

COVER SHEET

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SEC Registration Number

M A B U H A Y H O L D I N G S C O R P O R A T I O N

(Company's Full Name)

3 5 / F R U F I N O P A C I F I C T O W E R
6 7 8 4 A Y A L A A V E N U E
M A K A T I C I T Y

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

ARACELI C. MOLINA

Contact Person

1 2 3 1

Month Day
Fiscal Year

750-2000

Company Telephone Number

0 5

Month Day
Annual Meeting

S E C 17-Q

FORM TYPE

n/a

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q (AMENDED)**

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

1. For the Quarter Ended **June 30, 2015**
2. Commission Identification Number: **150014**
3. BIR Tax Identification Number: **047-000-473-206**
4. Exact Name of issuer as specified in its charter: **MABUHAY HOLDINGS CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of Principal Office: **35/F Rufino Pacific Tower, Ayala Avenue, Makati City**
8. Issuer's Telephone Number, Including Area Code: **(632) 750-2000**
9. Former Name, former address, former fiscal year, if changed from last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common shares	1,200,000,000
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11. Are any or all of these securities are listed on the Philippine Stock Exchange.

Yes [/] No []

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

Philippine Stock Exchange Common stock

12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 to 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []
 - (b) has been subject to such filing requirements for the past 90 days

Yes [/] No []

TABLE OF CONTENTS

	<u>Page No.</u>	
PART I	FINANCIAL STATEMENTS	
Item 1	Financial Statements	
	Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014	1
	Consolidated Statements of Income for the Period Ended June 30, 2015 and June 30, 2014	2
	Consolidated Statements of Changes in Stockholders Equity for the Period Ended June 30, 2015 and June 30, 2014	3
	Consolidated Statements of Cash Flows for the Period Ended June 30, 2015 and June 30, 2014	4
	Consolidated Aging of Notes and Other Receivables	5
	Notes to Consolidated Financial Statements	6
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3	Performance Indicators	30
PART II	OTHER INFORMATION	
Item 4	Non-Applicability of other SEC required notes	31
SIGNATURES		32

PART I – ITEM 1 - FINANCIAL STATEMENTS

**CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2015 AND DECEMBER 31, 2014
(All amounts in Philippine Peso)**

	Notes	June 30, 2015*	Dec 31, 2014 **
<u>ASSETS</u>			
CURRENT ASSETS			
Cash on hand and in banks	6	1,161,690	15,474,363
Financial assets at fair value through profit or loss	7	1,859,583	2,091,600
Notes and other receivables	8	473,640,279	440,503,894
Prepayments		1,870,110	1,739,271
Total current assets		478,531,662	459,809,128
NON-CURRENT ASSETS			
Investments in associates - net	9	1,041,062,447	1,041,216,963
Property and equipment - net	10	5,103,755	5,971,908
Investment properties - net	11	231,482,000	231,482,000
Other non-current assets		128,164	158,663
Total non-current assets		1,277,776,366	1,278,829,534
Total assets		1,756,308,028	1,738,638,662
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Borrowings	12	326,403,625	322,389,163
Accounts payable and other liabilities	13	130,620,222	106,766,015
Due to related parties	18	8,215,589	8,917,688
Deposits on future shares subscriptions	14	194,695,274	194,695,274
Total current liabilities		659,934,710	632,768,140
NON-CURRENT LIABILITY			
Deferred income tax liabilities, net		52,511,548	52,511,548
Total liabilities		712,446,258	685,279,688
EQUITY			
Capital attributable to Parent Company's equityholders	15		
Share capital		975,534,053	975,534,053
Treasury shares		(58,627,864)	(58,627,864)
Retained earnings (deficit)		36,551,665	44,245,614
Non-controlling interest		953,457,854	961,151,803
Total equity		90,403,916	92,207,171
Total liabilities and equity		1,043,861,770	1,053,358,974
Total liabilities and equity		1,756,308,028	1,738,638,662

* Unaudited

** Audited

M A B U H A Y

HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIOD ENDED JUNE 30, 2015 AND 2014 (All amounts in Philippine Peso)

		U N A U D I T E D			
		Quarter Ending		Year-To-Date	
		April 1 – June 30		January 1 – June 30	
	Note	2015	2014	2015	2014
REVENUES					
Rental		1,748,787	1,084,205	3,481,223	2,640,926
EXPENSES					
Salaries and employee benefits	20	831,006	852,235	1,808,649	1,592,037
Depreciation		434,066	507,968	868,131	1,014,866
Professional fees		177,362	1,060,857	597,724	1,486,857
Others	16	1,356,304	1,262,996	3,372,979	3,262,518
		2,798,738	3,684,056	6,647,483	7,356,278
LOSS FROM OPERATIONS		(1,049,951)	(2,599,851)	(3,166,260)	(4,715,352)
OTHER INCOME (EXPENSES)					
Finance income, net		(443,502)	(359,858)	(816,324)	(862,257)
Fair value losses					
Share in net earnings (losses) of associates	9	796,256	(859,310)	67,484	(2,463,870)
Foreign exchange gains (losses)		(3,620,487)	9,290,872	(5,053,650)	5,286,984
Gain (loss) on disposal of assets	21	59,693	827,538	59,693	827,538
Unrealized gain (loss) on securities		(188,209)	111,901	(232,016)	480,061
Others		6,321		12,369	6,048
		(3,389,928)	9,011,143	(5,962,444)	3,274,504
INCOME (LOSS) BEFORE INCOME TAX		(4,439,879)	6,411,292	(9,128,704)	(1,440,848)
PROVISION FOR INCOME TAX		196,673	(115,670)	368,500	(257,623)
NET INCOME (LOSS)		(4,636,552)	6,526,962	(9,497,204)	(1,183,225)
OTHER COMPREHENSIVE INCOME					
TOTAL COMPREHENSIVE INCOME		(4,636,552)	6,526,962	(9,497,204)	(1,183,225)
NET INCOME/TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Equityholders of the Parent Company		(3,886,489)	5,164,814	(7,693,949)	7,699,138
Non-controlling interest		(750,063)	1,362,148	(1,803,255)	(8,882,363)
		(4,636,552)	6,526,962	(9,497,204)	(1,183,225)
Earnings (loss) per share - basic and diluted		(.0040)	.0053	(.0079)	.0079

