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SEC Registration No.

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

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(Company's Full Name)

3 5 T H F L R O N E C O R P O R A T E C E N T E R

J U L I A V A R G A S C O R . M E R A L C O A V E .

O R T I G A S C E N T E R , P A S I G C I T Y

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

JOCELYN A. VALLE

Contact Person

637-3112

Contact Telephone No.

1 2 3 1

Fiscal Year

S E C - 1 7 A

FORM TYPE

[Empty box]

Month Day Annual Meeting

[Empty box]

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

[Empty box]

Amended Articles Number/Section

Total Amount of Borrowings

709

Total No. of Stockholders

77,095,126

Domestic

[Empty box]

Foreign

To be accomplished by SEC Personnel concerned

[Empty grid]

File Number

LCU

[Empty grid]

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

MSEC Number 112978

File Number _____

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

**35th Floor One Corporate Center, Julia Vargas Avenue cor. Meralco Avenue
Ortigas Center, Pasig City**

(Company's Address)

637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC FORM 17-A
(Form Type)

Amended Designation (if applicable)

2015

Period Ended Date

(Secondary Licensed Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2015.
2. SEC Identification Number 112978
3. BIR Tax Identification No. 000-263-366
3. PHILIPPINE ESTATES CORPORATION
4. METRO MANILA, PHILIPPINES
6. (SEC Use Only)
Industry Classification Code:
7. 35th Floor, One Corporate Center, Julia Vargas Avenue cor. Meralco Avenue
Ortigas Center, Pasig City 1600
8. Telephone No. 637-3112 Area Code: 02
9. Securities registered:

5,000,000,000 Common Shares with par value of P1.00/share

No. of shares of Common Stock Issued and Outstanding:

1,445,549,830 common shares

Amount of Debt Outstanding:

₱ 391,319,945.00 (as per Financial Statements)
10. All of these securities which are all common shares are listed on the Philippine Stock Exchange.
11. The Corporation 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 and has been subject to such filing requirements for the past 90 days.
12. The aggregate market value of the voting stock held by non-affiliates of the Company is as follows:

Number of Shares	P 760,299,740
Market price as of 12/31/15	<u>0.285</u>
	P 216,685,426
	=====

PART 1 – BUSINESS

A. Description of Business:

(1) Business Development

The Company was incorporated on May 30, 1983 as “Philippine Cocoa Estates Corporation” under Securities and Exchange Commission (SEC) Registration No. 112978, with an authorized capital stock of only P1 million. Its primary purpose was to engage in all phases of agriculture. On February 29, 1984 its authorized capital stock was increased to P140 million. In November of that same year, the Company became a publicly listed company.

In 1987, the SEC approved two increases in the authorized capital stock of the Company: the first one on May 8 raising the capital to P180 million; and the second one on October 22, raising it further to P300 million.

In 1996, The Wellex Group, Inc. gained majority control of the Company and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer.

To align the Company to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, the SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class “A” and Class “B” classification of the Company’s shares; and (d) the change in the par value of the shares from P10.00 to P1.00 per share.

Towards achieving its corporate vision, the Company filed an application to increase its authorized capital stock from P300 Million to P5 Billion. Out of this increase of P4.7 Billion, the amount of P1,194,333,800.00 was subscribed and paid up by five corporate investors. The principal part of the subscription was paid up by way of transfers to the Company of 45 parcels of land valued at P1,161,833,800.00, while a smaller portion of the subscription, amounting to P32,500,000.00 was paid through conversion of debt into equity. The increase in authorized capital stock was approved by SEC on March 26, 1997.

(2) Business of Issuer

With the acquisition of real properties by virtue of its agreement with Rexlon Realty Group, Inc., Recovery Real Estate Corporation, Ropeman International Corporation, The Wellex Group, Inc. and Pacific Rehouse Corporation, the Company conducted a study to determine the “highest and best use” of its real estate holdings for the purpose of enhancing their value and maximizing the returns to the stockholders.

The following are the projects of the company:

Completed Projects:

1. *Pearl of the Orient Tower.*

A 42-storey office-residential-recreational condominium tower in Roxas Boulevard, Manila.

Revenue for 2015 : ₱ 357,077.92 0.28%

2. *Metrotech Industrial Park Valenzuela (formerly; Plastic City Industrial Park).*

A 30-hectare, modern industrial park in the booming city of Valenzuela.

(No revenue for 2014)

3. *Pacific Grand Villas Phase 1.*

The first phase of the successful Mediterranean-inspired residential community in the highly urbanized city of Lapu-lapu, Cebu.

(No revenue for 2014)

4. *Pacific Grand Villas Phase II.*

The second completed project in Lapu-lapu City, Cebu, with bigger lot cuts than Phase 1 and new house models.

(No revenue for 2014)

5. *Pacific Grand Villas Phase III.*

The third in the series of thriving Pacific Grand Villas communities in Lapu-lapu City, Cebu.

Revenue for 2015 : P 10,978,297.48 8.63%

6. *Chateaux Geneva.*

A 10-hectare Swiss-Victorian themed community in the prime district of Jaro, Iloilo City.

(No revenue for 2014)

ONGOING / CURRENT PROJECTS:

1. *Pacific Grand Villas Phase IV.*

Phase 4 of Pacific Grand Villas features some 356 prime residential lot units. In this project we introduced at least four more new house models to satisfy the evolving demands of the market. This project caters also to an international blend of buyers, just like the earlier phases, making Pacific Grand Villas an international community that meets global standards and lifestyle.

Revenue for 2015: ₱ 100,641,452.53 79.15%

2. *Pacific Grand Townhomes Phase 1.*

The Pacific Grand Townhomes is a middle-class Victorian-themed townhouse project located in Lapu-Lapu City. It boasts of the exclusivity of a pocket community, consisting of 43 units of elegantly designed houses.

This stylish community is proximate to private and public institutions, recreational areas, schools, resorts, business and trade centers.

(No revenue for 2014)

3. *Costa Smeralda.*

The second of our exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. Offering 395 lot-units, we introduced in this village four trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers.

Revenue for 2015: ₱ 15,183,100 11.94%

4. *Joint Project with Amaia Land (an Ayala Land company) for a residential subdivision in Cavite.*

The company has entered into a memorandum of agreement with Amaia Land (an Ayala Land Company) for the development of its 16-hectare property in General Trias, Cavite into a residential subdivision. The property is now being developed as part of the AmaiaScapes residential project, offering affordable house-and-lot packages.

(No revenue for 2014)

PROJECTS IN THE PIPELINE

1) *Win Plaza – Mactan*

Strategically located in the City of Mactan, adjoining the upscale and highly successful Pacific Grand Villas community and along the ML Quezon Circumferential Road connecting Cordoba and Mactan airport, the company plans to start the construction of its first commercial strip which will feature retail and commercial shops as well as BPO Offices and a high-end international school campus.

The commercial strip, which will serve as anchor development for Win Plaza - Mactan, is expected to be complete by 1st Quarter of 2018 and will provide around 10,000 SQM of leasable space for the company and a projected annual lease revenue of P50 Million.

