk	Manage interest cost by maintaining optimum leveraging activity. Maintain debt ot equity ratio at manageable levels.	To minimize negative impact on capital and liquidity results from interest rate volatility.
Legal Risk	All Company contracts and dealings are required to be reviewed by the Company's corporate and tax lawyers to ensure that relevant laws and regulations are complied with and the interest of the company is protected. Management is always updated on new and upcoming regulations that will impact the company's business and operations.	To minimize loss arising from legal disputes and regulatory assessments. To ensure compliance with regulations and readiness to implement new requirements.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	All customers who wish to trade on credit terms are subjected to credit verification procedures and receivable balances are monitored on an on-going basis to ensure that exposure to bad debt is not significant	To minimize loss or dimunition of capital resulting from default of counter party
Liquidity Risk	Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information	To ensure that financial obligations are settled when they fall due.
Interest Rate Risk	Manage interest cost by maintaining optimum leveraging activity. Maintain debt ot equity ratio at manageable levels	To minimize negative impact on capital and liquidity results from interest rate volatility
Legal Risk	All Company contracts and dealings are required to be reviewed by the Company's corporate and tax lawyers to ensure that relevant laws and regulations are complied with and the interest of the company is protected Management is always updated on new and upcoming regulations that will impact the company's business and operations.	To minimize loss arising from legal disputes and regulatory assessments. To ensure compliance with regulations and readiness to implement new requirements.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Majority Shareholders may dominate major company decisions. However, the manual of corporate governance expressly provides for the protection of its stockholders' and minority interests' rights

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	On-going monitoring of Accounts Receivable and Past Due Balances	Timely notification sent to counterparties and reporting to top management for accounts that need special handling
Liquidity Risk	Weekly monitoring of Short-term and long-term cash flow projections	Weekly reporting to top management for appropriate guidance and action
Interest Rate Risk	Regular monitoring of interest rate movements and the Company's investments and loan balances	Weekly reporting to top management for appropriate guidance and action

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	On-going monitoring of Accounts Receivable and Past Due Balances.	Timely notification sent to counterparties and reporting to top management for accounts that need special handling.
Liquidity Risk	Weekly monitoring of Short-term and long-term cash flow projections.	Weekly reporting to top management for appropriate guidance and action.
Interest Rate Risk	Regular monitoring of interest rate movements and the Company's investments and loan balances.	Weekly reporting to top management for appropriate guidance and action.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	The Committee has the authority to conduct or authorize the conduct of investigation into any matters within its scope. It has an unlimited access	The Audit Committee is tasked to assist the Board in fulfilling it oversight responsibilities for the integrity of the Company's financial

	to employees, records and reports	statements, compliance with legal and regulatory requirements, determination of independent auditor's qualification and independence and performance of the Company's internal audit functions.
Compliance Officer	Direct reporting line to the Chairman of the Board.	Identify, monitor and control compliance risk.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control is a process effected by the Company's Board of Directors, Management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

• Geared to the achievement of objectives in one or more categories – operations, reporting and compliance
• A process consisting of ongoing tasks and activities – a means to an end, not an end itself
• Effected by people – not merely about policy and procedure manuals, systems, and forms, but about people and the actions they take at every level of an organization to affect internal control
• Able to provide reasonable assurance, but not absolute assurance, to the Company's Board of Directors, Executive Committee and Senior Management
• Adaptable to the Company structure – flexible in application for the Company or for a particular subsidiary, group, operating unit, or business process.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the Company's corporate governance processes. This entails an understanding of the risks, control and financial reporting issues inherent to the Company.