M A B U H A Y
HOLDINGS CORPORATION

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2015 AND 2014
(All amounts in Philippine Peso)
Unaudited**

	Equity Holders of the Company				
	Share capital (Note 15)	Treasury shares (Note 15)	Deficit	Non-controlling interest	Total
Audited Balances at December 31, 2013	958,189,053	(61,782,864)	(3,481,818)	62,251,679	955,176,050
Comprehensive loss					
Net income (loss) for the period	-	-	7,699,138	(8,882,363)	(1,183,225)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	7,699,138	(8,882,363)	(1,183,225)
Balances at June 30, 2014	958,189,053	(61,782,864)	4,217,320	53,369,316	953,992,825
Audited Balances at December 31, 2014	975,534,053	(58,627,864)	44,245,614	92,207,171	1,053,358,974
Comprehensive loss					
Net income (loss) for the period	-	-	(7,693,949)	(1,803,255)	(9,497,204)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(7,693,949)	(1,803,255)	(9,497,204)
Unaudited Balances at June 30, 2015	975,534,053	(58,627,864)	36,551,665	90,403,916	1,043,861,770

M A B U H A Y
HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2015 AND 2014
(All amounts in Philippine Peso)

	Notes	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax		(9,497,204)	(1,225,119)
Adjustments for:			
Share in net losses (earnings) of associates	9	(67,484)	2,248,140
Unrealized loss (gain) on securities		232,016	(480,061)
Depreciation		868,131	1,014,866
Unrealized foreign exchange loss (gain)		5,194,366	(5,286,985)
Interest expense		21,750,279	(11,451,709)
Interest income		(20,933,955)	18,481,772
Loss (gain) on sale of assets	21	(59,693)	(827,538)
Operating profit (loss) before working capital changes		(2,513,544)	2,473,366
Decrease (increase) in:			
Notes and other receivables		(12,202,430)	(5614,622)
Prepaid expenses		(130,839)	25,016
Other non-current assets		30,499	
Increase (decrease) in:			
Accrued expenses and other payables		992,547	(6,991,247)
Due to related parties		(702,099)	1,804,751
Cash used in operating activities		(14,525,866)	(8,302,736)
Interest received		-	(39,414,853)
Income taxes paid		(368,500)	257,623
Net cash generated from (used in) operating activities		(14,894,366)	(47,459,966)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment			(21,430)
Net increase in financial asset at fair value through profit or loss			
Proceeds from disposal of investments, net of acquisition		281,693	(806,739)
NET CASH PROVIDED BY INVESTING ACTIVITIES		281,693	(828,169)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Collection of subscriptions receivables			
Interest paid		300,000	31,960,078
NET CASH PROVIDED BY FINANCING ACTIVITIES		300,000	31,960,078
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		(14,312,673)	(16,328,057)
CASH ON HAND AND IN BANKS			
January 1		15,474,363	25,034,901
June 30		1,161,690	8,706,844

MABUHAY
HOLDINGS CORPORATION

**CONSOLIDATED AGING OF NOTES AND OTHER RECEIVABLES
AS OF JUNE 30, 2015**

	TOTAL	1-30 DAYS	31-60 DAYS	OVER 61 DAYS
IRC Properties, Inc.	470,619,191	3,759,570	3,875,107	462,984,514
Sta. Mesa Heights Holdings Corp.	574,872			574,872
Carag Zaballero San Pablo	1,600,000			1,600,000
Castillo Laman Tan Pantaleon	110,000			110,000
Others	736,216	16,729	997	718,490
Totals	473,640,279	3,776,299	3,876,104	465,987,876

Mabuhay Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements

As at and for each of the period ended June 30, 2013, December 31, 2012 and June 30, 2012
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Mabuhay Holdings Corporation (the “Company” or “Parent Company”) was incorporated in the Philippines on April 6, 1988 primarily to engage in the acquisition of and disposal of investments in marketable securities, shares of stocks and real estate properties. The Parent Company is 29.3% owned by Prokey Investments Limited, a 100% Filipino-owned company registered in the British Virgin Islands and licensed by the Securities and Exchange Commission (SEC) on March 15, 2011 to operate a representative office in the Philippines. The remaining 70.7% is owned by various individuals and corporations. The Parent Company’s common shares were listed in the Philippine Stock Exchange (PSE) in 1990. Other than its share listing in 1990, there were no other share offerings as at December 31, 2013.

The Company and its subsidiaries have no significant commercial operations as at December 31, 2013 and 2012. The subsidiaries’ operations consist mainly of preservation and maintenance of existing investment properties (Note 2.2).