2) *Win Hotel – Mactan*

As part of the Win Plaza – Mactan development, the company plans to launch for 2016 this condotel project right at the corner of ML Quezon Highway and the PGV Grand entrance. Its location is very ideal as soon as the on-going Mactan-Cebu third bridge is completed. This 10-storey condotel will be offering approximately 525 fully-furnished and air-conditioned condominium suites which upon completion shall be pooled together to be operated as a hotel. Win Hotel – Mactan also seeks to address the lack of budget hotels in Mactan while addressing the growing demand of property ownership for foreigners.

The project is expected to generate for the company approximately P1.4B in Revenue and a lease revenue of P8 Million a year with its 1,470 SQM leasable commercial spaces in the ground floor.

3) *Win Hotel – Dasmaringas*

The very first project of its kind in the fast growing province of Cavite and the City of Dasmaringas.

Located just beside Vermosa, an on-going business district development of Ayala Land and just a stone throw away from the renowned fairways of The Orchard Golf & Country Club, this condotel project is positioned to capture the business travelers, tourists and golfers seeking affordable but decent accommodation in the locality.

Similar to Win Hotel – Mactan, this medium rise Condotel project will provide an opportunity for foreigners to own a property as an investment in this rapidly growing City of Dasmaringas. This 525 condominium suites is also expected to generate for the company approximately P1.4B in Revenue and a possible lease revenue of P8Million a year with its 1,470 SQM in leasable commercial spaces.

4) *Win Residences – Mactan*

As the company's answer to the housing backlog in the economic sector, PEC is set to launch Win Residences – Mactan, a medium rise condominium project in one of its prime and highly accessible properties in Mactan, Cebu.

Located in Barangay Suba-basbas in the City of LapuLapu, the project will offer around 300 condo units and is expected to generate for the company approximately P300M in Revenue. Launch is expected by 4th quarter of 2016.

5) *Win Homes – Mactan*

As the company's answer to the housing backlog in the socialized housing sector and as part of its community development programs, PEC is set to launch Win Homes – Mactan in 2016, a medium rise condominium project geared towards the marginalized sector of Mactan. Selling price of the units will be pegged at P450,000. This shall be developed in close coordination with the LGU and HLURB.

Should this pilot project become successful, similar concepts will be replicated in key areas including Metro Manila.

6. *Pacific Grand Villas Phase 5.*

A follow-up to the highly successful Pacific Grand Villas series, Phase 5 is an expansion of the Mediterranean themed village in Lapu-lapu City Mactan, Cebu. The masterplanned community shall have bigger houses and lot cuts. Situated in the main entrance avenue by the commercial area, prime sections of this phase offer shop houses or specially-designed home-buildings, the ground floors of which are devoted to village commercial enterprises like salons, boutiques, clinics, spa, convenience stores, and the like. These units will be sold together with a luxurious housing component in this low density phase. We are deferring the development of the project until further evaluation is completed.

7. *Aureville.*

This project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for- money. Consisting of about 10 hectares, the initial offering is two bungalow-type house models of French inspiration. These single-level houses are very much suited also for senior citizens and retirees. . We are deferring the development of the project until further evaluation is completed.

8. *Pacific Grand Townhomes Phase II.*

A very exclusive, pocket townhouse enclave, stylishly Mediterranean but with a *moderne* twist. Just right for young upwardly-mobile professionals or starter families, though equally attractive as full-family dwellings. Located in the hub of city conveniences, and all the fun of living in the resort city island setting of Mactan. . We are deferring the development of the project until further evaluation is completed.

FUTURE PROJECTS

1. *Jaro Grand Estates – South.*

Commercial-Institutional / Mixed-use estate strategically located just 3.3 kilometers away from Jaro Plaza, the Jaro Grand Estates (**JGE**) is a 100-hectare master-planned community near Iloilo City's major hubs including colleges and universities, commercial and business areas, hospitals and government centers, air and sea ports. It integrates several land uses into a singular development. JGE is divided into 2 major enclaves: the JGE North, comprising of at least five themed residential villages, and the JGE-South that is planned for commercial mixed-use developments.

When completed, the 40-hectare JGE-South is envisioned to feature its own commercial and restaurant strips, office and business centers, education area, and a hotel and tourist district.

2. *Residential Projects in Luzon – Cavite, Bulacan, and other Luzon Growth Areas.*

Philippine Estates Corporation continues to pursue project prospects in select locations in CALABARZON to the South, and Bulacan, Pampanga and Tarlac to the North.

3. *Mixed-use development ventures in Metro Manila and Cebu.*

Philippine Estates Corporation has been eyeing to engage in commercial real estate development as a natural offshoot of its experience and expertise in developing a variety of projects in different market categories. The company has already been into horizontal subdivision, high-rise condominium and industrial park developments.

The Company is seriously considering the very lucrative potential of at least three select sites in Metro Manila - Ortigas, Malate, and Quezon City – and another site in Cebu. The plan is to build high-rise residential and office-commercial towers, with shopping, entertainment, and health-and-leisure components.

The company is also conducting earnest feasibility studies of going into mixed-use developments that may include residential, commercial and office components and mid-rise structures in Metro Manila.

4. *Condominium and upscale housing with commercial component, 21 hectares in Valenzuela.*

Philippine Estates Corporation has teamed up with several other corporate landowners for a proposed development with Avida Land Corporation (a wholly-owned subsidiary of Ayala Land) of the prime estate in Valenzuela City, into a project that includes condominiums, upscale housing, and commercial components.

Competition:

The Company expects to compete with the biggest real estate developers all over the country. By strategically positioning itself in fast growing markets where land is still plenty and relatively less expensive, and by adhering to innovativeness and high standards of design and construction, the registrant anticipates its projects to set the trend in property building. The

registrant has institutionalized its property management system and after-sales service to ensure that its developments will remain highly valued long after their turnover to buyers.

For its residential projects, the registrant targets the lower middle to middle-income families composed mostly of professionals and overseas Filipino workers.

Competitive business conditions and the registrant's competitive position in the industry and methods of competition.

Banks are more aggressive now in extending working capital to developers and financing to buyers. The government too is very visible in promoting its programs to answer the backlog in housing.

In the light of these, and the resilience of Filipinos to internal and external changes, the overall outlook on the Philippine economy as it relates to the real estate industry is optimistic. There has been a big positive shift from the former 'wait-and-see' attitude in property investments. Indeed, there has been more new projects being offered in the market signifying reviewed confidence of buyers and investors.

The Company is continually putting on stream various projects for implementation to take advantage of the continuing bullish outlook in the economy and the real estate industry.

The Company's projects are located not just in one area, but in several developed areas all over the country, thereby enhancing its market base.

The real estate industry remains to be growing, both for the local market and those targeting Filipinos overseas, whether OFW's or those who have relatives who are citizens abroad, or who happen to be married to foreigners. For the local market, there remains a real demand for millions and millions of houses that remain unserved. There is a trend towards providing more affordable packages in order to meet the real need of a wider market base, other than targeting the high-end market which, although the market remains, has become more cautious, and has much less sales velocity and demands bigger upfront capital input. Currently we cater more to the middle-income residential market. Competition in pricing has become stiff. We introduced more affordable house-and-lot packages whose prices and terms are easier for the wider market. Currently, our projects are mainly in Lapu-lapu City, Cebu, and in Iloilo City. The Company sees itself primarily as a developer of prime properties, not only in Metro Manila, but also in urban areas outside the capital, like Cebu and Iloilo. The registrant also plans to extend operations in rapidly growing areas in the south and across the countryside as well. The Company believes there remains a large untapped market in these locations offering tremendous opportunities for high-value properties. These areas also offer less competitors and relatively less expensive land component.