(c) Period covered by the review – On going for FY 2015

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

At least quarterly, the Audit Committee, to obtain management's assurance on the state of internal controls, risk management and corporate governance processes, the Committee relies on the expertise and knowledge of Management, the Internal Auditor and External (independent) Auditors.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Provide independent and objective assurance and consulting services to add value and improve the Company's operations, reporting and compliance;	Assist the Board of Directors thru the established Audit Committee on the assessment and evaluation of the adequacy and effectiveness of the Company's governance, risk management process and system of internal controls	In-house	Lujer A. Danao	• Directly reporting to the Audit Committee • Administratively to the President and CEO

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Not applicable.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does

the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Audit Committee Charter provides for a direct reporting line of the Internal Auditor to the Audit Committee as well as full and free access to Company's personnel, records and documents.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

There was no resignation or reassignment of internal audit staff during the year.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The company has just started developing an annual audit plan this year. Prior to this, there were no audit engagements; only business process reviews of the departments were done.
Issues[13]	Not yet applicable.
Findings[14]	Not yet applicable.
Examination Trends	The company utilized a risk-based approach in coming up with an audit plan for 2013.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) **Preparation of an audit plan inclusive of a timeline and milestones;**
2) **Conduct of examination based on the plan;**
3) **Evaluation of the progress in the implementation of the plan;**
4) **Documentation of issues and findings as a result of the examination;**
5) **Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**
6) **Conduct of the foregoing procedures on a regular basis.]**

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Risk-based Audit Planning	Ongoing

[13] "Issues" are compliance matters that arise from adopting different interpretations.
[14] "Findings" are those with concrete basis under the company's policies and rules.

Audit Execution	
Audit Reporting	
Monitoring of Action Plans	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company).

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Rotation requirement for external auditor as required by existing regulations is strictly observed by the Company.	All financial information publicly disclosed by the Company are lifted from financial reports reviewed and approved by the Audit Committee.	All reportorial information provided are lifeted from Audit Committee reviewed and approved financial reports. Investment banks are given free access to the Board Members of the Company.	Both Internal and External Auditors are qualified and appointed by the Audit Committee and the Board of Directors. Reporting line is also direct to the Audit Committee and Board.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman of the Board and the President and CEO, the Independent Directors and the Compliance Officer attest to the Company's full compliance with SEC's Code of Corporate Governance. All directors, officers, and employees of the company have been properly advised of their respective duties, as mandated by the Code and that internal mechanisms are in place to ensure such compliance.

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	The Company is committed to deliver high quality products and services to its customers, the Company is guided by the following principles: -Thoughtful planning and space management	

	-Quality Assurance -Security and Safety -Operating Efficiency -Enabling Technology -Total living experience
Supplier/contractor selection practice	The Company's projects are awarded to qualified reputable contractors/firms subject to a bidding process and management's evaluation of contractor's/firm's qualification and satisfactory working relationships.
Environmentally friendly value-chain	The Company goes beyond the mandatory environmental framework, being a member of the Philippine Green Building Council and US Green Building Council as well a a partner of the Worldwide Fund.
Community interaction	Compliance with relevant laws and regulation is strictly monitored to avoid any damage to surrounding communities.
Anti-corruption programmes and procedures?	The Audit Committee monitors and evaluates the adequacy and effectiveness of the corporations internal control system and has the authority to institute and oversee special investigation when needed.
Safeguarding creditors' rights	The Company adheres to principles of healthy and fair treatment of all business partners. It strictly respects agreements with creditors, manages loan according to lending objectives and covenants and ensures timely repayments of loan interests and principal. The Company provides its creditors with timely and accurate information.

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

   None. Moving forward, the Company will include a separate corporate responsibility report section in its annual report.

3) **Performance-enhancing mechanisms for employee participation.**

   (a) What are the company's policy for its employees' safety, health, and welfare?

   (b) Show data relating to health, safety and welfare of its employees.

   (c) State the company's training and development programs for its employees. Show the data.

   (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

   All employees are enrolled in the Company's group life insurance policy and health insurance policy. Annual medical examination is provided to the employees.

   The Company also complies with all mandatory contributions for SSS, Philhealth and Pag-ibig. Part of the Company's budget is appropriated for trainings and seminars. Annual performance appraisal is done as basis for bonuses, merit increases and promotions.