The Company’s main focus is to support the ongoing property developments of its large associate, Interport Resources Corporation (IRC), in relation to the latter’s agreement with a third party for the development of a portion of its property in Binangonan, Rizal. IRC owns more than 2,000 hectares of land in Binangonan, Rizal. In 2010, IRC generated P399 million through its stock rights offering.

As at December 31, 2013, IRC is actively pursuing negotiations with Wedgemore Property, a subsidiary of Ayala Land Inc., to develop a portion of its Binangonan property. To date, a total of 142 hectares are ready for immediate development.

The Company’s registered office and principal place of business of the Company is at 35/F Rufino Pacific Tower, Ayala Avenue, Makati City.

The Company has 8 employees at June 30, 2014 and December 31, 2013.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

(a) New standards, interpretations, and amendments to publish standards

The following standards have been adopted by the Group effective January 1, 2013:

- *PAS 1 (Amendment), Financial Statement Presentation - Other Comprehensive Income* (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The required change has had no effect on the separate statement of total comprehensive income in the absence of other comprehensive income item.
- *PAS 28 (Revised), Investments in Associates and Joint Ventures* (effective January 1, 2013). PAS 28 (Revised) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. The required disclosures on investments in and advances

to subsidiaries and associates were incorporated in Note 9. The Group is not a party to any joint ventures.

- *PFRS 10, Consolidated Financial Statements (effective January 1, 2013)*. The objective of PFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. See Note 2.2 for the impact of the adoption on the consolidated financial statements.
- *PFRS 12, Disclosures of Interests in Other Entities (effective January 1, 2013)*. This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The disclosures on investments in and advances to subsidiaries and associates can be found in Note 9.
- *PFRS 13, Fair Value Measurement (effective January 1, 2013)*. This new standard aims to improve consistency and reduce complexity by providing a clarified definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned with IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRS. This did not have a significant impact on the financial statements. See Note 3.4 for the disclosures required by this standard.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these separate financial statements. None of these is expected to have a significant effect on the separate financial statements of the Group, except as set out below:

- *PFRS 9, Financial Instruments*. This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39, Financial Instruments: Recognition and Measurement, that relate to the classification and measurement of financial instruments, and hedge accounting. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. PFRS also details the changes in requirements to hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The mandatory effective date of PFRS 9 which is for annual periods beginning January 1, 2015 has been deferred and left open pending the finalization of the impairment classification and measurement requirements. The Group has yet to assess the full impact of PFRS 9 and intends to adopt PFRS 9 upon completion of the IASB project. The Group will also consider the impact of the remaining phase of PFRS 9 when issued.

No other standards, amendments or interpretations that are effective beginning on or after January 1, 2013 are expected to have a material impact on the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at June 30, 2014 and December 31, 2013. The subsidiaries' financial statements are prepared using the same reporting year as the Parent Company. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as at June 30, 2014 and December 31, 2013:

Subsidiaries	Percentage of ownership		
	Direct	Indirect	Total
T&M Holdings, Inc. (TMHI)	100.00%	-	100.00%
M&M Holdings Corporation (MMHC)	100.00%	-	100.00%
Mindanao Appreciation Corporation (MAC)*	28.51%	13.98%	42.49%
The Angeles Corporation (TAC)	38.46%	15.02%	53.48%
The Taal Company, Inc. (TTCI)*	29.97%	14.49%	44.46%
Tagaytay Properties and Holding Corporation (TPHC)*	26.04%	-	26.04%

*With significant control or power to govern

All subsidiaries are domestic companies registered in the Philippines and are principally engaged in the business of acquiring and disposing of interests in real and personal properties of any kind or description, marketable securities and shares of stocks.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the audited two years ended December 31 follow:

	TPHC	MAC	TTCI	TAC
	<i>(in thousands of Pesos)</i>			
Total current assets	22,438	16,934	8,185	2,709
Total non-current assets	118,722	35,266	23,701	-
Total assets	141,160	52,200	31,886	2,709
Total current liabilities	42,905	25,672	4,791	11,043
Total non-current liabilities	40,614	262	4,630	-
Total liabilities	83,519	25,934	9,421	11,043
Net assets (liabilities)	57,641	26,266	22,465	(8,334)
Non-controlling interest share in net assets (liabilities)	15,010	11,160	9,988	(4,457)
December 31, 2013				
	<i>(in thousands of Pesos)</i>			
Income	9	1,886	127	4,261
Expenses	(37,619)	(4,204)	(973)	(52,378)
Loss before tax	(37,610)	(2,318)	(846)	(52,236)
Provision for income tax	-	(70)	-	-
Net loss	(37,610)	(2,388)	(846)	(52,236)
Other comprehensive income	-	10,220	-	-
Total comprehensive loss	(37,610)	(7,832)	(846)	(52,236)
Non-controlling interest share in comprehensive loss	(9,794)	(3,387)	(375)	(27,936)
Cash flow from:				
Operating activities	(4,412)	(162)	(18)	0.2
Investing activities	25,652	2,380	49	0.2
Financing activities	-	(2,424)	-	-
Net cash inflow (outflow)	21,240	(206)	31	0.4
December 31, 2012				
	<i>(in thousands of Pesos)</i>			
Total assets	180,642	42,594	32,538	2,709
Total liabilities	85,390	24,159	9,230	10,990