In Lapu-lapu City, Cebu, our current major competitors and their projects are as follows: CEBU DEVELOPERS - (1) Primary Homes, Inc. - - Projects: Brookefield, and Collinwood; and (2) MSY Holdings - - Bayswater ; NATIONAL DEVELOPERS - (1) Filinvest - - Project: Aldea del Sol; (2) Camella Homes/Villar Group - - Project: Montserrat. The Cebu developers have the benefit of being familiar locally. Primary Homes is the sister company of Primary Structures which is an established construction company in Cebu and possibly the biggest construction company in Central and Southern Philippines. MSY Holdings, established in 2003 by Mariquita Salimbangon-Yeung, is a conglomerate engaged in landholdings and farming, memorial park development, resort and hotel development, and residential real

estate. Filinvest and Camella/Villar Group are known developers in various market segments and categories all over the country.

In Iloilo City, our current major competitors and their projects are as follows: (1) Property Company of Friends, Inc. or ProFriends - - Montecillo Villas; (2) Crown Asia/Villar Group - - Savannah. ProFriends is an active developer with hundreds of hectares of completed and ongoing projects in Luzon. Crown Asia/Villar Group is a known developer in various segments and categories all over the country.

Despite the increasing competition, we are competitive because we are able to continuously offer innovative designs and packaging, including terms of payment to buyers, and incentives to our sellers/brokers. Very significantly, our projects have been known to be of good quality, for which we have been recognized and given an award as Leading Developer in Region 7 for Open Market Housing.

Sources and availability of raw materials:

The Company's construction of real estate projects are done through contractors. Contract packages are outsourced under competitive bidding, and we select contractors with proven experience, and the ones who can give us the best value for money. Part of our construction agreements with them is the detailing of the bill of materials that will be used for the projects, ensuring the desired quality. All materials and suppliers are readily available in the places where we have projects. There are no suppliers or contractors upon which we are dependent on.

Transactions with and/or dependence on related parties:

The Group makes advances to and from related parties for working capital requirements and for those related to joint venture agreements and other transactions.

Details of the Group's advances to related parties for the years ended December 31, 2015 and 2014 are as follows:

Details of the Parent Company's advances to related parties as at December 31, 2015 and 2014 are as follows:

December 31, 2015	At beginning of Year	Additional advances/ impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. (a)	₱ 173,521,507	—	₱ 3,470,430	—	₱ 176,991,937
Forum Holdings Corp. (b)	71,323,264	—	1,426,465	—	72,749,729
Kennex Container Corp. (b)	27,695,810	4,443,915	564,995	—	32,704,720
Orient Pacific Corp. (b)	22,282,019	—	445,640	—	22,727,659
Heritage Pacific Corp. (b)	18,648,645	—	372,973	—	19,021,618
Metro Alliance Holdings and Equity Corp. (d)	17,929,553	—	358,591	—	18,288,144
Noble Arch Realty and Construction (c)	18,056,415	57,836	361,128	(15,000,000)	3,475,379
Bataan Polyethylene Corp.	176,185	—	3,524	—	179,709
The Wellex Group, Inc.	8,305,638	11,036,876	166,113	(16,848,930)	2,659,697
Stockholders					
International Polymer Corp. (b)(f)	96,319	1,291,270	1,926	(201,141)	1,188,374
Subsidiary					
Mariano Arroyo Dev't Corp	35	20,414	—	—	20,449
	358,035,390	16,850,311	7,171,785	(32,050,071)	350,007,415

Allowance for impairment					
Plastic City Corp.	22,466,500	–	–	–	22,466,500
Forum Holdings Corp.	9,714,260	–	–	–	9,714,260
International Polymer Corp.	96,319	–	–	–	96,319
<i>Forward</i>					
<i>Continued</i>					
Kennex Container Corp.	2,789,138	–	–	–	2,789,138
Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	(2,310,405)	–
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
	45,845,826	–	–	(2,310,405)	43,535,421
	₱312,189,564	₱16,850,311	₱ 7,171,785	(₱ 29,739,666)	₱306,471,994

December 31, 2014	At beginning of Year	Additional advances/ impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. (a)	₱ 169,666,421	₱ 452,703	₱ 3,402,383	–	₱ 173,521,507
Forum Holdings Corp. (b)	72,512,895	–	1,422,957	(2,612,588)	71,323,264
Kennex Container Corp. (b)	28,526,684	–	553,916	(1,384,790)	27,695,810
Orient Pacific Corp. (b)	21,845,116	–	436,903	–	22,282,019
Heritage Pacific Corp. (b)	18,282,984	–	365,661	–	18,648,645
Metro Alliance Holdings and Equity Corp. (d)	17,577,993	–	351,560	–	17,929,553
Noble Arch Realty and Construction (c)	17,648,228	55,221	352,966	–	18,056,415
Bataan Polyethylene Corp.	172,729	–	3,456	–	176,185
Weltex Industries Corp. (e)	97,034	–	–	(97,034)	–
Rexlon Industrial Corp. (e)	25,385	–	–	(25,385)	–
Waterfront Cebu City Hotel	–	8,142,782	162,856	–	8,305,638
Stockholders					
International Polymer Corp. (b)(f)	65,524,431	–	1,884	(65,429,996)	96,319
Ropeman International Corp. (e)	136,381	–	–	(136,381)	–
Subsidiary					
Mariano Arroyo Dev't Corp		35			35
	412,016,281	8,650,741	7,054,542	(69,686,174)	358,035,390
Allowance for impairment					
Plastic City Corp.	22,466,500	–	–	–	22,466,500
Forum Holdings Corp.	9,714,260	–	–	–	9,714,260
International Polymer Corp.	6,693,685	–	–	(6,597,366)	96,319
Kennex Container Corp.	3,620,012	–	–	(830,874)	2,789,138
Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	–	2,310,405
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
Rexlon Industrial Corp.	5,894	–	–	(5,894)	–
	53,279,960	–	–	(7,434,134)	45,845,826
	₱ 358,736,321	₱ 8,650,741	₱ 7,054,542	(₱ 62,252,040)	₱312,189,564

Details of the Parent Company's advances from related parties as at December 31, 2015 and 2014 are as follows:

December 31, 2015	At beginning of Year	Additional advances from related parties	Settlement/ Reversal	At end of year
Common key management				
Concept Moulding Corp.	₱ 3,830,646	–	–	₱ 3,830,646
The Wellex Group, Inc.	–	–	–	–
Pacific Rehouse Corp.	27,738,603	–	(33,860)	27,704,743
Waterfront Cebu City Hotel	97,754,457	–	(5,700,000)	92,054,457
Manila Pavilion	166,530	–	–	166,530
	₱129,490,236	₱ –	(₱ 5,733,860)	₱123,756,376

a) *Plastic City Corporation (PCC)*

Advances to PCC represent interest bearing cash advances which bears an interest of 13% per annum. In 2009, PCC committed to pay by way of transfer of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at P6,450/sq.m. The transfer, however, did not materialize in 2009 because of an impending “Lis pendens” case that was resolved with finality only on March 26, 2010. Subject properties were purchased by Plastic City Corporation from the Philippine National Bank (foreclosed properties) which were subject of the abovementioned case filed by Quisumbing et, al. The Supreme Court issued its final decision, in favor of PNB.