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

First line managers are responsible for managing employee concerns, problems and complaints. Managers shall ensure that employee complaints are resolved in a timely manner, to resolve grievances informally; the manager shall meet with the employee to discuss his concerns. The manager should investigate the concerns before making a final decision. Upon reaching a decision, the supervisor shall meet with the employee to discuss the results if employee is not happy with the results it can be appealed to the next level manager or to the HR department.

In cases where the manager is involved with the concern, employee can direct his complaint to the next level manager or to the HR department. All complaints will be treated with utmost confidentiality; investigation will be done within 5 working days. Results of the investigation will be shared with the employee in more than 10 days after the said complaint has been filed.

In terms of retaliation, the HR department is in charge of implementing equal employment opportunity to all employees. If an employee suspects that retaliation was done including but not limited to any negative job action, such as demotion, discipline, firing, salary reduction, or job or shift reassignment. Employee can submit an incident report to HR and investigation will be done accordingly and ensuring safety and protection of the employee.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more (As of 31 March 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
CPG Holdings, Inc.	2,142,619,910	40.289	CPG Holdings, Inc.
AO Capital Holdings I, Inc.	1,383,730,000	26.0193	AO Capital Holdings I, Inc.
Edimax Investment Limited	296,460,000	5.5746	Edimax Investment Limited

As of the date of this Report, with the exception of the President and CEO, none of ALCO's Senior Management own shares of stock of ALCO, either directly or indirectly.

2) **Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	No, the Company will provide non-financial performance indicators in its next Annual

	Report
Dividend policy	Yes
Details of whistle-blowing policy	No, the Audit Committee is working to establish procedures for the confidential and anonymous submission by employees of the company of concerns regarding questionable accounting and auditing matters.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education program attended by each director/commissioner	Yes.
Number of board of directors/commissioners meetings held during the year	No. A separate disclosure was made on 07 January 2015. Please see Annex "A" attached and made an integral part of this Report.
Attendance details of each director/commissioner in respect of meetings held	Same as above.
Details of remuneration of the CEO and each member of the board of directors/commissioners	No, only the total amount of compensation of Directors and Executives is disclosed as required by SEC.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Co.	₱750,000.00	NONE

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Correspondences are disseminated by personal delivery, fax or electronic mail, or by other means of written or printed communication generally accepted and used by the business community as at present available or as may be made available through technical advances or innovations in the future.

5) **Date of release of audited financial report:**

ALCO's Audited Financial Statements for the period ended as of 31 December 2013 was released on 11 April 2014 and copies thereof were provided to the stockholders by mail together with copies of the Definitive Information Statement beginning 05 June 2014.

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes.
Materials provided in briefings to analysts and media	Yes.
Shareholding structure	Yes.
Group corporate structure	Yes, through various reports submitted to the SEC and the PSE.
Downloadable annual report	Yes.
Notice of AGM and/or EGM	Yes.
Company's constitution (company's by-laws, memorandum and articles of association)	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
The Group engages, in the normal course of business, in various transactions with related parties, principally consisting of advances to its officers and employees necessary to carry out their functions in the group, subject to liquidation.			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Section 3, Article II of ALCO's By-laws provides that stockholders present or represented in the meeting and owning a majority of the outstanding voting stock shall constitute a quorum for the transaction of business at the meeting. When a quorum is present at such meeting, the vote of the stockholders owning a majority of the outstanding stock present or represented at such meeting shall decide on any matter brought before such meeting, unless the affirmative vote of stockholders owning a greater capital stock is required by law.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

Voting on matters submitted for stockholders' approval during the stockholders' meetings is done by viva voce and is supervised by the designated staff of the Company's external auditor and stock and transfer agent.

For the purpose of electing directors, the system of cumulative voting is followed as provided under Section 4, Article II of the Company's By-laws, to wit:

> "xxx At all stockholders' meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.
>
> "At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (1) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit."

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of ALCO multiplied by the whole number of directors to be elected.