Net assets (liabilities)	95,252	18,435	23,308	(8,282)
Non-controlling interest share in net assets (liabilities)	24,804	7,833	10,363	(4,429)
Income	14,163	655	49	-
Expenses	(4,217)	(2,186)	(928)	(60)
Income before tax	9,946	(1,531)	(879)	(60)
Net income (loss)	5,697	(1,723)	(880)	(60)
Other comprehensive income (loss)	(9)	(4,269)	(1)	-
Total comprehensive income (loss)	5,688	5,992	(881)	(60)
Non-controlling interest share in comprehensive income (loss)	1,481	1,082	(391)	(32)
Cash flow from:				
Operating activities	(32)	1,412	(34.5)	(0.4)
Investing activities	1	(20,499)	0.1	0.1
Financing activities	-	18,880	-	-
Net cash outflow	(31)	(207)	(34.4)	(0.3)

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change

to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

TPHC holds interests in the companies listed above namely: (1) The Angeles Corporation, 57.69%; (2) The Taal Company, Inc., 55.64%; and (3) Mindanao Appreciation Corporation, 53.68%.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received are treated as a reduction to the investment in the period wherein the right to receive such distribution arises. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in profit or loss.

2.3 Cash on hand and in banks

Cash consist of cash on hand and deposits at call with banks. It is recognized in the statement of financial position at face value or nominal amount.

2.4 Financial assets

2.1.1 Classification of financial assets

The Group classifies its financial assets in the following categories: (i) at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group's listed equity securities that are held for trading are classified under this category.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are then classified as non-current assets.

The Group's loans and receivable comprise cash in bank (Note 2.2), notes and other receivables and refundable deposits under other non-current assets in the statement of financial position.

(c) Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date which are classified as current assets.

The Group does not hold financial assets under this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date.

The Group's available-for-sale investments under other non-current assets in the statement of financial position are classified under this category.

2.1.2 Initial recognition and subsequent measurement

(a) Initial recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

(b) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of total comprehensive income (as "Unrealized gain (loss) on securities") in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in other comprehensive income (as "Net change in fair value of available-for-sale securities"), until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

2.1.3 Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If risks and rewards have not been substantially transferred, the Group performs tests of control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition.

2.1.4 Impairment of financial assets

(i) Assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial 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.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (recoverable amount).

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

(ii) Available-for-sale financial assets

For available-for-sale debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 20% or more as 'significant' and greater than twelve months as 'prolonged'. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(iii) Financial assets at fair value through profit and loss

In the case of equity investments classified as financial assets at fair value through profit and loss, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 20% or more as 'significant' and greater than 12 months as 'prolonged'. If any such evidence exists for the financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is recognized immediately in profit or loss.

2.5 Financial liabilities

2.5.1 Classification and measurement of financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

The Group does not hold financial liabilities under this category.

(b) Other liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's borrowings (Note 2.13), accounts payable and other liabilities, due to related parties and subscriptions payable are classified under this category.

2.5.2 Initial recognition and and subsequent measurement

Financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

2.5.3 Derecognition of financial liabilities

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

2.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Prepayments

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at the amount of cash paid, which is equal to its nominal amount. Prepayments are derecognized in the statement of assets, liabilities and head office account as these expire with the passage of time or consumed in operations.

Prepayments are included in current assets, except when the related services are expected to be received or rendered for more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

2.8 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the year in which they are incurred.

Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and fixtures	3 to 5 years
Office equipment	5 years
Office condominium	25 years
Communication and other equipment	5 years
Building improvements	10 years
Transportation equipment	5 years

Building and leasehold improvements are amortized over the life of its assets or lease term, whichever is shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the accounts. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

2.9 Investment properties

Investment property is defined as property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

Investment property is subsequently carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in profit or loss as part of other income.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment. Gain or loss arising from disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset. This is recognized in the profit or loss.

Property that is being constructed or developed for future use as investment property is classified as investment property.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, such as land, are not subject to depreciation and amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that are impaired are reviewed for possible reversal of the impairment at each reporting date.

2.11 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

- Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

(a) Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. There are no financial instruments that fall under the Level 2 category.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. There are no financial instruments that fall under the Level 3 category.

(b) Non-financial assets or liabilities

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a Group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Level 2 fair values of have been derived using the sales comparison approach. This comparison approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

The investment properties of the Group are classified under Level 2 category. The Group has no non-financial assets or liabilities classified under Level 3 category.

2.12 Accounts payable and other liabilities

Accounts payable and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

2.13 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. There are no qualifying assets as at reporting dates. All other borrowing costs are expensed as incurred.

2.14 Revenue and expenses recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the Group and specific criteria have been met for each of its activities as described below.

(a) Rental income

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

(b) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

(c) Other income

Other income is recognized when earned. Dividend income is recognized when the right to receive payment is established.

(d) Expenses

Operating expenses are recognized when they are incurred.

2.15 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly

in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 Subscription payable

Subscription payable represents unpaid portion of capital stock subscriptions initially measured at fair value and subsequently measured at amortized cost using effective interest method.

2.18 Deposit for future stock contributions

Deposit for future stock contribution represents amounts received from shareholder which will be settled by way of issuance of the Parent Company's own shares on future date.

2.19 Share capital

(a) Common shares

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(b) Treasury shares

Where any member of the Group purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's equity holders.

2.20 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares in issue during the year. Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

2.21 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) The Group is the lessor

Properties leased out under operating leases are included in "Investment properties" in the statement of financial position. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

(b) The Group is the lessee

Leases, where a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the period of the lease.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements.