On May 2, 2011, PCC and the Group re-entered into a memorandum of agreement wherein PCC will transfer the ownership of the said properties as payment to its outstanding obligation to the Group. As at December 31, 2014 and 2015, the outstanding advances to PCC has not been settled pending transfer of property from PNB to PCC.

b) *Forum Holdings Corp. (FPH), International Polymer Corporation (IPC), Kennex Container Corp. (KCC), Orient Pacific Corporation (OPC) , and Heritage Pacific Corporation (HPC)*

In 2009, FPH, IPC, KCC, OPC, HPC and PRC executed respective unsecured promissory notes (PN) to cover their respective outstanding advances to the Parent Company with terms ranging from three to five years and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term and an interest of two percent (2%) per annum. These cash advances are to be settled through cash payments.

c) *Noble Arch Realty and Construction Corporation (NARCC)*

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters.

For the purpose of paying the obligation arising from the abovementioned contract, NARCC sought the assistance of the Group through subsequent interest bearing cash advances.

In 2008, for the purpose of paying off its advances from the Group, NARCC executed a Deed of Assignment, conveying to the Group, all its rights, interest and title under the Contract to Sell between NARCC and Union Bank.

As at December 31, 2014 and 2013, the deed of assignment is pending due to the delay in the transfer of ownership from the bank to the Group (assignee).

Subsequent to December 31, 2014, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines on March 23, 2015.

d) Metro Alliance Holdings and Equity Corporation (MAHEC)

The Parent Company provides unsecured advances to Metro Alliance Holdings and Equity Corporation with principal amount of ₱2,152,577 which bear interest at the rate of 2% per annum. The Parent Company and MAHEC has not yet agreed on the mode of settlement of advances. The PN was renewed in 2014 for a three-year term which will mature in 2017 and an interest of two percent (2%) per annum.

e) Installment contract receivables from TWGI and IPC

In addition to the advances made to related parties, the Group also has installment contracts receivables from related parties due beyond one year as follows (see Note 5):

	2015	2014
The Wellex Group, Inc.	₱ 27,552,410	₱ 37,089,286
International Polymer Corporation	10,005,519	10,807,989
	₱ 37,557,929	₱ 47,897,275

Though some of the Group's advances to and installment contracts receivables have no significant movements during the year, management is confident that these are collectible in full through cash payment or by way of transfer of properties.

Principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held:

The Company does not hold any patent, trademark, copyright, franchise, concession, or royalty agreement. Our project names, i.e. subdivision names, are submitted to, and approved by the Housing and Land Use Regulatory Board (HLURB) which limits the use of project names on a first come-first served basis. The project names serve as the marks or labels of our products (real estate projects), but as of now they are not materially significant yet to merit special accounting valuation or accounting claim as asset for disclosure purposes.

Effect of existing or probable governmental regulations on the business:

The Company seeks to comply with all governmental requirements concerning its business. Lengthy processing period in the issuance of permits and clearances poses a detriment in terms of marketing and selling the Company's projects.

All projects of the Company are approved and duly covered by pertinent permits.

Cost of Development Activities:

The Company incurred P7.068M, P2.194M, P5.244M, P1.529M, and P0.185M, as costs for development activities in years 2015, 2014, 2013, 2012, and 2011 respectively. These figures represent 2.76%, 1.64%, 0.54%, and 0.74% of the revenue for the respective years.

Out of the P7.068M incurred for cost of development activities for 2015, P1.414M represents advance 20% socialized housing counterpart credits as required by HLURB Memorandum Circular No. 25 dated October 12, 2006 pursuant to Section 18 of the R.A. No. 7279, the beneficiary being Megaworld Homeowners Association's Subdivision, a resettlement (socialized) project under the supervision of the LGU, through the Iloilo City Urban Poor Affairs Office more particularly described as Lot No. 4502-A covered by TCT No. T-6956 (T-15753) with an area of 30,000 sqm located at Barangay Lanit, Jaro, Iloilo City.

Cost and effect of compliance with environmental laws:

The Company's development plans provide for full compliance with environmental safety and protection in accordance with law. The Company provides the necessary sewage systems and ecological enhancements such as open space landscaping with greenery.

Need for any governmental approval of principal products and services.:

The company secures the necessary permits and licenses from various government agencies for the development and selling of its projects. Among such permits are the Environmental Compliance Certificate (ECC) from DENR, Development Permit from local government unit, and License to Sell (LTS) from the Housing and Land Use Regulatory Board.

Total number of employees:

Currently, the Company has a total of sixty six (66) employees.

	Cebu	Davao	HO	Iloilo	Grand Total
Admin	9	2	23	7	41
Marketing	1		2	2	5
Operations	4		14	2	20
Grand Total	14	2	39	11	66

None of them is subject to any collective bargaining agreement.

The Company has a funded, noncontributory tax-qualified defined benefit type of pension plan covering substantially all of its employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 100% of the latest monthly salary per year of service.

Item 2. Properties

The Company has the following real estate properties:

<u>PROJECT/ PROPERTY</u>	<u>LOCATION</u>	<u>AREA</u>	<u>REMARKS</u>
Pacific Grand Villas 1	Mactan Island Cebu	10.2 has (531 lots)	Completed
Pacific Grand Villas 2	Mactan Island Cebu	8.70 has (261 lots)	Completed
Pacific Grand Villas 3	Mactan Island Cebu	8.40 has	Completed
Pacific Grand Villas 4 4A 4B	Mactan Island Cebu	6.70 has	75.6% Complete 98.52% Complete
Pacific Grand Townhomes	Mactan Island Cebu	7,359 sqm.	69.52% Complete
MetroTech Industrial Park (formerly Plastic City Industrial Park)	Valenzuela City	30 has (110 lots)	Completed
Chateaux Geneva (JV w/ PRC)	Jaro, Iloilo City	10 has (421 lots)	Completed
Pearl of the Orient Tower (formerly Embassy Pointe Tower) (JV w/ Pearl of the Orient Realty & Devt. Corp.)	Roxas Blvd.	7,600 sqm. (91 units)	Completed
Costa Smeralda (Coastal Villas) Jaro, Iloilo		8.9 has	55.83% Complete Model units constructed

Facilities owned by the company are generally in good condition.

We secured a credit line/loan from Luzon Development Bank in the amount of Pesos Thirty Five Million (P35,000,000.00) in 2012 and additional ₱35 million during the 2015, obtained for working capital requirements. The notes carry interest rate of 10% p.a. and payable in 6 years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱16.87 million. .

Item 3. Legal Proceedings

An action for Certiorari and Prohibition was instituted before the Court of Appeals by the Registrant on July 23, 2003, under Case No. CA-G.R. Sp. No. 78192, entitled “PHES vs. Hon.

Cesar D. Santamaria in his capacity as Presiding Judge of RTC Makati Branch 146, et. al.”, praying for the annulment of two (2) orders of respondent Judge, dissolving the writ of preliminary injunction and enjoining him from further taking cognizance of the case. This involves a mortgage sale of a raw land property of the Corporation against a bank debt.

Relanie R. Acuesta vs. PHES – HLURB Case No. REM – 071805015 (Iloilo). For rescission of contract with refund and attorney’s fees. Case was appealed from the Court of Appeals to the Supreme Court, which rendered a decision in favor of complainant. PHES settled with complainant based on court decision.