Voting for the election of Directors is by ballot and the tabulation of the votes shall be supervised by the designated staff of ALCO's external auditor and stock and transfer agent; provided, that voting may be by viva voce upon approval by the majority of the stockholders present in the meeting.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

As of the date of this Report, there are no other rights granted to ALCO stockholders which differ from those provided in the Corporate Code, with the exception of pre-emptive rights[15].

Dividends

[15] See Footnote 3.

Section 2, Article VII of ALCO's By-laws provides, as follows:

> "Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.
>
> "Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.
>
> "Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

ALCO declared cash dividends as follows:

Declaration Date	Record Date	Payment Date	Amount
28 June 2013	26 July 2013	22 August 2013	₱0.012/common share
10 March 2014	28 March 2014	22 April 2014	₱0.036/common share
09 March 2015	23 March 2015	08 April 2015	₱0.012/common share

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

   In every stockholders' meeting of ALCO, after the President's Report (annual) or after a proposal is put forth for approval of the stockholders (special), there is an open forum where any stockholder is given the opportunity to address Management, any director present and ALCO's external auditor, when applicable, and to ask questions about or make suggestions on operations. After said stockholders' meetings, Management, the Directors present and ALCO's external auditor mingle among the stockholders too to give them the opportunity to have one on one conversation or communicate directly.

   Further, none of ALCO's stockholders is prevented from writing ALCO, its Board and Management, through the Office of the Corporate Secretary, to air his or their opinions, comments and suggestions.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
   a. **Amendments to the company's constitution**

b. **Authorization of additional shares**
c. **Transfer of all or substantially all assets, which in effect results in the sale of the company**

Please see reply in 1 above. Also, in instances allowed by the Corporation Code, stockholders may exercise their appraisal rights on the foregoing matters.

For the valid exercise of the appraisal right, ALCO adopts the procedure laid down in the Corporation Code, as follows:

(i) The dissenting stockholder must have voted against the proposed corporate action during the stockholders' meeting.

(ii) The dissenting stockholder must make a written demand within thirty (30) days from the date the vote was taken. Failure to make the demand within the prescribed period shall be deemed a waiver of the appraisal right.

(iii) From the time of demand, all rights accruing to the shares, including voting and dividend rights, shall be suspended in accordance with the provisions of the Corporation Code, except the right of the stockholder to receive payment of the fair value of his/its shares. The dividend, voting and rights of the dissenting stockholder shall be restored if ALCO fails to pay the fair value within thirty (30) days after the award.

(iv) The price of the shares will be determined based on the fair value of the shares 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.

(v) The withdrawing stockholder must submit through the Office of the Corporate Secretary the stock certificate/s representing his/its ALCO shares for notation of being a dissenting stockholder, within ten (10) days from written demand. Failure to do so shall, at ALCO's option, terminate the stockholder's appraisal right.

(vi) ALCO shall pay the withdrawing stockholder for his/its shares, provided that, ALCO has unrestricted retained earnings in its books to cover such payment.

The right of payment shall cease under the following instances:

a. If the dissenting stockholder withdraws his demand for payment, subject to ALCO's consent;
b. If ALCO abandons the proposed action;
c. If the SEC disapproves the proposed action; and,
d. Where the SEC determines that such stockholder is not entitled to the appraisal right.

Upon payment by ALCO, the stockholder's shares must then be transferred to ALCO.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

Under Section 4, Article VI of ALCO's By-laws, the Board of Directors directs when the stock and transfer book of ALCO shall be closed for a stated period of not less than fifteen (15) business days but not more than twenty (20) business days counted from and before the date of the stockholders' meeting for the purpose of determining the stockholders entitled to notice of and to vote at such meeting or the record date for the purpose of determining the stockholders entitled to receive any dividend or to any allotment of rights or to exercise the rights in respect of any change, conversion or exchange of the capital stock.