2.22 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.23 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

2.24 Subsequent events (or events after the reporting date)

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Note 3 - Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management, under the direction of the Board of Directors of the Group is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Group's financial performance due to the unpredictability of financial markets.

3.1 Market risk

a. Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The reasonably possible movement in foreign currency exchange rates is based on projection by the Group using five year moving average historical experience.

b. Price risk

The Group's exposure on price risk is minimal and limited only to investments classified as at fair value through profit or loss (Note 7) and available-for-sale securities. Changes in market prices of these investments are not expected to impact significantly the financial position or results of operations of the Group.

c. Interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include notes receivable (Note 8) and various loans payable and borrowings (Note 12). These financial instruments are not exposed to fair value interest rate risk as they are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as they carry fixed interest rates.

3.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

The Group's exposure to credit risk primarily relates to cash in banks and financial receivables.

(i) Cash in bank

The Group manages credit risk on its cash balances by depositing in banks that qualified in the criteria of the Company. Some of these criteria are stability, financial performance, industry-accepted ratings, quality, diversity and responsiveness of products and services.

As at March 31, 2014 and December 31, 2013, the Group's funds are maintained with universal banks.

(ii) Notes and other receivables

Notes receivables classified as fully performing are current and expected to be fully settled by IRC, a related party. Management believes that the existing allowance charged against the gross outstanding balance is sufficient to cover perceived credit risk given the huge potential and improving financial condition of IRC. There were no collaterals held related to notes and other receivables.

(iii) Refundable deposits

Refundable deposits are considered highly recoverable as the counterparty is assessed to have strong capacity to meet its obligation.

The Group has no financial assets that are classified as past due but not impaired at March 31, 2014 and December 31, 2013.

3.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to repay creditors and fulfill commitments. The Company's liquidity management process as carried out within the Company includes:

- a. day-to-day funding requirement, managed by monitoring future cash flows to ensure that requirements can be met;
- b. monitoring statement of financial position liquidity ratios against internal requirements; and
- c. assessing if additional funding from lenders or stockholders is needed.

Accordingly, each financial asset and liability is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs.

Substantial component of expected cash inflows in 2013 and foreseeable future is the expected payments from third party notes receivables.

Expected future interest payments of the Company for the next three years is P41 million as at March 31, 2014 and December 31, 2013.

All financial assets and liabilities are classified as current as at reporting dates.

3.4 Fair value hierarchy

The Group follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. At March 31, 2014 and December 31, 2013, the Group's financial assets at fair value through profit or loss and investment properties are classified under Level 1 and Level 2 categories, respectively.

Note 4 - Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to support the ongoing property development plans of the Group and to maintain an optimal capital structure to reduce the cost of capital. For this purpose, capital is represented by total equity as shown in the statements of financial position, as well as deposit for future share subscriptions presented as liabilities.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's main objective is to ensure it has adequate funds moving forward to support the ongoing development plans of IRC.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Group has fully complied with this requirement.

There are no external minimum capitalization requirements imposed to the Group.

Note 5 - Critical accounting estimate and judgment

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates

(a) Estimate of fair value of investment properties (Note 11)

The following are the significant assumptions used by the independent appraiser to calculate the investment properties of the Group.

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The Group's investment properties have an estimated market value of P75,000 per square meter at December 31, 2013.

The Group considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the estimation of the fair value of investment property as the major assumptions used may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year are different from assumptions and could require a material adjustment to the carrying amount of investment property.

5.2 Critical accounting judgments

(a) Recoverability of loans and receivables (Note 8)

Allowance for impairment losses is maintained at a level considered adequate to provide for potentially uncollectible receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the required level of allowance. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance. The factors considered in the estimate of probable losses include among others, age and nature, as well as indicators of disputes, if any. The provision is recognized in profit or loss.

Management believes that the carrying amount of notes receivables at reporting dates is collectible given the ongoing development loans and prospects of IRC and other factors discussed in (c) below.

(b) Recognition of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

Management believes that the non-recognition of deferred income tax assets of P3.58 million is appropriate due to the Group's limited capacity to generate sufficient taxable income in the immediately succeeding five years given current development activities.

(c) Recoverability of investment in IRC (Note 9)

Management believes that the carrying amount of its investment in IRC is fully recoverable due to a number of factors, which include among others, the following:

- 1) IRC has 455 hectares of land held for development and capital appreciation in Binangonan Rizal. Portion of the property is currently being cleared/developed with the resulting fair value expected to generate repayment funds. Currently, the property is valued at P1,000 per square meter.
- 2) IRC is in process of constructing a residential project over a 29 hectare property under the joint development agreement with a local developer.
- 3) IRC's P399 million proceeds from stock rights offering in 2010 is being utilized to support ongoing development.
- 4) IRC is in the process of negotiating with Wedgemore Property, a subsidiary of Ayala Land Inc., to undertake a major development project.
- 5) Clearing and retitling is ongoing for the remaining large portion of the land to make it ready for future developments.
- 6) The Company has 1,500 hectares more in its landbank that is potentially a revenue stream that would allow repayment.

(d) Joint arrangements

The Company's associate enters into joint arrangements for the development of its properties. Per contractual agreements, the associate's contribution on the joint arrangements is limited only to the value of the land and any obligations related to development are on the account of the counterparty in the joint operations. The joint arrangements are not structured through a separate vehicle and classified as joint operations. The associate of the Company retains full ownership over the properties until sold.