PHES vs. Norsophil – Civil Case No. 122-V-03 – RTC Br. 75, Valenzuela City. For specific performance with prayer for writ of preliminary attachment. Case submitted for decision.

Davis vs. PHES HLURB (Cebu) Case No. REM-CVR-111511-0686 for Non-Delivery of Title with Damages. Case was elevated to the Office of the President (O.P.) Case was submitted for Decision. Awaiting decision of the O.P.

Bongato vs. PHES Civil Case No. 73010-PSG RTC Branch 67 - Pasig City, for Collection of Sum of Money with Damages filed by a previous contractor against PHES. During mediation, the parties entered into a Compromise Agreement and submitted to the Honorable Court for its approval. Judgment was rendered based on the Compromise Agreement.

Ybañez vs. PHES HLURB (Cebu) Case No. REM-CVR-020912-0694 for Issuance of Title, Deed of Absolute Sale or Refund of Money with Damages. PHES already filed its Answer and this case was set for Mediation Conference. During mediation, the parties decided to settle amicably. A Compromise Agreement was duly executed and submitted for the approval of the Labor Arbiter. Judgment was rendered based on Compromise Agreement.

Philippine Estates Corporation (PHES) vs Sps Marcel and Rosemarie Foyle CA GR SP No. 135020; HLURB Case no REM VII-0030805-0480 for Rescission of Contract with Damages and Attorney’s Fees. Case still pending with the Court of Appeals. The contending parties were directed to submit their respective Memorandum.

Southstar Construction and Development Corporation represented by Ambrosio G. Buenaventura, Jr. vs. Kenneth T. Gatchalian Civil Case No. 1671-07, this is a case for Collection for Sum of Money with Damages. Case is pending on Petition for Review with the Court of Appeals.

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

During the Annual Stockholders’ Meeting held on October 9, 2015, the following matters formed part of the Agenda and were submitted to the vote of, and were subsequently approved by a unanimous vote of the stockholders owning 61.37% of the shares issued and outstanding:

1. Call to order.
2. Report on attendance and quorum.
3. Approval of Minutes of the Previous Stockholders’ Meeting
4. President’s Report to the Stockholders’ for the year 2014
5. Ratification of the Acts of the Board of Directors and Management for 2014
6. Election of Directors for the Ensuing Team
7. Appointment of External Auditor
8. Such other matters
 - a. Amendment of Article FOURTH of Articles of Incorporation

Re Principal office from Metro Manila to 35th Floor, One Corporate Center, Doña Julia Vargas Ave., cor Meralco Ave., Ortigas Center, Pasig City, Metro Manila

9. Adjournment

(a) Elected members of the Board of Directors:

NAMES	AGE	CITIZENSHIP
KENNETH T. GATCHALIAN	40	FILIPINO
ELVIRA A. TING	55	FILIPINO
DEE HUA T. GATCHALIAN	66	FILIPINO
JOAQUIN P. OBIETA	80	FILIPINO
ARTHUR R. PONSARAN	71	FILIPINO
ARTHUR M. LOPEZ	68	FILIPINO
RENATO B. MAGADIA	77	FILIPINO
MIGUEL B. VARELA*	74	FILIPINO
SERGIO R. ORTIZ-LUIS, JR*	71	FILIPINO
JAMES B. PALIT-ANG	51	FILIPINO
RICHARD L. RICARDO	52	FILIPINO

* Independent Directors

(b) Elected External Auditor: Diaz Murillo Dalupan & Company

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS:

Some of the directors and executive officers were involved in certain proceedings specifically: Lily Y. Part vs. Antonio Henson, Elvira A. Ting, Arthur R. Ponsaran, Joaquin P. Obieta, Lisandro Abadia, Yolanda T. dela Cruz, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur M. Lopez, Renato B. Magadia, James B. Palit-Ang and May Castillo, for violation of P.D. 957 and Syndicated Estafa. The same is pending with the Office of the City Prosecution of Iloilo City, and was consequently dismissed by the same office for lack of merit. The complainant in the same case elevated the matter to the Department of Justice on Petition for review. Neither of said respondents have been convicted by final judgment in any criminal proceedings, or has been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor, found in an action by any court or administrative bodies to have violated a securities and commodities law.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

1. Market Information

- The shares of the Company are traded at the Philippine Stock Exchange.

The high and low sale prices for each quarter within the last two (2) fiscal years are as follows:

	2015		2014	
	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>
Q1	0.400	0.335	0.47	0.340
Q2	0.360	0.290	0.380	0.380
Q3	0.335	0.230	0.420	0.325
Q4	0.34	0.240	0.470	0.340

- The sale price as of December 31, 2015 was P0.285.

2. Holders

The number of holders of common shares as of December 31, 2015 was 709.

Names of the Top Twenty (20) shareholders as of December 31, 2015, the number of shares held, and the percentage of total shares outstanding held by each.

Rank	Stockholder's Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation (Filipino)	678,896,360	46.96
2	Rexlon Realty Group, Inc.	200,000,000	13.83
3	Ropeman International Corp.	178,270,000	12.33
4	The Wellex Group, Inc.	143,892,990	9.95
5	PCD Nominee Corporation (Non-Filipino)	80,272,000	5.55
6	Recovery Development Corp.	3,000,900	0.20
7	Vicente C. Co	1,575,000	0.10
8	Richard L. Ricardo	1,230,000	0.08
9	Renato B. Magadia	1,000,000	0.06
10	Anthony Samuel Lee	900,000	0.06
11	International Polymer Corp.	718,000	0.05
12	Juliet Bangayan	545,000	0.03
13	Rodolfo S. Estrellado	500,000	0.03
14	Elvira A. Ting	500,000	0.03
15	Benison L. Co	364,000	0.02
16	Kenneth T. Gatchalian	320,000	0.02
17	Carolina G. Aquino	250,000	0.01
18	Betty S. Chan	250,000	0.01
19	Neptali A. Gonzales	250,000	0.01
20	Recovery Real Estate Corp.	150,000,000	10.37

3. Dividends

- (a) No cash dividends were declared on the Company's common equity for the last three fiscal years.
- (b) Common shares are entitled to dividends which shall be payable out of the Company's surplus profits. Dividends shall be declared at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared if this will impair the capital of the Company.

4. Recent Sale of Unregistered Securities

There has been no sale of unregistered securities within the past three (3) years.

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

A) FULL FISCAL YEAR:

Results of Operations:

In the year 2015, the Company was able to post a consolidated net sales of P123.804M compared to P118.708M sales of 2014 which shows a increase of 4.29%.

The Company's current ratio registered at 1:5.18. Current Assets reached P883.336M while Current Liabilities registered at P170.690M. Debt-to-equity ratio registered at 1:0.37. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.442B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

- a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.
- d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.
- e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

<u>INDICATOR</u>	<u>2015</u>	<u>2014</u>
Return on Sales	0.90%	11.26%
Past Due Ratio	N/A	15.17%
Gross Profit Rate	55.29%	53.02%
Working Capital Turnover	0.190	0.095
Sales Variance	4.00	-24.04%

Financial Condition:

Causes of material changes from period to period of financial statements:

- a. Current Trade Receivables – the decrease of 29.83% was due to improved collection on sales
- b. Accounts Payable and Accrued Expenses – the decrease of 29.15% was due to payment to contractors and suppliers
- c. Retention Payable and Guaranty bonds – the 3.92% decrease pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.
- d. Deferred Gross Profit – the increase of 3.48% was due to sales generated for the year.

ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:

Results of Operations:

In the year 2014, the company was able to post a consolidated net sales of P118.708M compared to P189.78M sales of 2013 which shows a decrease of 37%.

The Company's current ratio registered at 358.95:1. Current Assets reached P817.886M while Current Liabilities registered at P227.853M. Debt-to-equity ratio registered at 1:38.31. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.455B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

- a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.
- d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.
- e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained vis a vis forecasted sales.

<u>INDICATOR</u>	<u>2014</u>	<u>2013</u>
Return on Sales	11.26%	18.72%
Past Due Ratio	15.17%	28.09%
Gross Profit Rate	53.02%	43.30%
Working Capital Turnover	0.095	0.098
Sales Variance	-24.04%	-9.08%

Financial Condition:

Causes of material changes from period to period of financial statements:

1. Cash and Cash Equivalents – the significant increase of 391.56% was basically attributable to improved collection on sales, proceeds from loans and settlement from Kumassie plantation.

2. Prepayments and Other Assets – the 11.98% decrease was due to usage of creditable withholding taxes
3. Current Trade Receivables – the decrease of 12.14% was due to improved collection on sales
4. Deferred Tax Liability – the 16.00% decrease was due to adjustment on Deferred Gross profit
5. Accounts Payable and Accrued Expenses – the decrease of 14.60% was due to payment to contractors and suppliers
6. Loans Payable - the increase of 7.52% was the result of additional loan availed from CV Financial Corp
7. Retention Payable and Guaranty bonds – the 26.45% decrease pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.
8. Deferred Gross Profit – the increase of 20.99% was due to sales generated for the year.
9. Retirement benefit liability – the 82% decrease was due to the revaluation of retirement benefit obligation based on the expense recognized in 2013.

Results of Operations:

In the year 2013, the company was able to post a consolidated net sales of P189.779M compared to P92.986M achievement of 2012 which shows an increase of 104%.

The Company's current ratio registered at 356.79:1. Current Assets reached P810.617M while Current Liabilities registered at P227.196M. Debt-to-equity ratio registered at 1:44.14. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.493B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

- a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
- b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.
- c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

- d. Working Capital – The Company’s ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.
- e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

<u>INDICATOR</u>	<u>2013</u>	<u>2012</u>
Return on Sales	18.72%	18.72%
Past Due Ratio	28.09%	23.37%
Gross Profit Rate	43.30%	47.98%
Working Capital Turnover	0.098	0.098
Sales Variance	-9.08%	-62.81%

Financial Condition:

Causes of material changes from period to period of financial statements:

- i. Cash and Cash Equivalents – the significant decrease of 70.01% was basically attributable to improved payment of prior years’ payables and current payables particularly to contractors to finance on-going projects.
- ii. Prepayments and Other Assets – the 40.30% increase was due to Creditable withholding taxes paid
- iii. Noncurrent Trade Receivables – the increase of 29.68% was due to increased sales
- iv. Deferred Tax Assets – the 470.81% decrease was due to adjustment on Deferred Gross profit
- v. Loans Payable - the increase of 55.99% was the result of additional loan availed from CV Financial Corp amounting to P30M
- vi. Advances from Related Parties – the increase of 66.83% was due to advances from related parties for working capital requirements.
- vii. Retention Payable and Guaranty bonds – the 18.21% increase pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.
- viii. Deferred Gross Profit – the increase of 9.69% was due to increase in sales.
- ix. Customers’ Deposits – the decrease of 28.85% was due to increase in reported sales.
- x. Retirement benefit liability – the 100% increase was due to the expense recognized for the year based on valuation for 2013.

PLAN OF OPERATION

For 2016, the Company plans to complete the site development works of Pacific Grand Townhomes Phase 1 and Phase 4 of Pacific Grand Villas in Cebu, as well as, Costa Smeralda in Iloilo.

Several houses will also be constructed in these projects and shall be sold as house and lot packages given the strong demand for ready to move-in units. Site improvements shall also be done so as to improve marketability.

To support its liquidity, the company is offering attractive and flexible payment terms to its buyers and has also accredited new contractors which can deliver built units faster so as to expedite collection of loan proceeds from partner institutions. Pre-selling funds shall also be used and CTS Financing are being explored especially for the forthcoming new projects.

New Residential and Commercial Projects

With Management's direction to turn around the Company for the better, the year 2016 is expected to be more exciting for the Company as it embarks on launching three major residential projects as well as its first commercial development in Mactan as a start to building its recurring income portfolio.

In the second semester of this year, the company will launch its "Win Hotel" brand built around the Condotel development concept.

Identified locations for condotels are Mactan in Cebu and Dasmarias in Cavite. The professional management team of Waterfront Hotels shall be tapped to operate these Hotels which are expected to generate for the investor approximately 7% to 15% annual ROI.

An investment in a Win Hotel unit will allow unit owners a number of days free stay per year as well as a chance to own a piece of a 3-Star quality budget hotel in a prime location.

Operating income of the hotel is expected to cover for its operating expenses thus there will be no association dues on the part of the unit owner during the hotel's operating years.

The basic features of a Win Hotel are grand lobby and lounge, reception/reservation counter, concierge services, high-speed elevator/s, swimming pool, meditation garden, fitness center, childrens' playroom, meeting rooms, breakfast lounge and airport transfer services, free wi-fi connectivity among others as well as back offices for operations. Commercial spaces on the ground floor will also provide for coffee shops, restaurants and basic support services for guests.

Other Notes to Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer's liquidity;**

At present, the uncertainty that has a material impact on sales is the economic situation. The seemingly improving economic situation has not translated into a significant buying mood for the real estate market. As a result, there are contingencies that may affect future

operations of the company the resolution of which are dependent to a large extent on the efficacy of the fiscal measures and other actions.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company.

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reported period.

- **Any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.**

There were no material commitments for capital expenditures except those arising from the ordinary project development requirements that were well within the regular cash flow budget coming from internally generated funds.

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

Projects are launched any time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks. The Company periodically reviews its capital structure and existing obligations.

Item 7. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Annual Report.

Item 8. Changes in or Disagreements With Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with the Company's external auditors on accounting and financial disclosures.

Independent Public Accountant

The Company's independent public accountant is the accounting firm of Diaz, Murillo, Dalupan and Co. The same external auditor might be recommended by the Board of Directors at the Annual Meeting of Stockholders. The representatives of the external auditor are expected to be present at the Meeting, where they will have the opportunity to make a statement if they so desire.

(a) Audit and Audit-Related Fees

	YEAR	AMOUNT
1. Audit of Financial Statement	2015	P 480,000.00
	2014	470,000.00
2. No audit fees for other related services		

(b) Tax Fees

2015	nil
2014	nil

(c) All other fees

No other fees were billed and paid during the last two (2) fiscal years.