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

   There were no questions asked during the open forum of the 27 June 2014 Annual Stockholders' Meeting.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

   In addition to electing the members of the Board of Directors for the year 2014-2015 to hold office as such and until their respective successors are duly nominated, elected and qualified during the Annual Stockholders' Meeting held on 27 June 2014, stockholders representing at least sixty-seven percent (67%) of ALCO's outstanding common shares which are entitled and qualified to vote approved the proposal to amend Article Third of ALCO's latest Articles of Incorporation to reflect therein the specific address of its principal office, to wit:

   > THIRD – That the place where the principal office of the Corporation is to be established or located is 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City, Philippines.

   The Securities and Exchange Commission approved the foregoing amendment to ALCO's Articles of Incorporation on 14 July 2014.

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

   ALCO submitted to the SEC and the PSE the results of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors, both held on 27 June 2014, soon after said meetings adjourned. ALCO did not disclose the results of the votes as voting on matters submitted for stockholders' approval was done by viva voce[16].

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification.

There were none.

[16] During the Annual Stockholders' Meeting held on 27 June 2014, there were only nine (9) nominees for the nine (9) seats in the Board. Upon the suggestion of the stockholders present themselves, strict formalities and procedure of going through a long and formal balloting and elections were dispensed with and all votes were cast in favor of the nine (9) qualified nominees.

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held.

The 27 June 2014 Annual Stockholders' Meeting was attended by 80.58% of the total number of ALCO stockholders of record as of 04 June 2014[17].

The following ALCO directors and officers were also present during the said meeting:

Regular Directors	Angela de Villa-Lacson Jaime C. Gonzalez Jaime Enrique Y. Gonzalez Christopher Paulus Nicolas T. Po Ricardo Gabriel T. Po, Jr. Ricardo S. Po, Sr. Srinivas Polishetty
Independent Directors	Ernest K. Cuyegkeng, and Fernan Victor P. Lukban
Officers	Ninalyn S. Cordero Gabriel I. Paulino Leonardo Arthur T. Po Ponciano S. Carreon, Jr. Riva Khristine V. Maala

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Voting for the election of Directors is by ballot and the tabulation of the votes is supervised by the designated staff of the Company's external auditor and stock and transfer agent. However, voting may be by *viva voce* upon approval by the majority of the stockholders present in the meeting.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Section 4, Article II of ALCO's By-laws provides, as follows:

> "At all stockholders' meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.
>
> "At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (1) vote for each share of stock held by him for as many persons as there are directors to be elected, or to

[17] 5,318,095,199

cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit."

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of ALCO multiplied by the whole number of directors to be elected.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Under Section 2, Article II of ALCO's By-laws, stockholders entitled to vote may vote in all meetings either in person or by proxy given in writing and signed by the stockholders concerned and presented to the Secretary at least five (5) business days prior to the date of the meeting for verification and record purposes. Such proxies filed with the Secretary may be revoked by the stockholders concerned either in an instrument in writing duly presented and recorded with the Secretary prior to the scheduled meeting, or by their personal presence at the meeting.

Notarization of proxies is not required, provided that the signature of the stockholders is the same as that in the records of ALCO's stock and transfer agent.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Under Section 7, Article II of ALCO's By-laws, notices of meetings of the stockholders shall be made, as the Board of Directors may determine, either by publication in a newspaper of general circulation at least once and at least fifteen [15] business days prior to the date of the meeting, or by written notice sent by delivery, fax or ordinary mail to each stockholder at least fifteen [15] business days prior to the date of the meeting. The notice shall state the date, time and place of the meeting and if a special meeting, the purpose for which the meeting is called.