(e) Consolidation of entities in which the Group holds less than 50%

Management consider that the group has de facto control over MAC, TICI and TPHC even though it has less than 50% of the voting rights. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Group's shareholding and the relative size of the other shareholdings, management have concluded that the Group has sufficiently dominant voting interest to have the power to direct the relevant activities of these entities. Consistent with PFRS 10, the entities have been fully consolidated into the Group's financial statements.

Note 6 - Cash on hand and in banks

The account at June 30 and December 31 consists of:

	June 30, 2015	Dec 31, 2014
Cash in banks	1,146,690	15,459,363
Cash on hand	15,000	15,000
	1,161,690	15,474,363

Note 7 - Financial assets at fair value through profit or loss

The account as at June 30, 2014 and December 31, 2013 consists of listed equity shares with fair value based on current bid prices in an active market.

In 2013, shares with a fair value of P1.04 million were sold at P2.93 million. Gain on disposals of financial assets at fair value through profit or loss amounted to P1.9 million (Note 22).

Note 8 - Notes and other receivables

The account at June 30 and December 31 consists of:

	Note	June 30, 2015	Dec 31, 2014
Notes receivable		472,207,046	441,800,353
Due from related parties	18	2,402,748	756,993
Advances and other receivables		4,466,986	3,383,049
		479,076,780	445,940,395
Allowance for impairment losses		(5,436,501)	(5,436,501)
		473,640,279	440,503,894

Notes receivable represents loans granted to IRC with no definite payment terms and bears annual interest rates ranging from 12% to 18%. The account also includes accrued interest receivable. These loans are due and demandable at reporting dates.

The loans were used by IRC for the site clearance, retitling and development costs of its vast Binangonan property.

Due from related parties arise from transactions with non-consolidated entities.

Note 9 - Investment in associates

Details of the account at June 30 and December 31 follow:

	June 30, 2015	Dec 31, 2014
Acquisition cost		
Balance beg.	607,812,573	611,806,857
Share acquisitions		4,783,346
Disposals	(222,000)	(8,777,630)
Balance end	607,590,573	607,812,573
Accumulated share in net income (losses) of associate		
Balance, beg.	433,404,390	415,969,132
Share in net earnings (losses) of associate	67,484	17,435,258
Balance, end	433,471,874	433,404,390

Total	1,041,062,447	1,041,216,963
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The Company sold a portion of its investment in associate which resulted in a gain of 12.1 million in 2013. Proceeds from disposals of the investment amount to P38 million.

The summarized financial information of IRC as at and for the years ended December 31 follows:

	June 30, 2015	Dec 31, 2014
	(in millions of Peso)	
Total assets	2,984	2,956
Total liabilities	1,700	1,672
Total equity	1,284	1,283
Revenue	19	109
Net income (loss)	.02	47

Note 10 - Property and equipment

Details of property and equipment as at and for the years ended June 30, 2014 and December 31, 2013 follow:

	June 30, 2015	Dec 31, 2014
COST		
Furniture & fixtures	1,662,116	1,662,116
Office equipment	819,457	1,144,493
Communication and other equipment	179,289	845,643
Office condominium	13,746,305	13,746,305
Building improvements	3,859,242	3,859,242
Transportation equipment	5,246,131	5,246,131
	25,512,540	26,503,930
ACCUMULATED DEPRECIATION		
Furniture & fixtures	1,662,054	1,662,054
Office equipment	686,510	970,470
Communication and other equipment	174,820	837,813
Office condominium	11,753,100	11,498,645
Building improvements	2,520,654	2,330,855
Transportation equipment	3,611,647	3,232,185
	20,408,785	20,532,022
NET BOOK VALUE		
Furniture & fixtures	62	62
Office equipment	132,947	174,023
Communication and other equipment	4,469	7,830
Office condominium	1,993,205	2,247,660
Building improvements	1,338,588	1,528,387
Transportation equipment	1,634,484	2,013,946
	5,103,755	5,971,908

Note 11 - Investment properties

The Group's investment properties include several parcels of land and condominium units held for lease. Land includes properties of MHC, TICI and TPHC held for appreciation purposes, including those strategically located and potentially high value land in Tagaytay City and Batangas with a total land area of 29 hectares. The condominium units, which are located in Makati with a total floor area of 888 square meters, are being leased out to third parties.

Note 12 - Borrowings

Borrowings at June 30 and December 31 consist of unsecured short-term interest-bearing loans obtained from the following:

	June 30, 2015	Dec 31, 2014
Asia Alliance Holdings Co., Ltd.	283,177,983	279,570,021
Intrinsic Value Management Ltd. (Phils.) Co., a related party	13,624,642	28,744,500
Philippine Strategic Internat'l Holdings, Inc., a related party	450,000	13,624,642
Others	29,151,000	450,000
	<u>326,403,625</u>	<u>322,389,163</u>

Note 13 - Accounts payable and other liabilities

The account at June 30 and December 31 consists of:

	Note	June 30, 2015	Dec 31, 2014
Accounts payable and accrued expenses		76,190,219	53,468,242
Provisions	20	47,770,052	47,770,052
Others		6,659,951	5,527,721
		<u>130,620,222</u>	<u>106,766,015</u>

Accrued expenses represent accruals for professional fees, utilities and other recurring expenses. Provisions pertain to liabilities related to guarantees arising from acquisition of an asset of a previous related party which is currently under legal proceedings.