(d) The external auditor regularly tenders an audit engagement proposal that the Company's Audit Committee reviews. The Audit Committee looks into the audit plan, scope and frequency of the audit and regularly holds committee meetings with the external auditor.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. Respective business experience of the Members of the Board of Directors and Officers covering the past five (5) years:
 - a. **DEE HUA T. GATCHALIAN** – 66 years old, Filipino (**Chairman**)
 - President – Wellex Industries, Inc.
 - Vice President/Director – The Wellex Group, Inc.
 - Chairwoman and President – Westland Pacific Properties Corp.
 - Chairwoman and President – Palawan Estates Corp
 - b. **KENNETH T. GATCHALIAN** – 40 years old, Filipino (**President/CEO**)
 - President – Wellex Industries, Inc.
 - Vice President/Director – The Wellex Group, Inc.
 - Treasurer/Director – Forum Pacific, Inc.
 - Vice Chairman – Waterfront Philippines, Inc.
 - c. **ELVIRA A. TING** – 54 years old, Filipino (**Director/CFO**)
 - Director/ Vice Chairman – Forum Pacific, Inc.
 - Vice President – Wellex Industries, Inc.
 - Director/ Treasurer – Waterfront Philippines, Inc.
 - Treasurer /Director – Acesite Philippines, Inc.
 - Former Director – Metro Alliance Holdings
 - Chairwoman and President – Orient Pacific Corp.
 - Chairwoman and President – Rexlon Realty Group, Inc.
 - Corporate Treasurer – Pacific Rehouse Corp.
 - Chairwoman and President – Crisanta Realty & Development Corp
 - Chairwoman and President – Heritage Pacific Corp.
 - d. **JOAQUIN P. OBIETA** - 81 years old, Filipino (**Director/Corporate Secretary**)
 - Managing Partner – Corporate Counsels, Phils.
 - Director – Forum Pacific, Inc.
 - e. **RENATO B. MAGADIA** – 77 years old, Filipino (**Director**)
 - Chairman – ZetaMark, Inc., Mabuhay Vinyl Corporation, Metro Alliance Holdings & Equities Corporation
 - Vice Chairman – Acesite (Phils.) Hotel Corporation
 - f. **ARTHUR M. LOPEZ** – 68 years old, Filipino (**Director**)
 - Country Representative – CCA Management B.V.
 - Consultant – Bellevue Resort, Bellevue Suites and Palmerston Hotel
 - Chairman – Acesite Philippines Hotel Corporation
 - Director – Waterfront Hotels
 - g. **ARTHUR R. PONSARAN** - 71 years old, Filipino (**Director/Treasurer**)
 - Managing Partner – Corporate Counsels, Phils.
 - Chairman – Value Management & Options Corp. and Marfour Credit Corporation
 - h. **MIGUEL VARELA** – 74 years old, Filipino (**Independent Director**)
 - Chairman Emeritus – Philippine Chamber of Commerce and Industry

- Chairman – Employers Confederation of the Philippines
 - Director – Philippines, Inc.
 - President – Phil. Association of Voluntary Arbitration Foundation, Inc.
 - Independent Director – Wellex Industries, Inc.
 - Independent Director – Metro Alliance Holdings & Equities Corp.
 - Independent Director, Vice Chairman – Megaworld Corporation
 - Independent Director – Global Estates Resorts, Inc.
 - Independent Director – Emperador, Inc.
- i. **RICHARD L. RICARDO** - 52 years old, Filipino (**Director**)
- Vice President for Strategic Initiatives – The Wellex Group, Inc.
 - Vice President for Corporate Affairs – Acesite (Phils.) Hotel Corporation
 - Corporate Affairs Officer – Waterfront Philippines, Inc.
 - Director – Wellex Industries, Inc.
 - Director – Forum Pacific Inc.
 - Vice President for Corporate Affairs – Metro Alliance Holdings & Equities Corp.
- j. **JAMES B. PALIT-ANG** – 51 years old, Filipino (**Director/VP- Property Management**)
- Chairman & President – Noble Arch Realty & Construction Corp.
 - Chairman & President - Crisanta Realty Development Corp.
 - Director & Corporate Treasurer – Pacific Rehouse Corporation
 - Vice President – Forum Holdings Corp.
 - Chairman and President – Pacific Concorde Corp.
 - Treasurer – Metro Alliance Holdings & Equities Corp.
- k. **SERGIO R. ORTIZ-LUIS, JR.**- 71 years old, Filipino (**Independent Director**)
- President – Philippine Exporters Confederation, Inc.
 - Independent Director – Waterfront Philippines, Inc.
 - Director – Rural Bank of Baguio
 - Vice Chairman - Alliance Global, Inc.
 - Independent Director – BA Securities
- l. **MARIEL FRANCISCO** – 33 years old, Filipino (**Asst. Corporate Secretary**)
- Associate – Corporate Counsels, Philippines
 - Corporate Secretary – Wellex Industries, Inc.

The term of office of the Directors is one (1) year. All of the directors and executive officers, except for Messrs. Joaquin P. Obieta, Sergio R. Ortiz-Luis, Jr., James B. Palit-Ang, Richard L. Ricardo and Miguel B. Varela have served for fifteen (15) years.

2. There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business.
3. Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters. Ms Dee Hua T. Gatchalian is the mother of Kenneth T. Gatchalian.
4. None of the directors or officers of the registrant has been involved in any bankrupt petition, or a violation of a Securities or Commodities Law nor has been convicted by final judgment, nor has been subjected to any order or decree.

Item 10. Executive Compensation

1. Estimated Compensation :

<i>Name and Principal position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other Annual Compensation (13th Mo.)</i>
MANOLO B. FERNANDEZ VP – Operations/COO	2015	₱ 504,000.00	0.00	₱72,000.00
ROBERTO M. ANTONIO VP – Construction	2015	₱ 390,000.00	0.00	₱ 78,000.00
JAMES B. PALIT-ANG VP – Property Mgmt	2015	₱ 600,000.00	0.00	₱ 50,000.00
RIA CHRISTINA G. FRANCO Finance Head	2015	₱ 320,625.00	0.00	₱ 33,750.00
FERDINAND P. HALILI Operations Head	2015	₱ 420,000.00	0.00	₱ 35,000.00
BRANDO M. BULOSAN Planning and Design Head	2015	₱ 360,000.00	0.00	₱ 30,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2015 is P3,434,625.00

<i>Name and Principal position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other Annual Compensation (13th Mo.)</i>
ELVIRA A. TING President & CEO	2014	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Land management	2014	P 585,000.00	0.00	P 48,750.00
RIA CHRISTINA G. FRANCO Finance Head	2014	P 405,000.00	0.00	P 33,750.00
FERDINAND P. HALILI Operations Head	2014	P 405,000.00	0.00	P 33,750.00
BRANDO M. BULOSAN Planning and Design Head	2014	P 360,000.00	0.00	P 30,000.00

Ria Christina G. Franco was employed as Finance Head up to October 2015. Jocelyn A. Valle assumed the position from September 21, 2015.

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2014 is P2,811,250.00.