The notice for the 27 June 2014 Annual Stockholders' Meeting was both published in the Philippine Star issue of 29 May 2014 and disseminated to the stockholders via registered mail beginning 04 June 2014.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,063
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market	04 June 2014

participants/certain beneficial owners	
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	04 June 2014
State whether CD format or hard copies were distributed	Hard copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes.
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	The Notice is accompanied by the Definitive Information Statement which contains these information on the directors for election/re-election.
The auditors to be appointed or re-appointed.	Same as above.
An explanation of the dividend policy, if any dividend is to be declared.	Yes.
The amount payable for final dividends.	No, the amount was disclosed immediately after the declaration thereof was made at the meeting of the Board of Directors on 09 March 2015.
Documents required for proxy vote.	Yes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Company's Manual of Corporate Governance, as it was recently amended on 23 July 2014 and filed with the SEC on 25 July 2014, expressly provides for the protection of its stockholders and minority interests' rights.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Under Section 2, Article III of ALCO's By-laws, all nominations for the election of directors by any of the stockholders must be submitted in writing to the Nomination Committee through the Secretary at ALCO's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix. The date fixed by the Board is disclosed to the PSE.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

ALCO abides by rules and regulations imposed by the SEC and the PSE on disclosure of material information and the Board of Directors, or at the very least, the Executive Committee, approves announcements of this nature. Disclosures of structured reports, particularly those involving ALCO's financials, are reviewed and approved by the Audit Committee with the exception of the release of the audited financial statements which is approved by the Board of Directors.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives (2) Principles	Under the Manual of Corporate Governance, as it was recently amended on 23 July 2014 and filed with the SEC on 25 July 2014, it is the duty of the Board to promote shareholder rights, to remove impediments to the exercise of shareholders' rights, to allow possibilities to seek redress for violation of their rights, and to make necessary information available at all times, subject to legal and contractual constraints, to enable them to make informed decisions.

(3) Modes of Communications	The Board is committed at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders by delivery, fax or electronic mail, or by other means of written or printed communication generally accepted and used by the business community as at present available or as may be made available through technical advances or innovations in the future.
(4) Investors Relations Officer	Atty. Riva Khristine V. Maala *Head of Legal Affairs and Investor Relations* Telephone Number (+632) 403-6910 Fax Number (+632) 403-6909 Email Address: rvmaala@arthaland.com Website: www.arthaland.com

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

ALCO stockholders are entitled to exercise all rights granted to them under the law without limitation, including appraisal rights, should they not agree with decisions of Management and/or the Board of Directors, including changes in corporate control, mergers and the sale of substantial portions of corporate assets. ALCO adopts the policy of democracy in the organization.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

There is none at present but it does not preclude the Board from appointing such independent party as and when the need arises.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
The Company's personnel were part of volunteers who helped in the rehabilitation of Kapital Jose Cardones Elementary School last January 2013. Likewise, donation was made in favor of Hands on Manila Foundation.	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	The Board of Directors assesses its overall performance as well as that of the various committees and the CEO based on the achievement of targets set at the start of the year. Detailed	
Board Committees		
Individual Directors		

CEO/President	criteria for future performance assessment will be develop and adopted in and by the Company.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First	Reprimand
Second	Suspension from office. The duration of the suspension depends on the gravity of the violation.
Third	The maximum penalty of removal from office.
Others	The commission of a third violation of the Manual by any member of ALCO's Board and Management or those of its subsidiaries and affiliates shall be sufficient cause for removal as a director.

- *Nothing follows.* -

SIGNATURE PAGE

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report, as amended as of **31 March 2015**, is signed in **Taguig City** on **10 April 2015**.

ARTHALAND CORPORATION
By:

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

FERNAN VICTOR P. LUKBAN
Independent Director
Passport No. EB9323939
Issued on 08 October 2013 in Manila

SRINIVAS POLISHETTY
Compliance Officer/Director
Passport Number Z2018829
Issued on 18 November 2009 in Manila, Philippines

SUBSCRIBED AND SWORN to before me this **10th** day of **April 2015** at **Taguig City, Philippines**, affiants exhibiting to me details of their respective **Passports** as stated below their names.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR No. 4748970/1-05 15 MKT
IBP No. 979552 / 12-19-14 RSM
ROLL No. 41969
MCLE COMP. IV No 0020663
APP. No. 95/2015-2016

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Series of 2015.