Note 14 - Deposits for future share subscriptions

In 1997, the Group received from certain shareholders deposits on future stock subscriptions amounting to P241.62 million. Movements of P46.93 million in 2008 pertain to cancellation of subscription with the amount previously received as deposits applied against the Group's advances to concerned shareholders. There were no movements in the account since 2009.

It is the intention of the shareholders that these balances represent deposits for future capital subscription. However, the plan of the Company's management has been put on hold and such has been presented as liability only for the purpose of complying with Financial Reporting Bulletin No. 6 issued by SEC. The management considers issuing equities upon development of concrete plans on the improvement of the operations of the Company.

Note 15 - Equity

(a) Share capital

Share capital at June 30, 2015 and December 31, 2014 consists of:

Common shares – P1 par value	
Authorized	4,000,000,000
Subscribed and issued	1,200,000,000
Subscriptions receivable	(224,465,947)
Paid, issued and outstanding	<u>975,534,053</u>
Treasury shares	<u>(58,627,864)</u>
	<u>916,906,189</u>

(b) Treasury shares

Treasury shares represent investment of MAC, a subsidiary, to the Parent Company's shares.

Note 16 - Operating expenses

Other operating expenses for the period ended June 30, 2014 and 2013 consist of:

	June 30, 2015	June 30, 2014
Taxes and licenses	923,384	937,050
Transportation and travel	516,142	584,443
Communication, light and water	296,892	396,244
Representation and entertainment	-	34,307
Other fees	185,498	168,977
Miscellaneous	1,451,063	1,141,497
	<u>3,372,979</u>	<u>3,262,518</u>

Note 17 - Basic and diluted earnings per share

The computation of basic earnings per share for the period ended June 30 and December 31 follows:

	2015	2014
Net income (loss) attributable to the equity holders of Parent Co.		
	(7,693,949)	47,727,432
Divided by the average no. of outstanding common shares	975,534,053	975,534,043
Basic (loss) earnings per share	<u>(.0079)</u>	<u>0.04892</u>

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

Note 18 - Related party transactions

The Group's transactions with related parties include those with associates and other related parties described below:

a) Due from related parties

Details of the account at June 30 and December 31 follow:

	June 30, 2015	Dec 31, 2014
Intrinsic Value Management Ltd. (Phils.) Co., Inc. ("IVM")	171,577	159,760
IRC Properties, Inc.	1,729,891	212,472
Phil. Strategic	252,041	234,892
South China Sea Holdings Corporation	249,240	233,004
	<u>2,402,749</u>	<u>840,128</u>

Other outstanding receivables from related parties are presented as Due from related parties under Notes and other receivables account in the statements of financial position (see Note 8).

b) Due to related parties

This account is composed of advances from the following related parties which were obtained for working capital purposes:

	June 30, 2015	Dec 31, 2014
IVM	8,129,883	8,831,982
Others	85,706	85,706
	8,215,589	8,917,688

The above advances are non-interest bearing and are payable on demand thus, considered current.

Note 19 - Leases

In 2009, the Company occupied a portion of its investment in condominium units and converted it into an office space. The portion which is owner-occupied is properly reclassified as property and equipment (Notes 10 and 11). The remaining portion is leased to other parties.

Note 20 - Salaries and employee benefits

The balance of employee benefits at June 30 consists of:

	June 30, 2015	June 30, 2014
Salaries and wages	1,404,438	1,230,302
SSS, Philhealth and HDMF	65,985	59,816
Others	338,226	301,919
	1,808,649	1,592,037

Note 21 - Gain (loss) on disposal of assets

The account includes gains (losses) resulting from the sale of the following assets:

	Notes	June 30, 2015	June 30, 2014
Investment in associates	9	59,693	827,538
		59,693	827,538

Note 22- Contingencies

In the normal course of business, the Group is a defendant of a case which is pending with the Court of Appeals. The case arose from a demand for payment of minimum guaranteed return on investment by corporation which was formerly a co-shareholder of the Parent Company. Details of this pending case follow:

The plaintiff (one of the co-shareholders) violated a number of the terms as stipulated under the agreement, including a direct purchase of the shares of the other shareholder without the consent of the Group. The agreement also contains a provision about guaranteed return.

In 1999, the plaintiff demanded full payment of the guaranteed return on its investment after audits of the fast craft business revealed a significant amount of loss, which demand was denied by the Group.

After divergent decisions by the arbitrator and regional trial court, the case was transferred to Court of Appeals for further proceedings. In 2013, a final decision has been rendered by the Court of Appeals, instructing the Company to pay the agreed guaranteed returns and arbitration costs including 12% interest calculated from the date of initial ruling amounting to P47,770,052 as shown in the statement of financial position under accounts payable and other liabilities (Note 13).

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Group's main focus is to support the projects of its large associate, IRC Properties, Inc. (IRC). IRC has three ongoing real estate projects: two residential subdivisions (Sunshine Fiesta and Fiesta Casitas) and one mid-rise condominium project (Eastridge Residences). These projects of IRC are expected to generate significant amount of sustainable income stream and operating cash flows to the Group.

The management of the Company has plans to sell some assets and pursue the development of its investment properties as well as the real properties of its subsidiaries and affiliated companies and to enter into joint ventures if opportune.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management, under the direction of the Board of Directors of the Group is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Group's financial performance due to the unpredictability of financial markets.