<i>Name and Principal position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other Annual Compensation (13th Mo.)</i>
ELVIRA A. TING President & CEO	2013	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Land management	2013	P 540,000.00	0.00	P 45,000.00
TERESITA C. ROQUE Finance Head	2013	P 210,000.00	0.00	P 17,500.00
RIA CHRISTINA G. FRANCO Finance Head	2013	P 180,000.00	0.00	P 15,000.00
BRANDO M. BULOSAN Planning and Design Head	2013	P 330,000.00	0.00	P 27,500.00
FERDINAND P. HALILI Operations Head	2013	P 360,000.00	0.00	P 30,000.00

Teresita C. Roque was employed as Finance Head up to June 2013. Ria Christina G. Franco assumed the position from July 1, 2013 on probationary status. The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2013 is P2,665,000.00

1. Each member of the Board of Directors is given P 10,000.00 per diem for attendance in a special or regular board meeting and P5,000 for attendance in a committee meeting.
2. Mr. Antonio A. Henson is given a retainer's fee in the amount of P50,000.00 per month.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners:

<u>Class</u>	<u>Name and Address of Record/Beneficial Owner</u>	<u>Citizenship</u>	<u>Amount and Nature Record/Beneficial Ownership ("r" or "b")</u>	<u>% to Total</u>
Common	RECOVERY REAL ESTATE CORP. * 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 150,000,000 "r"	10.377%
Common	REXLON REALTY GROUP, INC. ** 22 nd FLR. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY	FILIPINO	P 200,000,000 "r"	13.836%
Common	ROPEMAN INT'L., CORP. *** #7 T. SANTIAGO STREET CANUMAY, VALENZUELA METRO MANILA	FILIPINO	P 178,270,000 "r"	12.332%

Common	THE WELLEX GROUP, INC. **** 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 143,892,990 ‘r’	9.954%
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2. Security Ownership of Management

<u>Class</u>	<u>Name and Address of Record/Beneficial Owner</u>	<u>Citizenship</u>	<u>Amount and Nature Record/Beneficial Ownership (“r” or “b”)</u>	<u>% to Total</u>
Common	Elvira A. Ting CFO/Director	Filipino	500,000	0.035%
Common	Kenneth T. Gatchalian President/CEO	Filipino	320,000	0.022%
Common	James B. Palit-Ang VP – Land Mgt & Sp Proj	Filipino	1,000	0.000%
Common	Dee Hua T. Gatchalian Chairman	Filipino	2,000	0.000%
Common	Arthur M. Lopez Director	Filipino	1,000	0.000%
Common	Renato B. Magadia Director	Filipino	1,000,000	0.069%
Common	Joaquin P. Obieta Director/Corporate Secretary	Filipino	1,100	0.000%
Common	Sergio R. Ortiz-Luis, Jr. Independent Director	Filipino	1,000	0.000%
Common	Arthur R. Ponsaran Director/Treasurer	Filipino	1,000	0.000%
Common	Richard L. Ricardo Director	Filipino	1,230,000	0.085%
Common	Miguel B. Varela Independent Director	Filipino	1,000	0.000%

- ◆ Beneficial ownership of all directors and officers as a group unnamed = 3,058,000 shares.
- ◆ Voting Trust Holders of 5% or more
There are no voting trust holders of 5% or more of the securities of the registrant.
- ◆ Changes in Control
There has been no change in the control of the registrant since the beginning of its fiscal year.

* Recovery Real Estate Corporation is represented by Ms. Dee Hua T. Gatchalian

** Rexlon Realty Group, Inc. is represented by Ms. Dee Hua T. Gatchalian

*** Ropeman International Corporation is represented by Ms. Dee Hua T. Gatchalian

**** The Wellex Group, Inc. is represented by Ms. Dee Hua T. Gatchalian

Item 12. Certain Relationships and Related Transactions.

The company used to be known as Philippine Cocoa Estates Corporation. The Company then had a total issued and outstanding capital stock of 25,121,603 shares, of which, 25,035,115 were owned by Benguet Management Corporation (“Benguet”). In December 1995, Benguet sold its 25,035,115 shares to the Wellex Group, Inc. (“Wellex”). At present, Wellex holds 143,892,990 shareholdings in the Company.

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

Report on SEC Form 17-C was filed by the Company on October 9, 2015 with the following information:

“Please be informed that the annual meeting of the stockholders of PHILIPPINE ESTATES CORPORATION held today October 9, 2015, the following matters were taken up and acted upon by the Board and the Stockholders in the manner indicated:

1. The stockholders elected the members of the Board of Directors to serve for the term 2014-2015. Those elected regular members of the Board were:

Mr. Kenneth T. Gatchalian
Ms. Elvira A. Ting
Ms. Dee Hua T. Gatchalian
Mr. Arthur M. Lopez
Mr. Renato B. Magadia
Atty. Arthur R. Ponsaran
Atty. Joaquin P. Obieta
Mr. Richard Ricardo
Mr. James B. Palit-Ang
Mr. Sergio R. Ortiz-Luis, Jr. (Independent Director)
Mr. Miguel Varela (Independent Director)

2. The stockholders designated Diaz Murillo Dalupan & Company as the Corporation’s external auditors.
3. The stockholders designated Corporate Counsels, Philippines – Law Offices as the Corporation’s external counsel.

At the meeting of the Board held immediately after the Stockholders’ meeting, the newly elected Directors elected the following Corporate Officers:

a) Chairman	- Ms Dee Hua T. Gatchalian
b) President	- Mr. Kenneth T. Gatchalian
c) Treasurer	- Mr. Richard Ricardo
d) Corporate Secretary	- Atty. Joaquin P. Obieta
e) Asst. Corporate Secretary	- Atty. Mariel Francisco

AUDIT COMMITTEE

Atty. Miguel Valera (Chairperson)
Mr. Richard Ricardo (Member)
Mr. Arthur M. Lopez (Member)

COMPENSATION COMMITTEE

Ms. Dee Hua T. Gatchalian	(Chairperson)
Mr. Arthur M. Lopez	(Member)
Mr. Sergio Ortiz-Luis, Jr.	(Member)

NOMINATIONS COMMITTEE

Mr. Sergio Ortiz-Luis, Jr	(Chairperson)
Mr. Arthur Ponsaran	(Member)
Mr. Renato B. Magadia	(Member)

PART IV – CORPORATE GOVERNANCE

Please refer to attached Annual Corporate Governance Report for 2015

Please refer to attached ACGR

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this SEC FORM 17-A for the year 2015 is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of Pasig on April 12, 2016.

By:


DEE HUA T. GATCHALIAN
Chairman


KENNETH T. GATCHALIAN
President & CEO



ELVIRA A. TING
Chief Financial Officer


JOCELYN A. VALLE
Finance Head/Corp. Information Officer

SUBSCRIBED AND SWORN to before me this APR 12 day of PASIG CITY, 2016,
 affiants exhibiting to me their respective competent evidences of identity as follows:

Name	ID	Issuer
1. Dee Hua T. Gatchalian	117-922-138-000	Bureau of Internal Revenue
2. Kenneth T. Gatchalian	167-406-526-000	Bureau of Internal Revenue
3. Elvira A. Ting	117-922-153-000	Bureau of Internal Revenue
4. Jocelyn A. Valle	110-820-293-000	Bureau of Internal Revenue

Doc. No.: 191 ;
 Page No.: 39 ;
 Book No.: 2 ;
 Series of 2016 .


JOVANA ABOGA-A
 Notary Public for and in the City of Pasig
 Appointment No. 252 (2015-2016)
 Commission expires on Dec. 31, 2018
 35F One Corporate Center, Julia Vargas Ave.,
 corner Meralco Ave., Ortigas Center, Pasig City
 Roll No. 60963
 PTR No. 1384266; Jan 4, 2016, Pasig City
 IBP No. 014110 (Lifetime); E. Samar Chapter
 MCLE No. V-0004410, Oct. 20, 2014