The Company's equity position is in compliance with the minimum statutory requirements applicable to public companies. Given the very limited operating activities undertaken by the Group, it does not require intensive capitalization. The Group's main objective is to ensure it has adequate capital moving forward to pursue its land disposal plans at optimum gain. Apart from extending loans to IRC Properties, Inc. for its land clearing costs, the Group does not anticipate heavy requirement for working capital in 2013.

As at December 31, 2013, IRC is actively pursuing negotiations with a key real estate industry player to develop a huge portion of its Binangonan property, whether pursuant to a purchase or joint venture, into a mixed-use township project. The on-going negotiations for a possible seven-year project divided into three phases are expected to be completed in the next 8 months. This prospective development project is expected to be a large scale development which will substantially increase the value of IRC's vast property. To date, a total of 142 hectares are ready for immediate development.

Explanation to Accounts with Material Variance (June 2014 vs. December 2013)

Cash

Decrease of P16.3M or 65% mainly due to payment of interest on borrowings and additional loan to IRC Properties, Inc.

Financial assets at fair value through profit or loss

Increase of P.48M or 25% due to increase in fair value of securities.

Property and equipment, net

Decrease of P.1M or 12% due to depreciation.

Borrowings

Decrease of P4.6M or 5% due to foreign exchange adjustments.

Accrued expenses and other payables

Increase of P12.8M or 13% largely due to accrual of interest and foreign exchange adjustments.

Due to related parties

Increase of P1.8M or 24% due to increase in payable to IVM.

Deficit

Increase due to income attributable to equityholders for the period.

Non-controlling interest

Decrease due to loss attributable to non-controlling interest.

Results of Financial Operations

A comparative review of the Registrant's financial operations for the quarter ended June 30, 2014 vis-à-vis the same period last year showed the following:

Total revenues decreased by P.5M or 15% due to non-occupancy of half floor of Rufino property from April 16 to June 30, 2014. Total operating expenses decreased by P.9M or 11% due to the decrease in Taxes and licenses, Transportation and travel and Miscellaneous expenses among others offsetted by increase in Professional fees. Total Other income increased by P9.6M or 152% mainly due to the sharp fluctuation in foreign exchange rates offsetted by the decrease in gain on disposal of assets.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

Discussion of Material Events/Uncertainties Known to Management that would Address the Past and Impact on Future Operations

The Company does not have any material commitment for capital expenditures, in the short-term, apart from supporting the clearing costs of IRC Properties, Inc. It is not under any pressing obligation to pay its advances to affiliates. The Company has enough resources to cover payment of liabilities through the sale of some of its marketable securities. In the event that the Company will be required to settle its liabilities to third parties, it can do so by selling its listed securities and calling for payment its notes and accounts receivable.

The Company does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons created during the reporting period.

ITEM 3 - KEY PERFORMANCE INDICATORS

The Company's key performance indicators are the following:

(In Percentage)

	June 30, 2015	Dec. 31, 2014
Net profit (loss) ratio	-nil-	895.8
Return on assets	-nil-	4.47
Return on equity	-nil-	7.37
Current ratio	72.51	72.67
Acid test	.46	2.78
Debt to equity	68.25	65.06
Debt to assets	40.56	39.41
Asset to equity	168.25	165.06
Interest coverage	58.03	295.15
Earnings (loss) per share	(.0079)	.0489

Notes:

- 1.) Net profit ratio is computed by getting the ratio of Consolidated Net Income (Loss) to Total Revenues.
- 2.) Return on assets is derived at by dividing Net income by Total Assets.
- 3.) Return on Equity is arrived at by dividing Net income by Total Stockholders' equity.
- 4.) Current Ratio is expressed as Current Assets : Current Liabilities.
- 5.) Acid Test Ratio is expressed as total of Cash on hand and in banks + Financial assets at fair value : Current Liabilities.
- 6.) Debt to equity is computed by dividing Total liabilities by Total stockholders' equity.
- 7.) Debt to assets is expressed as Total liabilities: Total assets
- 8.) Asset to equity is computed by dividing Total assets over Total stockholders' equity.
- 9.) Interest coverage is arrived at by dividing Operating income by Interest expense.
- 10.) Earnings (loss) per share is arrived at by dividing the Net Income (Loss) attributable to equity holders of Parent Co. over the average no. of outstanding common shares.

PART II – OTHER INFORMATION

ITEM 4 - NON-APPLICABILITY OF OTHER SEC-REQUIRED NOTES

Notes required to be disclosed but are not applicable to the Registrant are indicated below:

- a. Assets Subject to Lien and Restrictions on Sales of Assets
- b. Changes in Accounting Principles and Practices
- c. Defaults
- d. Preferred Shares
- e. Pension and Retirement Plans
- f. Restrictions which Limit the Availability of Retained Earnings for Dividend Purposes
- g. Significant Changes in Bonds, Mortgages and Similar Debt
- h. Registration with the Board of Investments (BOI)
- i. Foreign Exchange losses Capitalized as part of Property, Plant & Equipment
- j. Deferred Losses Arising from Long-Term Foreign Exchange Liabilities
- k. Segment Reporting
- l. Disclosure not made under SEC Form 17-C: None

SIGNATURES

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

MABUHAY HOLDINGS CORPORATION

Issuer



ESTEBAN G. PEÑA SY

President

Date: August 7, 2015



ARACELI C. MOLINA

Treasurer & Chief Financial Officer

Date: August 7, 2015